

PROSPECTUS

October 19, 2006

BBVA-5 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS

ISSUE OF ASSET-BACKED BONDS

EUR 1,900,000,000

Series A1	EUR 1,472,800,000	AAA/Aaa/AAA
Series A2	EUR 200,000,000	AAA/Aaa/AAA
Series A3(G) *	EUR 130,300,000	AAA/Aaa/AAA
Series B	EUR 39,900,000	AA/A2/AA-
Series C **	EUR 57,000,000	AAA/Aaa/AAA

** Guaranteed by the Spanish State*

*** Guaranteed by the European Investment Fund*

Backed by loans assigned and serviced by

BBVA

Lead Managers



Series A2 Subscriber



Underwriters and Placement Agents

BBVA

Dresdner Kleinwort

JPMorgan

Banc of America

Calyon

IXIS Corporate & Investment Bank

Lehman Brothers

Paying Agent

BBVA

Fund established and managed by



edt Europea de
Titulización
Sociedad Gestora de Fondos de Titulización

Prospectus entered in the Registers of the Comisión Nacional del Mercado de Valores

Hecho Relevante de

BBVA-5 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS

En virtud de lo establecido en el Folleto Informativo de **BBVA-5 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS** (el “Fondo”) se comunica a la COMISIÓN NACIONAL DEL MERCADO DE VALORES el presente hecho relevante:

- Con fecha 1 de junio de 2016, la Sociedad Gestora, en nombre y por cuenta del Fondo, SOCIÉTÉ GÉNÉRALE, SUCURSAL EN ESPAÑA (“SG”) y BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (“BBVA”) han suscrito un contrato de novación modificativa no extintiva del Contrato de Apertura de Cuenta a Tipo de Interés Garantizado (Cuenta de Tesorería).
- Con motivo del contrato de novación anteriormente mencionado, el segundo párrafo del apartado 3.4.4.1 del Módulo Adicional a la Nota de Valores del Folleto del Fondo deberá leerse como sigue:

Apartado	Descripción
3.4.4.1 Módulo Adicional a la Nota de Valores (Cuenta de Tesorería): 2º párrafo	Los saldos positivos que resulten en la Cuenta de Tesorería, abierta en SG (el “Tenedor de la Cuenta”), devengarán intereses diariamente a un tipo de interés nominal anual que se calculará en base al tipo de interés EONIA diario que publica el Banco de España en su página oficial (el “EONIA”). (i) Si el EONIA fuera mayor a cero, los intereses se entenderán devengados a favor del Fondo, y el tipo de interés aplicable será el EONIA. El tipo de interés nominal resultante se expresará en tanto por ciento redondeado al cuarto decimal con equidistancia al alza. (ii) Si el EONIA fuera mayor o igual a -0,06% y menor o igual que 0%, no se devengarán intereses a favor de ninguna de las partes (Fondo y SG). (iii) Si el EONIA fuera menor a -0,06%, los intereses se entenderán devengados a favor de SG y el tipo de interés aplicable será el valor absoluto resultante de la adición de un margen del 0,06% (6 p.b.) anual (el “Margen”) al EONIA. El tipo de interés nominal resultante se expresará en tanto por ciento redondeado al cuarto decimal con equidistancia al alza. Dicho tipo de interés nominal anual será determinado por SG de acuerdo con lo establecido en los párrafos anteriores, calculándose sobre la base de un año natural compuesto por 365 días. Dicha remuneración podrá ser revisada a propuesta del Tenedor de la Cuenta el 1 de junio de cada año (la “Fecha de Revisión”) a contar desde el 1 de junio de 2017. La revisión deberá ser comunicada por SG a la Sociedad Gestora con 60 días de antelación a cada Fecha de Revisión. En el caso de no estar de acuerdo con la revisión comunicada, la Sociedad Gestora podrá decidir resolver este Contrato con efectos en la Fecha de Revisión, y SG deberá trasladar el importe depositado en la Cuenta de Tesorería (junto con, en su caso, los intereses devengados hasta la fecha de resolución) a la nueva cuenta de tesorería abierta a nombre del Fondo que le indique la Sociedad Gestora. No obstante lo anterior, durante el período de tiempo que medie entre la resolución del

Apartado	Descripción
	Contrato y el traslado del importe depositado en la Cuenta de Tesorería (junto con, en su caso, los intereses devengados hasta la fecha de resolución) a la nueva cuenta de tesorería que indique la Sociedad Gestora, SG mantendrá el importe depositado en la Cuenta de Tesorería, en el bien entendido de que se aplicarán a la misma las nuevas condiciones de remuneración a contar desde la Fecha de Revisión correspondiente. A los efectos anteriores, BBVA se compromete a realizar esfuerzos comerciales razonables para que la Sociedad Gestora pueda trasladar la Cuenta de Tesorería a una entidad que cuente con las calificaciones crediticias suficientes para que no se vean perjudicadas las calificaciones de los Bonos por las Agencias de Calificación. Las Partes se obligan incondicionalmente a otorgar cuantos documentos públicos o privados sean necesarios o convenientes para el traslado de la Cuenta de Tesorería de conformidad con los párrafos anteriores. SG no asumirá ningún coste derivado de la subrogación descrita en el párrafo anterior. Los intereses se liquidarán y pagarán mensualmente el primer día hábil de cada mes. La fórmula de cálculo para la obtención de los intereses diarios será la siguiente: saldo diario de la Cuenta de Tesorería, multiplicado por el tipo de interés nominal anual que corresponda, partido por 36.500.

Madrid, 1 de junio de 2016

Mario Masiá Vicente
Director General

**Material Event
concerning**

BBVA-5 FTPYME Fondo de Titulización de Activos

Pursuant to section 4.1.4 of the Securities Note Building Block of the Prospectus for **BBVA-5 FTPYME Fondo de Titulización de Activos** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- As a result of the downgrade of the unsecured and unsubordinated debt obligations of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (“**BBVA**”) and as provided for in the Financial Swap Agreement and in the Deed of Constitution, BBVA, with the Management Company’s consent, on behalf of the Fund, has agreed with SOCIÉTÉ GÉNÉRALE, a credit institution with place of business at 29 Boulevard Haussmann, Post Code 75009 Paris, that it is to take over as Party B on the following terms:
 - On December 18, 2013, BBVA and the Management Company, on behalf of the Fund, terminated the Financial Swap Agreement signed upon the Fund being established, based on the Spanish Banking Association’s standard Master Financial Transaction Agreement (CMOF).
 - On that same date, December 18, 2013, the Management Company, on behalf of the Fund, and SOCIÉTÉ GÉNÉRALE entered into a financial swap agreement based on the standard 1992 ISDA Master Agreement (Multicurrency-Cross-Border) and the year 2006 definitions in terms similar to the Financial Swap Agreement that was terminated.

The ratings for SOCIÉTÉ GÉNÉRALE’s short- and long-term unsecured and unsubordinated debt obligations assigned to the Rating Agencies are currently as follows:

	Moody’s	Fitch	S&P
Short-term rating	P-1	F1	A-1
Long-term rating	A2	A	A

- Following the execution of the new Financial Swap Agreement with SOCIÉTÉ GÉNÉRALE referred to above, the following sections of the Fund Prospectus shall henceforth read as follows:

Section	Description
3.4.7.1 Financial Swap: Section 8.	8. Actions in the event of change in Party B’s rating. i) Fitch Criteria. In the event that the rating of Party B’s unsecured and unsubordinated debt obligations should cease to be rated at least as high as A and F1 by Fitch, respectively for long- and short-term debt obligations (“Fitch’s Required Ratings”), then Party B will, at its own cost: (A) within fourteen (14) calendar days of the date of that downgrade, post cash collateral or securities collateral as security for performance of Party B’s obligations at an amount calculated based on the Financial Swap mark-to-market value and in terms of the Credit Support Annex; or (B) If posting that collateral is not possible, Party B shall, within thirty (30) calendar days of the date of that occurrence, and at its own cost, do one of the following:

Section	Description
	(a) obtain an unconditional, irrevocable first demand guarantee from a third party having Fitch's Required Ratings, to secure its obligations with respect to the Financial Swap Agreement; or (b) transfer all of its rights and obligations with respect to the Financial Swap Agreement to a replacement third party having Fitch's Required Ratings. (ii) Fitch Criteria (continued) In the event that the rating of Party B's unsecured and unsubordinated debt obligations should cease to be rated at least as high as BBB+ and F2 by Fitch, respectively for long- and short-term debt obligations, then Party B will, at its own cost: (A) within fourteen (14) calendar days of the date of that downgrade, post cash collateral or securities collateral, or increase the collateral posted, if any, under i) above, as security for performance of Party B's obligations at an amount calculated based on the Financial Swap mark-to-market value and in terms of the Credit Support Annex; or (B) If posting that collateral is not possible, Party B shall, within thirty (30) calendar days of the date of that occurrence, and at its own cost, do one of the following: (a) obtain an unconditional, irrevocable first demand guarantee from a third party having Fitch's Required Ratings, to secure its obligations with respect to the Financial Swap Agreement; or (b) transfer all of its rights and obligations with respect to the Financial Swap Agreement to a replacement third party having Fitch's Required Ratings. (iii) Fitch Criteria (continued) In the event that the rating of Party B's unsecured and unsubordinated debt obligations or should cease to be rated at least as high as BBB- and F3 by Fitch, respectively for long- and short-term debt obligations, then Party B will, at its own cost: (A) within fourteen (14) calendar days of the date of that occurrence, post cash collateral or securities collateral, or increase the collateral posted, if any, under i) and ii) above, as security for performance of Party B's obligations at an amount calculated based on the Financial Swap mark-to-market value y and in terms of the Credit Support Annex; y (B) Within thirty (30) calendar days of the date of that downgrade, and at its own cost, Party B shall do one of the following: (a) obtain an unconditional, irrevocable first demand guarantee from a third party having Fitch's Required Ratings, to secure its obligations with respect to the Financial Swap Agreement; or (b) transfer all of its rights and obligations with respect to the Financial Swap Agreement to a replacement third party having Fitch's Required Ratings.

Section	Description
	(iv) Moody's Criteria Party B irrevocably agrees 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 post cash or securities collateral to the Fund with an entity having the First Required Rating Threshold, in terms of the Credit Support Annex, within thirty (30) Business Days of the occurrence of that circumstance. Posting cash or securities collateral to the Fund may be avoided if one of the following is done: a) Obtaining a replacement with at least the Second Required Rating Threshold ("Eligible Replacement"). b) Obtaining a Credit Support Provider with the First Required Rating Threshold. (ii) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has at least 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 at least the Second Required Rating Threshold, or (B) obtain a replacement with at least the Second Required Rating Threshold ("Eligible Replacement") (or an Eligible 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 cash or securities collateral to the Fund with an entity having the First Required Rating Threshold, in terms of the Credit Support Annex. Party B's obligations under (i) and (ii) above, and the Early Termination events thereunder, 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 amount posted by Party B pursuant to (i) and (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 complying with the preceding obligations shall be payable by Party B. In the above connection, "Credit Support Provider" shall mean an institution providing an Eligible Guarantee with respect to present and future obligations of Party B under the Financial Swap Agreement. "Eligible Guarantee" shall mean an unconditional and irrevocable guarantee given by a Credit Support Provider jointly and severally (as principal obligor) that may be directly called by Party A, with respect to which (i) it is established that if the guaranteed obligation cannot be carried out without certain actions being taken by Party B, the Credit Support Provider shall use its best efforts to have Party B carry out those actions, (ii) (A) a law firm provides a legal opinion confirming that none of the payments made by the Credit Support Provider to Party A under the Guarantee results in any requirement for deduction or withholding for or on account of any tax, and that opinion has been notified to Moody's, or (B) the Guarantee determines that, if any such payment results in any requirement for deduction or withholding for or on account of any tax, that

Section	Description
	Credit Support Provider shall be bound to pay such additional amount in order for the net payment ultimately received by Party A (clear of taxes) to be equal to the total amount that Party A would have received had there been no such deduction or withholding, or (C) in the event that any payment (the "Principal Payment") under the aforesaid Guarantee is made net of deductions or withholdings for or on account of any tax, then Party B shall, under the Financial Swap Agreement, make an additional payment (the "Additional Payment") in order for the net amount received by Party A from the Credit Support Provider (clear of taxes), i.e. the sum of the Principal Payment and the Additional Payment, to be equal to the total amount that Party A would have received had there been no such deduction or withholding (assuming that the Credit Support Provider may be required to make such Additional Payment under the Guarantee); and (iii) the Credit Support Provider expressly and irrevocably waives any right to compensation under that Guarantee; and "Eligible Replacement" shall mean an entity that is legally able to satisfy the obligations due to Party A under the Financial Swap Agreement or its replacement (as the case may be) (A) with the Second Required Rating Threshold, or (B) whose present and future obligations due to Party A under the Financial Swap Agreement (or its replacement, as the case may be) are guaranteed under an Eligible Guarantee provided by a Credit Support Provider having the Second Required Rating Threshold. 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 are rated at least as high as A2 by Moody's, or (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 are 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 are rated at least as high as P-2 by Moody's and its long-term unsecured and unsubordinated debt obligations are rated at least as high as A3 by Moody's, or (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 are rated at least as high as A3 by Moody's. (v) S&P Criteria: (I) In accordance with the criteria published by S&P "Counterparty Risk Framework Methodology and Assumptions" dated November 29, 2012, in the event that the long-term unsecured and unsubordinated debt obligations of Party B (or its Credit Support Provider) should be downgraded below A (or other valid rating based on the option previously chosen by Party B in accordance with the aforementioned S&P Criteria), then Party B will: (A) within not more than 10 Business Days of the downgrade, and at its own cost, post cash or securities collateral to Party A, at an eligible amount, in accordance with the criteria set out in the Credit Support Annex; or (B) transfer all of its rights and obligations with respect to the Financial Swap Agreement to a replacement financial institution with long-term unsecured and unsubordinated debt obligations rated at least as high as A by S&P or other valid rating in accordance with the aforementioned S&P Criteria ("S&P's Required Rating"). The cash or securities collateral posted to the Fund shall in that case be returned to Party B.

Section	Description
	(II) In the event that the long-term unsecured and unsubordinated debt obligations of Party B (or its Credit Support Provider) should be downgraded below BBB+ (or other valid rating based on the option previously chosen by Party B in accordance with the aforementioned S&P Criteria), then Party B shall: (A) within 60 calendar days of that downgrade and at its own cost do one of the following: (a) transfer all of its rights and obligations with respect to the Financial Swap Agreement, to a replacement financial institution with S&P's Required Rating; or (b) procure a credit support provider suitable for S&P and with S&P's Required Rating to become co-obligor in respect of Party B's obligations with respect to the Financial Swap Agreement. While one of the above is done, Party B will keep cash or securities collateral posted to Party A, in accordance with the criteria set out in the Credit Support Annex.
3.4.7.1 Financial Swap: last paragraph but one	The Financial Swap Agreement shall be governed by English law and all matters, issues, disputes and claims arising in connection with the Financial Swap Agreement shall be referred to the English Courts.

Madrid, December 27, 2013

Mario Masiá Vicente
General Manager

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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 (“**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**”); and
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 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, 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 securities 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

In the event of insolvency of BBVA as Originator of the Loans, the assets belonging to the Fund, with the exception of money, because it is fungible, in the bankruptcy estate of BBVA shall be the property of and pass to the Fund, on the terms of articles 80 and 81 of Bankruptcy Act 22/2003, July 9, (the "**Bankruptcy Act**").

Subject to the above, both the Prospectus and the Deed of Constitution provide for certain means in order to mitigate the aforesaid effects in relation to money, because it is a fungible asset.

In this sense, in order to mitigate the consequences that an insolvency decree of the Originator could have in this connection on the Fund's rights, in particular, for the purposes of article 1527 of the Civil Code paragraph 3.3.1 of the Building Block provides that the assignment by BBVA to the Fund of the Loans shall not be notified to the Obligors or third-party guarantors or the insurers with which the Obligors may have taken out the damage insurance contracts, if any, attaching to the Mortgage Loans underlying the Pass-Through Certificates. Where the Loans have other security interests or third-party personal bonds other than a real estate mortgage, the assignment will not be initially notified either to the custodian of the assets, where that is an undertaking other than the Servicer, or to the Obligors' guarantors. Where the Loans have security interests in which the custodian of the assets is the Servicer proper, the same shall be deemed to have received notice of the transfer in the Deed of Constitution.

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, if any), of the transfer to the Fund of the outstanding 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, 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 Loans and collaterals with respect to third parties, fully on the terms given in section 3.7.2.1.7 of this Building Block.

Moreover, and for the same purposes of mitigating the aforesaid risk, provision has been made for certain means which 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 bankruptcy of the Management Company, it must be replaced by another management company in accordance with the provisions of article 19 of Royal Decree 926/1998.

The structure of the envisaged asset securitisation transaction does not, other than in the event of a breach by the parties, allow the existence of any cash amounts that could be included in the Management Company's estate because the Fund's income shall, on the terms provided for in this Prospectus, be paid into the account opened in the name of the Fund by the Management Company (that is involved in opening that account not only as a simple attorney for the Fund but as the Fund's authorised representative), and the Fund would therefore in that regard have a right of separation on the terms provided for in articles 80 and 81 of the Bankruptcy Act.

Subject to the above, insolvency of any of the parties involved (whether BBVA, the Management Company or any other of the Fund's counterparties) could affect their contractual relations with the Fund.

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 Loan repayment and to assumed Loan prepayment rates that may not be fulfilled. 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 B Bond interest payment and principal repayment is deferred with respect to Class A Bonds, whereas Series C Bond interest payment and principal repayment is in turn deferred with respect to Class A and Series B Bonds. However, there is no certainty that these subordination rules will protect Series A1, A2, A3(G), 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) Deferment of interest.

This Prospectus and the other supplementary documents relating to the Bonds provide for deferment 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 Bond interest is not subject to these deferment rules.

g) Bond Rating.

The credit risk of the Bonds issued by the Fund has been assessed by the following rating agencies: Fitch Ratings España S.A., 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.

3 Risks derived from the assets backing the issue.

a) Risk of default on the Loans.

Bondholders shall bear the risk of default on the 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 Loans. Under article 348 of the Commercial Code, BBVA is liable to the Fund exclusively for the existence and lawfulness of the Loans, and for the personality with which the assignment is made. 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 Loans, other than the undertakings contained in section 2.2.9 of the Building Block regarding substitution or redemption of Loans or 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. With the exception of the State guarantee given for the Series A3(G) Bonds and the European Investment Fund guarantee given for the Series C Bonds, on the terms respectively described in sections 3.4.2.3 and 3.4.2.4 of the Building Block, 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 Loans might reduce or indeed exhaust the limited hedging against 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. Additionally, that risk of default is covered for the Series A3(G) Bonds by the Spanish State guarantee and for the Series C Bonds by the European Investment Fund guarantee, respectively described in sections 3.4.2.3 and 3.4.2.4 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) Loan prepayment risk.

There will be a prepayment of the Loans pooled in the Fund when the Obligors prepay the portion of principal pending repayment on the Loans, or in the event that BBVA should be substituted in the relevant 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 4.9.2 of the Securities Note.

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-5 FTPYME 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 at its meeting held on July 18, 2006.

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 import.

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.

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.

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 November 30, 2009, inclusive.

The Fund’s fiscal year shall match a calendar year. However, the first fiscal year will exceptionally begin on the date of 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 section 1 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 an 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-5 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS" and the following short names may also be used without distinction to identify the Fund:

- BBVA-5 FTPYME FTA
- BBVA-5 FTPYME 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 was entered in the Official Registers of the CNMV on October 19, 2006.

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 of the Loans, shall proceed to execute on October 23, 2006 a public deed whereby BBVA-5 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BBVA will assign to the Fund Non-Mortgage Loans and Mortgage Loans, the latter by means of the issue of 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.

The Deed of Constitution may not be altered other than in exceptional events, provided that is permitted under the laws in force and subject to such statutory requirements as may be established. 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 March 15, 2039 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 an early liquidation ("**Early Liquidation**") of the Fund and thereby an 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 Loans yet to be repaid is less than ten (10) percent of the initial Outstanding Balance of the 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 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 (30) months from the date of the last maturity of the Loans, 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 an 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 an Early Liquidation of the Fund shall contain a description of (i) the event or events for which an 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 an Early Liquidation of the Fund and an Early Amortisation of the Bond Issue, the Management Company, for and on behalf of the Fund:

- (i) Notwithstanding the provisions of paragraph (iv) below, shall proceed to sell the Loans remaining in the Fund for a price of not less than the sum of the principal still outstanding plus interest accrued and not paid on the relevant Loans.
- (ii) Shall proceed to terminate such agreements as are not necessary for the Fund liquidation procedure.

- (iii) Shall be entitled to arrange for a credit facility, which shall be fully allocated to the early amortisation of the Bonds in the outstanding Series and repayment of amounts due to the State upon the State Guarantee being enforced for Series A3(G) and to the EIF upon the EIF Guarantee being enforced for Series C or upon the EIF Early Repayment Option being exercised, the financial cost of which (interest and fees and expenses, if any) may not exceed the average Nominal Interest Rate of Series A1, A2, A3(G), B and C (or instead and as the case may be the nominal interest rate applicable to the amount yet to be repaid to EIF of the amount it shall have paid for early repayment of Series C Bond principal) then outstanding, weighted by the Outstanding Principal Balance of each Series A1, A2, A3(G), B and C (or instead and as the case may be the amount yet to be repaid to EIF of the amount it shall have paid for early repayment of Series C Bond principal). 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 Loans or other remaining assets of the Fund, 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 Loans 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 Loans or other remaining assets still on the assets of the Fund, and/or may grant to the Fund the credit facility designed for the 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 Loans and 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 and repayment of amounts due to the State upon the State Guarantee being enforced for Series A3(G) and to the EIF upon the EIF Guarantee being enforced for Series C or upon the EIF Early Repayment Option being exercised.

4.4.4 Termination of the Fund.

The Fund shall terminate in any of the following events:

- (i) Upon the Loans 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 the final liquidation of the Fund on the Final Maturity Date on March 15, 2039 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, the assignment of the Loans to 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 Loans that are pending the outcome of legal or notarial proceedings instituted as a result of default by the 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 Loans 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 legally representing 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 pursuance of the provisions of the Ministerial Order dated December 28, 2001, amended by Economy Ministry Order ECO/1064/2003, April 29, relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing (the "**Order of December 28, 2001**") and in accordance with the legal system provided for by (i) Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies ("**Royal Decree 926/1998**") and implementing regulations, (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.I.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 additional provision five of Act 3/1994, April 14, 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 and amortisation is exempt from payment of Value Added Tax and Capital Transfer and Documents Under Seal Tax.
- (iii) The Fund is liable to pay Corporation Tax at the general rate in force from time to time, and which currently stands at 35%.
- (iv) As for returns on the Loans, including the Pass-Through Certificates, or other credit rights constituting Fund income, there shall be no Corporation Tax withholding or interim payment obligation.
- (v) Fund management and custody shall be exempt from Value Added Tax.
- (vi) The assignment of the Loans and the transfer to the Fund of the Pass-Through Certificates is a transaction subject to and exempt from Value Added Tax.

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 loans owned by BANCO BILBAO VIZCAYA ARGENTARIA S.A. (the “**Loans**”) granted to non-financial small and medium-sized enterprises (legal persons) (“SMEs”, as defined by the European Commission -Recommendation of May 6, 2003 replacing the Recommendation of April 3, 1996-) domiciled in Spain (the “**Obligors**”) and to issue asset-backed bonds (the “**Asset-Backed Bonds**” or the “**Bonds**”) designed to finance the acquisition of the Loans, the underwritten placement of which is targeted at qualified investors.

The selected loans may be classified based on their collaterals into:

- (i) Loans with real estate mortgage security and with additional security, if any, as specified in section (ii) below, originated in a public deed (the “**Mortgage Loans**”).

The Mortgage Loans 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.

- (ii) Loans without special security, secured by pledging money and/or units in investment funds, and/or with third-party personal guarantees, originated in a public document, which are enforceable (Civil Procedure Act article 517) (the “**Non-Mortgage Loans**”).

The Non-Mortgage Loans shall be directly assigned to the Fund upon being sold by BBVA and acquired by the Fund, on the terms provided for in section 3.3 of this Building Block.

In this Registration Document and elsewhere in the Prospectus the term “Loans” shall be used to refer collectively to the Non-Mortgage Loans and the Mortgage Loans or the Pass-Through Certificates perfecting their assignment.

Interest and repayment income on the Loans 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 of the series (the “**Series**”) making up the issue of Bonds and in the order of priority 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 the safety or regularity in payment of the Bonds, cover timing differences between the scheduled principal and interest flows on the 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 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 was involved in financially structuring 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**”) is the originator of the Loans to be assigned to the Fund upon being established, shall be a Lead Manager and a Series A1, A3(G), B and C Bond Underwriter and Placement Agent.

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 and DRESDNER KLEINWORT, structured the financial terms of the Fund and the Bond Issue and will, together with the other Lead Managers, do the following: (i) temporary and marketing actions and activities in connection with the offering for Bond Issue subscription, (ii) liaising with potential investors and being a Series A1, A3(G), B and C Bond subscription book runner, (iii) coordinating the other Underwriters and Placement Agents, and (iv) all other actions and activities provided for in respect of the Lead Managers in the Securities Note.

Moreover, BBVA shall be the Fund’s counterparty in the Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Financial Swap, Loan Servicing, 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
Short-term	F1+	P-1	A-1+
Long-term	AA-	Aa2	AA-

- DRESDNER BANK AG London Branch (“**DRESDNER KLEINWORT**”) shall be a Lead Manager and a Series A1, A3(G), B and C Bond Underwriter and Placement Agent.

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

DRESDNER KLEINWORT is a company incorporated in Germany with limited liability, registered under number FC007638 in England and Wales, of 30 Gresham Street, London EC2P 2XY, authorised by the Federal Financial Supervision Authority of Germany (BaFin) and by the Financial Services Authority (FSA) to carry on financial business in the United Kingdom. It operates in Spain under the rules governing the freedom to provide services.

	Fitch Ratings	Moody's Ratings	S&P Ratings
Short-term	F1	P-1	A-1
Long-term	A	A1	A+

- J.P. MORGAN SECURITIES LTD. (“**JPMORGAN**”) shall be a Lead Manager and a Series A1, A3(G), B and C Bond Underwriter and Placement Agent.

Out of the functions and activities that Lead Managers may discharge in accordance with article 35.1 of Royal Decree 1310/2005, JPMORGAN will, together with the other Lead Managers, do the following: (i) temporary and marketing actions and activities in connection with the offering for Bond Issue subscription, (ii) liaising with potential investors and being a Series A1, A3(G), B and C Bond subscription book runner, (iii) coordinating the other Underwriters and Placement Agents, and (iv) all other actions and activities provided for in respect of the Lead Managers in the Securities Note.

JPMORGAN is a limited liability company incorporated in the United Kingdom and entered in the companies register of England and Wales under number 2711006. Moreover, JPMORGAN is registered with the CNMV as a European Economic Area Investment Services Company using the Freedom to Provide Services under registration number 107 dated 05.01.1996.

VAT REG. No.: GB 397 2498 93

Registered office: 125 London Wall, EC2Y 5AJ London (United Kingdom)

- The Spanish State will guarantee, waiving the benefit of discussion established in Civil Code article 1830, payment of such economic obligations as may be enforceable on the Fund deriving from the Series A3(G) Bonds.

In a Ministerial Order, the Economy and Finance Ministry shall provide the Fund before it is established with a guarantee whereby the Spanish State will secure, waiving the benefit of discussion established in Civil Code article 1830, payment of such economic obligations as may be enforceable on the Fund deriving from the Series A3(G) Bonds for a face amount of EUR one hundred and thirty million three hundred thousand (130,300,000.00).

- EUROPEAN INVESTMENT FUND (“**EIF**”) will guarantee, waiving the benefit of discussion established in Civil Code article 1830, payment of such economic obligations as may be enforceable on the Fund deriving from the Series C Bonds.

EIF is a European financial institution whose main objective is to support the creation, growth and development of small and medium-sized enterprises (“SMEs”).

According to its statutes, EIF *...“contributes to the pursuit of European Union objectives”* targeting *“appropriate returns for its shareholders”* and at the same time independently selecting the transactions it finances. It is committed to promoting growth, employment, a knowledge-based economy,

entrepreneurial spirit, innovation and regional development. That objective is supervised by the Council of Europe and the European Parliament.

The shareholders of EIF are the European Investment Bank (EIB) with a 61.4% shareholding, the European Union with a 30.0% shareholding and thirty-four European financial institutions with an 8.6% shareholding.

Within the EIB Group, EIF is the specialised financial institution providing venture capital and guarantee instruments for financial institutions, using either its own funds or those available within the framework of mandates entrusted to EIF by the EIB, the European Union and third parties.

The shareholders of the EIB are the twenty-five Member States of the European Union. The main shareholders are Germany, France, Italy, UK (16.3% each) and Spain (9.8%).

Place of business: 43, Avenue J.F. Kennedy, L-2968 Luxembourg (Grand Duchy of Luxembourg).

- EUROPEAN INVESTMENT BANK ("**EIB**") shall fully subscribe for the Series A2 Bonds.

EIB is the European Union's financing institution, created by the Treaty of Rome, and its members are the Member States of the European Union. The EIB's main task is to contribute towards the integration, balanced development and economic and social cohesion of the Member States.

The EIB's Board of Governors at its Annual Meeting of 2005 resolved that serving small and medium-sized enterprises (SMEs) be included among the EIB's strategic priorities. In so doing, the EIB seeks new forms of collaboration with the banking sector. In addition, the EIB and the EIF will allocate more resources to financing SMEs and use their joint efforts to develop financial products satisfying the specific requirements of SMEs operating on the various national and regional markets.

The EIB supports SMEs through its global loans, which provide direct or indirect funding for banks and financial institutions with knowledge of the local market which in turn loan the funds for lesser-amount investments. Most of these loans also further some of the EIB's other strategic aims. For instance, many funded investments lead to a strengthening of economic and social cohesion or seek to boost SME productivity and competitiveness in the farming, industrial, information society, services and tourism industries or promote a more rational use of energy or diversification of energy sources, or protect the environment, or housing (integrated within well-defined urban renovation plans), or private initiatives in the health or educational sectors. As for research and development projects, they contribute to support the Lisbon Programme.

VAT REG. No.: P50246636

Place of business: 100, boulevard Konrad Adenauer, L-2950 Luxembourg (Grand Duchy of Luxembourg).

- BANC OF AMERICA SECURITIES LIMITED ("**BANC OF AMERICA**") shall be one of the Series A1, A3(G), B and C Bond Underwriters and Placement Agents.

BANC OF AMERICA is a limited liability company incorporated in the United Kingdom and entered in the companies register of England and Wales under number 1009248. Moreover, BANC OF AMERICA is registered with the CNMV as a European Economic Area Investment Services Company using the Freedom to Provide Services.

VAT REG. No.: GB 625 3134 66

Registered Office: 5 Canada Square, E14 5AQ London (United Kingdom)

- CALYON Sucursal en España ("**CALYON**") shall be one of the Series A1, A3(G), B and C Bond Underwriters and Placement Agents.

CALYON is a bank incorporated and registered in France operating through its Branch in Spain which is registered with the Bank of Spain as a branch of a foreign Community credit institution under code number 0154.

VAT REG. No.: A-0011043-G

Registered Office: Paseo de la Castellana number 1, 28046 Madrid (Spain)

- **IXIS CORPORATE & INVESTMENT BANK ("IXIS CIB")** shall be one of the Series A1, A3(G), B and C Bond Underwriters and Placement Agents.

IXIS CIB is a bank incorporated and registered in France which is also registered with the Bank of Spain as a Community credit institution operating in Spain without an establishment.

IXIS CIB, as a Community credit institution, is operating in Spain using the freedom to provide services.

VAT REG. No.: FR66340 706 4007

Registered Office: 47 quai d'Austerlitz, 75658 Paris cedex 13 (France)

- **LEHMAN BROTHERS INTERNATIONAL (EUROPE) ("LEHMAN BROTHERS")** shall be one of the Series A1, A3(G), B and C Bond Underwriters and Placement Agents.

LEHMAN BROTHERS is an investment services company incorporated and registered in the United Kingdom which is also registered with the CNMV as a European Economic Area investment services company using the freedom to provide services.

VAT REG. No.: GB446931528

Registered Office: 25 Bank Street, London E14 5LE (United Kingdom)

- **Fitch Ratings España, S.A.** is one of the three rating agencies (collectively, the "**Rating Agencies**") of each Series in the Bond Issue.

Fitch Ratings 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 Fitch Ratings Limited (each of them "**Fitch**" without distinction).

VAT REG. No.: A-58090655

Registered Office: Paseo de Gracia number 85, 7th floor, 08008 Barcelona (Spain)

- **Moody's Investors Service España, S.A.** is one of the three 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 three 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, and 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: Carrera de San Jerónimo number 15, 28014 Madrid (Spain)

- The law firm **Cuatrecasas Abogados, S.R.L. ("CUATRECASAS")**, as independent adviser, has provided legal advice for establishing the Fund and issuing the Bonds and reviewed the tax implications thereof.

VAT Reg. Number: B-59942110

Registered Office: Paseo de Gracia number 111, 08008 Barcelona (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 Loans will be taken to be 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)

BANCO BILBAO VIZCAYA ARGENTARIA S.A. has an 82.97% interest in the share capital of EUROPEA DE TITULIZACIÓN.

J.P. MORGAN SECURITIES LTD. is part of the same Group as J.P. MORGAN ESPAÑA, S.A., and the latter in turn has a 4.00 percent interest in the Management Company's share capital.

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

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 in the single transitional provision of Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, pursuant to an authorisation granted by a Ministerial Order dated October 4, 1999 and in a deed executed on October 25, 1999 before 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, 2005, 2004 and 2003 have been audited by Deloitte.

The audit reports on the annual accounts for the years 2005, 2004 and 2003 have no provisos.

6.3 Principal activities.

The exclusive objects of EUROPEA DE TITULIZACIÓN are to establish, manage and legally represent both asset securitisation funds and mortgage securitisation funds.

EUROPEA DE TITULIZACIÓN managed 58 securitisation funds as at the registration date of this Registration Document, 21 being mortgage securitisation funds and 37 being asset securitisation funds.

The following table itemises the 58 securitisation funds managed, giving their date of establishment and the face amount of the bonds issued by those funds and their outstanding principal balances.

Securitisation Fund	Establishment	Bond Issue Initially	Bond Balance 30.09.2006	Issue	Bond Balance 31.12.2005	Issue	Bond Issue Balance 31.12.2004
		EUR	EUR	Δ%	EUR	Δ%	EUR
TOTAL		52,209,546,652.96	35,487,243,268.55	9.2%	32,490,363,122.22	49.44%	21,742,066,167.51
Mortgage (FTH)		12,627,546,652.96	6,953,989,606.21	7.4%	6,475,261,178.18	14.32%	5,664,315,494.43
Bankinter 12 FTH	06.03.2006	1,200,000,000.00	1,200,000,000.00				
Valencia Hipotecario 2 FTH	07.12.2005	950,000,000.00	898,631,258.10	-9.3%	950,000,000.00		
Bankinter 11 FTH	28.11.2005	900,000,000.00	900,000,000.00	0.0%	900,000,000.00		
Bankinter 7 FTH	18.02.2004	490,000,000.00	331,864,859.62	-10.0%	356,717,443.60	-19.5%	443,242,308.18
Bankinter 5 FTH	16.12.2002	710,000,000.00	425,905,310.16	-12.4%	465,770,758.79	-18.1%	568,496,104.12
BZ Hipotecario 4 FTH	27.11.2002	313,400,000.00	149,629,849.60	-17.7%	170,910,609.60	-20.4%	214,702,964.80
Rural Hipotecario IV FTH	14.11.2002	520,000,000.00	278,247,495.02	-15.0%	311,312,202.68	-18.7%	383,066,455.30
Bancaja 4 FTH	05.11.2002	1,000,000,000.00	472,823,041.30	-15.2%	530,288,384.35	-21.7%	676,910,165.65
Bankinter 4 FTH	24.09.2002	1,025,000,000.00	637,431,589.04	-11.8%	695,988,565.76	-13.6%	805,537,009.40
Rural Hipotecario III FTH	14.05.2002	325,000,000.00	164,983,819.69	-13.7%	182,884,293.55	-17.5%	221,756,180.86
Bankinter 3 FTH	22.10.2001	1,322,500,000.00	686,576,079.75	-12.3%	752,104,867.20	-14.8%	882,775,463.04
BZ Hipotecario 3 FTH	23.07.2001	310,000,000.00	115,966,914.66	-16.5%	131,343,594.55	-20.2%	164,493,197.56
Rural Hipotecario II FTH	29.05.2001	235,000,000.00	97,410,638.20	-15.4%	108,722,959.00	-19.6%	135,215,972.80
BZ Hipotecario 2 FTH	28.04.2000	285,000,000.00	69,021,372.10	-18.8%	79,335,648.86	-24.0%	104,365,347.64
Rural Hipotecario I FTH	22.02.2000	200,000,000.00	59,958,098.48	-18.3%	68,686,186.28	-20.5%	86,384,087.06
Bankinter 2 FTH	25.10.1999	320,000,000.00	124,456,513.10	-17.1%	136,877,163.99	-16.5%	163,903,710.50
Bankinter 1 FTH	12.05.1999	600,000,000.00	167,091,605.88	-11.3%	188,428,409.46	-19.3%	233,577,234.54
BZ Hipotecario 1 FTH	16.04.1999	350,000,000.00	73,183,630.94	-19.8%	85,068,186.20	-22.9%	110,269,777.88
Hipotecario 2 FTH	04.12.1998	1,051,771,182.67	248,299,767.84	-12.9%	285,097,903.72	-21.5%	363,220,856.66
Bancaja 2 FTH	23.10.1998	240,404,841.75	59,937,667.99	-24.8%	59,937,667.99	-22.4%	77,225,834.66
Bancaja 1 FTH	18.07.1997	120,202,420.88	13,518,236.00	-20.2%	15,786,332.60	-25.8%	21,266,914.30
BBV-MBS I FTH	30.11.1995	90,151,815.66	liquidated		0.00	-100.00%	7,905,909.48
Hipotecario 1 FTH	20.09.1993	69,116,392.00	liquidated				
Asset (FTA)		39,582,000,000.00	28,533,253,662.34	9.7%	26,015,101,944.04	61.8%	16,077,750,673.08
PYME Bancaja 5 FTA	02.10.2006	1,178,800,000.00					
Bankinter 2 PYME FTA	26.06.2006	800,000,000.00	800,000,000.00				
Bancaja Consumo 1 FTA	26.06.2006	612,900,000.00	612,900,000.00				
Rural Hipotecario VIII FTA	26.05.2006	1,311,700,000.00	1,311,700,000.00				
BBVA Consumo 1 FTA	08.05.2006	1,500,000,000.00	1,500,000,000.00				
MBS Bancaja 3 FTA	03.04.2006	810,000,000.00	740,693,320.00				
Bancaja 9 FTA	02.02.2006	2,022,600,000.00	1,825,400,160.00				
BBVA Autos 2 FTA	12.12.2005	1,000,000,000.00	1,000,000,000.00	0.0%	1,000,000,000.00		
EdT FTPYME Pastor 3 FTA	05.12.2005	520,000,000.00	426,410,500.49	-18.0%	520,000,000.00		
Rural Hipotecario Global I FTA	18.11.2005	1,078,000,000.00	968,101,776.88	-10.2%	1,078,000,000.00		
FTPYME Bancaja 4 FTA	07.11.2005	1,524,000,000.00	1,098,601,607.26	-27.9%	1,524,000,000.00		
BBVA 4 PYME FTA	26.09.2005	1,250,000,000.00	1,250,000,000.00	0.0%	1,250,000,000.00		
Bankinter 10 FTA	27.06.2005	1,740,000,000.00	1,740,000,000.00	0.0%	1,740,000,000.00		
MBS Bancaja 2 FTA	27.06.2005	809,200,000.00	616,537,933.20	-17.3%	745,472,663.52		
BBVA Hipotecario 3 FTA	13.06.2005	1,450,000,000.00	1,094,247,315.45	-17.2%	1,321,621,631.30		
Rural Hipotecario VII FTA	29.04.2005	1,100,000,000.00	885,696,791.81	-11.6%	1,002,428,919.05		
Bancaja 8 FTA	22.04.2005	1,680,100,000.00	1,313,180,843.06	-14.7%	1,539,361,229.38		
Bankinter 9 FTA	14.02.2005	1,035,000,000.00	888,446,866.46	-14.2%	1,035,000,000.00		
BBVA-3 FTPYME FTA	29.11.2004	1,000,000,000.00	638,287,812.90	-36.2%	1,000,000,000.00	0.0%	1,000,000,000.00
Ruralpyme 1 FTPYME FTA	23.11.2004	214,000,000.00	141,137,931.67	-18.4%	173,024,296.72	-19.1%	214,000,000.00
BBVA Autos 1 FTA	25.10.2004	1,000,000,000.00	1,000,000,000.00	0.0%	1,000,000,000.00	0.0%	1,000,000,000.00
FTPYME Bancaja 3 FTA	11.10.2004	900,000,000.00	429,398,848.87	-52.3%	900,000,000.00	0.0%	900,000,000.00
Bancaja 7 FTA	12.07.2004	1,900,000,000.00	1,244,980,790.90	-28.9%	1,750,000,000.00	-7.9%	1,900,000,000.00
Rural Hipotecario VI FTA	07.07.2004	950,000,000.00	679,503,658.70	-13.0%	781,477,860.25	-14.9%	918,039,044.03
MBS Bancaja 1 FTA	17.05.2004	690,000,000.00	390,122,268.90	-43.5%	690,000,000.00	0.0%	690,000,000.00
Valencia H 1 FTA	23.04.2004	472,000,000.00	328,207,962.38	-11.6%	371,107,375.09	-14.9%	436,154,049.09
Bankinter 8 FTA	03.03.2004	1,070,000,000.00	743,635,114.22	-11.3%	837,970,768.01	-14.1%	976,014,308.21
Bancaja 6 FTA	03.12.2003	2,080,000,000.00	1,129,024,080.60	-17.6%	1,369,610,139.04	-34.2%	2,080,000,000.00
Rural Hipotecario V FTA	28.10.2003	695,000,000.00	433,784,211.92	-13.2%	499,528,194.12	-15.5%	591,221,073.84
Bankinter 6 FTA	25.09.2003	1,350,000,000.00	933,178,418.38	-10.6%	1,043,250,162.72	-12.4%	1,191,555,147.63
FTPYME Bancaja 2 FTA	19.09.2003	500,000,000.00	207,534,828.23	-23.3%	270,480,639.80	-44.0%	483,139,909.38
Bancaja 5 FTA	14.04.2003	1,000,000,000.00	501,855,116.60	-16.9%	604,031,954.00	-20.4%	758,585,912.95
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	256,575,033.00	-1.7%	260,899,034.40	-56.5%	600,000,000.00
BBVA-2 FTPYME ICO	01.12.2000	900,000,000.00	199,202,429.34	-35.0%	306,595,443.42	-39.7%	508,081,398.75
BCL Municipios I FTA	21.06.2000	1,205,000,000.00	480,690,220.00	-19.3%	595,672,530.00	-26.9%	815,121,170.00
BBVA-1 FTA	24.02.2000	1,112,800,000.00	203,317,821.12	-28.6%	284,669,103.22	-42.5%	494,938,659.20

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)	31.12.2005	Δ%	31.12.2004	Δ%	31.12.2003
Equity *	3,095,298.97	0.00%	3,095,298.97	0.03%	3,094,300.50
Capital	1,803,037.50	0.00%	1,803,037.50	0.00%	1,803,037.50
Reserves	1,292,261.47	0.00%	1,292,261.47	0.08%	1,291,263.00
<i>Legal</i>	360,607.50	0.00%	360,607.50	0.28%	359,609.03
<i>Voluntary</i>	931,653.97	0.00%	931,653.97	0.00%	931,653.97
Year's profit	1,789,429.69	0.14%	1,786,915.94	0.84%	1,772,026.40

* 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 to resolve 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

The Board of Directors has the following membership:

Chairman: Mr Roberto Vicario Montoya ^(*)

Vice-Chairman: ⁽¹⁾

Directors: ⁽¹⁾

- Mr Ignacio Aldonza Goicoechea
- Mr Luis Bach Gómez ^(*)
- Mr José M^a. Castellón Leal on behalf of Barclays Bank, S.A. ^(*)
- Mr Ignacio Echevarría Soriano ⁽²⁾
- Ms Ana Fernández Manrique ^(*)
- Mr Juan Gortázar Sánchez-Torres
- Mr Mario Masiá Vicente ^(*)
- Mr Arturo Miranda Martín on behalf of J.P. Morgan España, S.A. ^(*) ⁽³⁾
- Ms Carmen Pérez de Muniaín Marzana ^(*)
- Mr Jesús del Pino Durán
- Mr José Miguel Raboso Díaz on behalf of Citibank España, S.A
- Mr Jorge Sáenz de Miera on behalf of Deutsche Bank Credit, S.A.
- Mr José Manuel Tamayo Pérez
- Mr Borja Uriarte Villalonga on behalf of Bankinter, S. A.
- BNP Paribas España, S.A. ⁽²⁾

Non-Director Secretary: Ms Belén Rico Arévalo

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

- (1) Mr Carlos Pertejo Muñoz's resignation as Vice-Chairman and member of the Board of Directors in a letter dated May 23, 2006 and Banco Cooperativo Español, S.A.'s resignation as a member of the Board of Directors made at the General Shareholders' Meeting held on June 30, 2006 are yet to be notified to the CNMV and entered in the Companies Register.
- (2) Mr Ignacio Echevarría Soriano's and BNP Paribas España, S.A.'s appointment as members of the Board of Directors made at the General Shareholders' Meeting held on June 30, 2006 is yet to be notified to the CNMV and entered in the Companies Register.
- (3) The change of individual representative of the member of the Board of Directors J.P. Morgan España, S.A., respectively made at the General Shareholders' Meeting and at the Board of Directors' meeting held on June 30, 2006 is yet to be notified to the CNMV.

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

General Manager.

The General Manager of the Management Company 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.

Roberto Vicario Montoya, Ignacio Aldonza Goicoechea, Luis Bach Gómez, Ana Fernández Manrique, Juan Gortázar Sánchez-Torres, Carmen Pérez de Muniaín Marzana, Jesús del Pino Durán, José Manuel Tamayo Pérez and 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:

- Ana Fernández Manrique is currently Director, Capital Base Management and Securitisation.
- Ignacio Echevarría Soriano is currently Team Leader, Capital Base Management and Securitisations.

Mr Arturo Miranda Martín is currently a member of staff of J.P. MORGAN SECURITIES LTD., an institution involved as a Series A1, A3(G), B and C Bond Lead Manager and Underwriter and Placement Agent in the securitisation transaction, and belonging in the same Group as J.P. Morgan España, S.A.

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
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
Banco Sabadell, S.A.	0.7658
Banco Urquijo, 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 Economy and Finance Ministry's Order granting the Series A3(G) Bonds the Spanish State's guarantee;
- f) the audit report on certain characteristics and attributes of a sample of all loans selected of BBVA from which the Loans will be taken to be assigned to the Fund upon being established;
- g) the letters from the Rating Agencies notifying the ratings assigned to each of the Series in the Bond Issue;
- h) the letter statements from the Lead Managers of the Bond Issue;
- i) the letter statement from the Originator;
- j) the letters from BBVA and DRESDBERGER KLEINWORT whereby these undertakings take responsibility, with the Management Company, for the Securities Note;
- k) the notarial certificate of payment of the Bond Issue, once the Bond Issue is paid up;
- l) the Management Company's annual accounts and the relevant audit reports; and
- m) the articles of association and memorandum of association of the Management Company.

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.com and of AIAF at www.aiaf.es, and is available to investors interested in the offer at the registered offices of the Underwriters and Placement Agents.

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 k) 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.

- 1.1.1 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-5 FTPYME 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 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 at its meeting held on July 18, 2006.

- 1.1.2 Mr Jorge Grasa Arias and Ms Reyes Bover Rodríguez, duly authorised for these presents, for and on behalf of BANCO BILBAO VIZCAYA ARGENTARIA S.A., Lead Manager of the Bond Issue by BBVA-5 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS, take responsibility for the contents of this Securities Note.

Mr Jorge Grasa Arias is acting as attorney-in-fact for the Lead Manager BBVA using the powers conferred on him before Bilbao Notary Public Mr José María Arriola Arana on September 6, 2004, his document number 1706.

Ms Reyes Bover Rodríguez is acting as attorney-in-fact for the Lead Manager BBVA using the powers conferred on her before Bilbao Notary Public Mr José María Arriola Arana on September 6, 2004, his document number 1706.

- 1.1.3 Mr Ignacio de Potestad, duly authorised for these presents, for and on behalf of DRESDNER BANK AG London Branch, Lead Manager of the Bond Issue by BBVA-5 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS, takes responsibility for the contents of this Securities Note.

Mr Ignacio de Potestad is acting as attorney-in-fact for the Lead Manager DRESDNER KLEINWORT under a power of attorney executed as a deed to his name on October 13, 2006.

1.2 Declaration by those responsible for the Securities Note.

- 1.2.1 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 import.
- 1.2.2 Mr Jorge Grasa Arias and Ms Reyes Bover Rodríguez 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 import.
- 1.2.3 Mr Ignacio de Potestad declares 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 his knowledge, in accordance with the facts and contains no omission likely to affect its import.

2 RISK FACTORS

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

The risk factors linked to the assets backing the issue are described in section 3 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, DRESDNER KLEINWORT and EUROPEA DE TITULIZACIÓN have financially structured the Fund and the Bond Issue.
- c) BBVA is the Originator of the Loans to be pooled in the Fund.
- d) BBVA, DRESDNER KLEINWORT and JPMORGAN are involved as Series A1, A3(G), B and C Bond Lead Managers and Underwriters and Placement Agents, and shall be the institutions in charge of keeping the Series A1, A3(G), B and C Bond subscription orders book (*joint book runners*).
- e) EIB shall fully subscribe for the Series A2 Bonds.
- f) BANC OF AMERICA, CALYON, IXIS CIB and LEHMAN BROTHERS are involved as Series A1, A3(G), B and C Bond Underwriters and Placement Agents .
- g) BBVA is involved as Paying Agent of the Bond Issue and shall be the Fund's counterparty in the Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Financial Swap, Loan Servicing and Financial Intermediation Agreements.

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 3.2 of the Building Block.

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

4.1 Total amount of the securities.

The total face value amount of the issue of Asset-Backed Bonds (the "**Bond Issue**") is EUR one billion nine hundred million (1,900,000,000.00) consisting of nineteen thousand (19,000) 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 one billion eight hundred and three million one hundred thousand (1,803,100,000.00) (either "**Class A**" or the "**Class A Bonds**"):
 - i) Series A1 having a total face amount of EUR one billion four hundred and seventy-two million eight hundred thousand (1,472,800,000.00) comprising fourteen thousand seven hundred and twenty-eight (14,728) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A1**" or the "**Series A1 Bonds**").
 - ii) Series A2 having a total face amount of EUR two hundred million (200,000,000.00) comprising two thousand (2,000) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A2**" or the "**Series A2 Bonds**").
 - iii) Series A3(G) having a total face amount of EUR one hundred and thirty million three hundred thousand (130,300,000.00) comprising one thousand three hundred and three (1,303) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A3(G)**" or the "**Series A3(G) Bonds**").

- b) Class B comprising a single Series B having a total face amount of EUR thirty-nine million nine hundred thousand (39,900,000.00) comprising three hundred and ninety-nine (399) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either “**Series B**” or the “**Series B Bonds**”).
- c) Class C comprising a single Series C having a total face amount of EUR fifty-seven million (57,000,000.00) comprising five hundred and seventy (570) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either “**Series C**” or the “**Series C Bonds**”).

The Bonds are issued at 100 percent of their face value. The issue price of each Bond in each of Series A1, A2, A3(G), 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.

1. Underwriting placement of Series A1, A3(G), B and C Bonds.

The Series A1, A3(G), B and C Bonds shall be underwritten and placed by BANCO BILBAO VIZCAYA ARGENTARIA S.A. (“**BBVA**”), DRESDNER BANK AG London Branch (“**DRESDNER KLEINWORT**”) and J.P. MORGAN SECURITIES LTD. (“**JPMORGAN**”) as Lead Managers and Underwriters and Placement Agents, and BANC OF AMERICA SECURITIES LIMITED (“**BANC OF AMERICA**”), CALYON Sucursal en España (“**CALYON**”), IXIS CORPORATE & INVESTMENT BANK (“**IXIS CIB**”), and LEHMAN BROTHERS INTERNATIONAL (EUROPE) (“**LEHMAN BROTHERS**”) as Underwriters and Placement Agents, under the Series A1, A3(G), B and C Bond Management, Underwriting and Placement Agreement to be entered into by the Management Company for and on behalf of the Fund.

The Series A1, A3(G), B and C Bond Underwriters and Placement Agents shall take on the obligations laid down in the Series A1, A3(G), B and C Bond Management, Underwriting and Placement Agreement, which are broadly the following: 1) securing placement by a third-party subscription for the Series A1, A3(G), B and C Bonds; 2) an undertaking to subscribe on their own account for the Series A1, A3(G), B and C Bonds not subscribed for by third parties during the Subscription Period, up to the amounts of their respective underwriting commitments; 3) payment by the Underwriters and Placement Agents (except BBVA) to the Paying Agent, by 2pm (CET time) on the Closing Date, for same day value, of the face amount of the Series A1, A3(G), B and C Bonds they shall have placed and subscribed for on their own account, as the case may be, up to their respective underwriting commitments, whereupon the Paying Agent shall proceed to pay to the Fund, by 3pm (CET time), for same day value, the amount received from the other Underwriters and Placement Agents and the face amount of the Series A1, A3(G), B and C Bonds it shall have placed as Underwriter and Placement Agent, and subscribed for, as the case may be, on its own account up to its respective underwriting commitment; 4) an undertaking to pay late-payment interest covenanted in the agreement in the event of late payment of amounts due; 5) providing subscribers with a document proving subscription; 6) providing the Paying Agent with Series A1, A3(G), B and C Bond placement dissemination control information; and 7) all other aspects governing underwriting and placement.

The following is the commitment by each Underwriter and Placement Agent in relation to its joint involvement in underwriting placement of the Series A1, A3(G), B and C Bonds:

Underwriter and Placement Agent	Face amount underwritten in each Series (EUR)			
	Series A1 Bonds	Series A3(G) Bonds	Series B Bonds	Series C Bonds
BBVA	431,600,000.00	39,000,000.00	11,900,000.00	17,100,000.00
DRESDNER KLEINWORT	575,600,000.00	52,300,000.00	16,100,000.00	22,800,000.00
JPMORGAN	431,600,000.00	39,000,000.00	11,900,000.00	17,100,000.00
BANC OF AMERICA	8,500,000.00	0.00	0.00	0.00
CALYON	8,500,000.00	0.00	0.00	0.00
IXIS CIB	8,500,000.00	0.00	0.00	0.00
LEHMAN BROTHERS	8,500,000.00	0.00	0.00	0.00
Total	1,472,800,000.00	130,300,000.00	39,900,000.00	57,000,000.00

The Underwriters and Placement Agents of each Series A1, A3(G), B and C shall altogether receive an underwriting and placement fee from the Fund, based on the face amount of the Bonds in the relevant Series, comprised between:

- 0.04% and 0.06%, both inclusive, for the Series A1, A3(G) and B Bonds, and
- 0.00% and 0.02%, both inclusive, for the Series C Bonds.

The underwriting and placement fee applicable to the face amount of the Bonds in each Series A1, A3(G), B and C shall be determined with one accord by the Lead Managers and notified in writing to the Management Company by 10am (CET time) on the day of the Subscription Period (October 24, 2006). Failing an agreement between the Lead Managers, the Management Company shall fix the underwriting and placement fee in respect of Series for which there was no agreement at a fee of:

- 0.04% for the Series A1, A3(G) and B Bonds, and
- 0.00% for the Series C Bonds.

The Paying Agent shall pay each Series A1, A3(G), B and C Underwriter and Placement Agent on the Closing Date the underwriting and placement fee amount they shall each have accrued, after they have in turn paid the face amount of the Series A1, A3(G), B and C Bonds they shall each have placed and subscribed for on their own account, as the case may be, up to their respective underwriting commitments.

BBVA, DRESDNER KLEINWORT and JPMORGAN shall be involved as Lead Managers in the Bond Issue. They shall not be howsoever remunerated for managing the Bond Issue.

The Series A1, A3(G), B and C Management, Underwriting and Placement Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each Series as final ratings by the start of the Subscription Period.

2. Series A2 Bond Subscription.

Subscription for all of Series A2 Bonds shall be carried out exclusively by EUROPEAN INVESTMENT BANK under a Series A2 Bond Subscription Agreement which the Management Company shall enter into, for and on behalf of the Fund, with EUROPEAN INVESTMENT BANK.

EUROPEAN INVESTMENT BANK shall take on the obligations contained in the Series A2 Bond Subscription Agreement, which are broadly the following: 1) an undertaking to subscribe on its own account for Series A2 Bonds; 2) payment to the Paying Agent by 2pm (CET time) on the Closing Date, for same day value, of the amount for subscribing for Series A2 Bonds, whereupon the Paying Agent shall proceed to pay to the Fund, by 3pm (CET time), for same day value, the amount received from EUROPEAN INVESTMENT BANK; 3) an undertaking to pay late-payment interest covenanted in the agreement in the event of late payment of the amounts due; and 4) all other aspects governing subscription for Series A2 Bonds.

The Series A2 Bond Subscription Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each Bond Series as final ratings by the start of the Subscription Period.

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 are carried out in pursuance of the Order of December 28, 2001 and in accordance with the legal system provided for by (i) Royal Decree 926/1998 and implementing regulations, (ii) Act 19/1992 failing a provision in Royal Decree 926/1998 and to the extent applicable, (iii) the Securities Market Act, (iv) Commission Regulation (EC) No. 809/2004 of April 29, 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.

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

Interest payment and principal repayment on Series C Bonds is deferred with respect to Class A (Series A1, A2 and A3(G)) 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(G) Bonds is (i) fourth (4th) 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 (5th) 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 (5th) 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 tenth (10th), and (ii) seventh (7th) 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 (6th) 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 eleventh (11th), and (ii) ninth (9th) 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 ninth (9th) 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(G) Bond principal is sixth (6th) 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 (8th) 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 twelfth (12th) 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.

4.7.1 General.

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 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 default or prepayment of the Loans, 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.

4.7.2 Spanish State Guarantee for the Series A3(G) Bonds.

In a Ministerial Order, the Economy and Finance Ministry shall provide the Fund before it is established with a guarantee (the “**State Guarantee**”) whereby the Spanish State will guarantee, waiving the benefit of discussion established in Civil Code article 1830, payment of such economic obligations as may be enforceable on the Fund deriving from the Series A3(G) Bonds for a face amount of EUR one hundred and thirty million three hundred thousand (130,300,000.00).

The general characteristics of the State Guarantee and its enforcement are given in section 3.4.2.3 of the Building Block.

4.7.3 European Investment Fund Guarantee for the Series C Bonds.

The European Investment Fund (EIF) shall provide the Fund with a guarantee before or upon being established (the “**EIF Guarantee**”) whereby EIF shall unconditionally and irrevocably guarantee for Series C Bondholders, represented by the Management Company (the “**Representative of the Series C Bondholders**”) payment of all Series C Bond interest and principal amounts due.

The EIF Guarantee amounts to (i) EUR fifty-seven million (57,000,000.00), the face amount of the Series C Bonds, plus (ii) Series C Bond interest .

The characteristics of the EIF Guarantee are given in section 3.4.2.3 of the Building Block.

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

The resultant yearly nominal interest rate (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 Payment 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, October 26, 2006, inclusive, and the first Payment Date, March 15, 2007, 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 ranging between 0.06% and 0.16%, both inclusive.
- **Series A2:** margin ranging between -0.03% and 0.01%, both inclusive.
- **Series A3(G):** Margin ranging between -0.04% and 0.04%, both inclusive.
- **Series B:** Margin ranging between 0.16% and 0.26%, both inclusive.
- **Series C:** margin ranging between 0.03% and 0.05%, both inclusive.

The margin applicable to each Series, expressed as a percentage, shall be determined with one accord among the Lead Managers by 10am (CET time) on the day of the Subscription Period (October 24, 2006).

Failing an agreement among the Lead Managers, the Management Company shall fix the specific margin for the Series in respect of which no margin was agreed, as follows:

- **Series A1:** 0.12% margin.
- **Series A2:** 0.00% margin.
- **Series A3(G):** 0.02% margin.
- **Series B:** 0.22% margin.
- **Series C:** 0.05% margin.

The final margins applicable to each Series fixed shall be notified by the Management Company by the start of the Subscription Period to the Underwriters and Placement Agents to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the 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 ("Federation Bancaire de l'Union Europeene") 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 four- (4-) month Euribor and five- (5-) month Euribor, fixed at 11am (CET time) 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:

$$IR = [(D-120)/30] \times E5 + [1-((D-120)/30)] \times E4$$

Where:

- IR = Reference Rate for the first Interest Accrual Period.
- D = Number of days in the first Interest Accrual Period.
- E4 = Four- (4-) month Euribor.
- E5 = Five- (5-) 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 after and around 11am (CET time) on the Interest Rate Fixing Date.

Exceptionally, the substitute Reference Rate for the first Interest Accrual Period shall be the rate resulting from the straight-line interpolation between the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable four- (4-) 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 five- (5-) 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 time) on the second Business Day preceding the Closing Date.

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

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 successive Interest Accrual Periods whilst matters remain the same.

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 on the same day to the Underwriters and Placement Agents in order for them to report this to investors interested in subscribing for the 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 successive 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.

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

For merely illustrative purposes, below are details of the three- (3-) month Euribor rates published on certain dates over the last two years, which, other than the first date, would have matched the second Business Day preceding the 15th of each month, which is the Payment Date, published on the EURIBOR01 electronic page supplied by Reuters, and the Nominal Interest Rate that would have been applicable to each Bond Series, in the event that the applicable margins should be the average margins in the range established for each Series, in accordance with section 4.8.1.2 of this Securities Note (0.11% for Series A1, -0.01% for Series A2, 0.00% for Series A3(G), 0.21% for Series B and 0.04% for Series C):

Dates	3-month Euribor	Series A1 Bonds	Series A2 Bonds	Series A3(G) Bonds	Series B Bonds	Series C Bonds
13 October 2006	3.499	3.609	3.489	3.499	3.709	3.539
13 September 2006	3.321	3.431	3.311	3.321	3.531	3.361
11 August 2006	3.217	3.327	3.207	3.217	3.427	3.257
13 July 2006	3.090	3.200	3.080	3.090	3.300	3.130
13 June 2006	2.959	3.069	2.949	2.959	3.169	2.999
11 May 2006	2.879	2.989	2.869	2.879	3.089	2.919
13 April 2006	2.765	2.875	2.755	2.765	2.975	2.805
13 March 2006	2.701	2.811	2.691	2.701	2.911	2.741
13 February 2006	2.594	2.704	2.584	2.594	2.804	2.634
12 January 2006	2.514	2.624	2.504	2.514	2.724	2.554
13 December 2005	2.456	2.566	2.446	2.456	2.666	2.496
11 November 2005	2.321	2.431	2.311	2.321	2.531	2.361
13 October 2005	2.185	2.295	2.175	2.185	2.395	2.225
13 September 2005	2.136	2.246	2.126	2.136	2.346	2.176
11 August 2005	2.134	2.244	2.124	2.134	2.344	2.174
13 July 2005	2.119	2.229	2.109	2.119	2.329	2.159
13 June 2005	2.111	2.221	2.101	2.111	2.321	2.151
12 May 2005	2.126	2.236	2.116	2.126	2.336	2.166
13 April 2005	2.138	2.248	2.128	2.138	2.348	2.178
11 March 2005	2.135	2.245	2.125	2.135	2.345	2.175
11 February 2005	2.140	2.250	2.130	2.140	2.350	2.180
13 January 2005	2.144	2.254	2.134	2.144	2.354	2.184
13 December 2004	2.174	2.284	2.164	2.174	2.384	2.214
11 November 2004	2.172	2.282	2.162	2.172	2.382	2.212

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 March 15, June 15, September 15 and December 15 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 March 15, 2007, and interest will accrue at the applicable Nominal Interest Rate between the Closing Date, October 26, 2006, inclusive, and March 15, 2007, 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. The foregoing shall be without prejudice to the State Guarantee and the EIF Guarantee, which respectively cover shortfalls in payment of the economic obligations enforceable on the Fund in respect of Series A3(G) and Series C Bond interest and principal.

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 March 15, 2039, 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 their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series 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, pro rated 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, March 15, 2007.

Final amortisation of Series A1 Bonds shall occur on the Final Maturity Date (March 15, 2039 or the following Business Day if that is not a Business Day), notwithstanding 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 the 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 their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series 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, pro rated between the Bonds in Series A2 proper by reducing the face amount of each Series A2 Bond.

1. Series A2 Bonds shall be amortised in fourteen (14) consecutive quarterly instalments on the Payment Dates comprised between March 16, 2009 because March 15, 2009 is not a Business Day and June 15, 2012, both inclusive, and in the amounts shown on the following repayment schedule ("**Series A2 Repayment Schedule**"):

Series A2 Repayment Schedule			
Payment Date	Repayment instalment (EUR)		Outstanding principal balance of Series A2 (EUR)
	Bond	Series A2	
			200,000,000.00
16-Mar-2009	9,500	19,000,000.00	181,000,000.00
15-Jun-2009	8,000	16,000,000.00	165,000,000.00
15-Sep-2009	8,000	16,000,000.00	149,000,000.00
15-Dec-2009	7,500	15,000,000.00	134,000,000.00
15-Mar-2010	6,500	13,000,000.00	121,000,000.00
15-Jun-2010	6,000	12,000,000.00	109,000,000.00
15-Sep-2010	5,500	11,000,000.00	98,000,000.00
15-Dec-2010	5,500	11,000,000.00	87,000,000.00
15-Mar-2011	6,000	12,000,000.00	75,000,000.00
15-Jun-2011	6,000	12,000,000.00	63,000,000.00
15-Sep-2011	8,750	17,500,000.00	45,500,000.00
15-Dec-2011	8,750	17,500,000.00	28,000,000.00
15-Mar-2012	9,000	18,000,000.00	10,000,000.00
15-Jun-2012	5,000	10,000,000.00	0.00
	100,000	200,000,000.00	

In the event of the Series A2 Bonds not being amortised on any Payment Date in accordance with the Series A2 Repayment Schedule, that shall not be howsoever construed as breach with respect to the Bondholders.

Series A2 Bonds shall be amortised in accordance with the provisions of rule 2.1 for Distribution of Available Funds for Amortisation, given in section 4.9.3.6 below, on any Payment Date determined in the Series A2 Repayment Schedule or on the Payment Dates after June 15, 2012 if the Series A2 principal has not been fully repaid. The repayment due on the relevant Payment Date shall be the lower of the following amounts:

1. The higher of:
 - (i) The repayment instalment determined in the Series A2 Repayment Schedule for the relevant Payment Date.

- (ii) The difference, if positive, between (a) the Outstanding Principal Balance of Series A2 on the Determination Date preceding the relevant Payment Date and (b) the outstanding principal balance of Series A2 determined in the Series A2 Repayment Schedule for the relevant Payment Date or determined for the June 15, 2012 Payment Date, if the relevant Payment Date is after June 15, 2012.

2. The Outstanding Principal Balance of Series A2 on the Determination Date preceding the relevant Payment Date.

Nevertheless, the amortisation of Series A2 Bonds for which provision is made in this section shall not be effective on any Payment Date on which the Pro Rata Amortisation of Class A applies in accordance with the provisions of paragraph 2 below. In the event that the Pro Rata Amortisation of Class A should no longer apply on any Payment Date, the amortisation of Series A2 Bonds for which provision is made in this section shall be restored, on the understanding that the amounts by which the Series A2 Bonds would have been amortised before the first Payment Date in the Series A2 Repayment Schedule as a result of the Pro Rata Amortisation of Class A, shall be allocated in reverse chronological order to the amounts that should have been amortised in accordance with the Series A2 Repayment Schedule.

- 2. Series A2 Bonds will also be amortised on the Payment Dates on which the Pro Rata Amortisation of Class A applies in certain circumstances and in the amounts calculated as provided for in rule 2.2 for Distribution of Available Funds for Amortisation given in section 4.9.3.6 below.

Final amortisation of Series A2 Bonds shall occur on the Final Maturity Date (March 15, 2039 or the following Business Day if that is not a Business Day), notwithstanding 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 the Early Amortisation of the Bond Issue before the Final Maturity Date.

4.9.2.3 Amortisation of Series A3(G) Bonds.

Series A3(G) Bonds shall be amortised by partial amortisation on each Payment Date after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A3(G), 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, pro rated between the Bonds in Series A3(G) proper by reducing the face amount of each Series A3(G) Bond.

The first partial amortisation of Series A3(G) Bonds shall occur once the 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(G) Bonds shall be amortised pro rata to the Series A1 and A2 Bonds, fully in accordance with the rules for Distribution of Available Funds for Amortisation.

Final amortisation of Series A3(G) Bonds shall occur on the Final Maturity Date (March 15, 2039 or the following Business Day if that is not a Business Day), notwithstanding 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 the 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 their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series B in accordance with the rules for Distribution of Available Funds for Amortisation given in sections 4.9.3.5 and 4.9.3.6 below, pro rated between the Bonds in Series B proper by reducing the face amount of each Series B Bond.

The first partial amortisation of Series B Bonds shall occur once the Class A (Series A1, A2 and A3(G)) Bonds have been fully amortised. However, even if Series A1, A2 and A3(G) 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 sum of the Outstanding Principal Balance of the Bond Issue is kept at 4.20%, or higher percentage closest thereto.

Final amortisation of Series B Bonds shall occur on the Final Maturity Date (March 15, 2039 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 the 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 their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series C in accordance with the rules for Distribution of Available Funds for Amortisation given in sections 4.9.3.5 and 4.9.3.6 below, pro rated between the Bonds in Series C proper by reducing the face amount of each Series C Bond.

The first partial amortisation of Series C Bonds shall occur once the Series A1, A2, A3(G) and B Bonds have been fully amortised. However, even if Series A1, A2, A3(G) 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 sum of the Outstanding Principal Balance of the Bond Issue is kept at 6.00%, or higher percentage closest thereto.

Moreover, the Fund shall, represented by the Management Company, if required by EIF upon exercising the Early Repayment Option for which provision is made in section 3.4.2.4 of the Building Block, be bound to proceed to an early amortisation on a Payment Date of all the Series C Bonds upon the occurrence of any of the following circumstances:

- (i) EIF shall have paid to the Fund any amount upon the EIF Guarantee being enforced on any Payment Date preceding the Payment Date on which there is an early amortisation of the Series C Bonds by virtue of the exercise of that faculty.
- (ii) Upon the occurrence of any Early Liquidation Event of the Fund which does not imply the mandatory early liquidation of the Fund and irrespective of whether or not the Management Company exercises its faculty to proceed to an Early Liquidation of the Fund and thereby an Early Amortisation of the Bond Issue.
- (iii) If the Management Company, as Representative of the Series C Bondholders, should not have enforced the EIF Guarantee within three months from the date on which obligations of EIF arise under the EIF Guarantee.

In the event of early amortisation of all the Series C Bonds upon the EIF Early Repayment Option being exercised, EIF shall be bound to pay to the Fund on the relevant Payment Date an amount equal to the sum of the Outstanding Principal Balance of Series C plus overdue Series C Bond interest on the relevant Payment Date.

Final amortisation of Series C Bonds shall occur on the Final Maturity Date (March 15, 2039 or the following Business Day if that is not a Business Day), notwithstanding full amortisation before that date due to the partial amortisation for which provision is made, due to exercise of the EIF Early Repayment Option 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 the 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 the date of 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 (4th) 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 March 9, 2007.

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 date of establishment of the Fund, inclusive, and the first Determination Date, March 9, 2007, 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 the Early Liquidation of the Fund concludes, as provided for in section 4.4.4.3 of the Registration Document, on which the 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(G) 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(G), B and C making up the Bond Issue.

4.9.3.3 Outstanding Balance of the Loans.

The Outstanding Balance of a 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 Loan on a given date.

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

Delinquent Loans shall be deemed to be Loans that are delinquent on a given date with an arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Loans. Non-Delinquent Loans shall be deemed to be Loans that are not deemed to be Delinquent Loans on a given date, also excluding Doubtful Loans.

Doubtful Loans shall be deemed to be 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 Loans shall be deemed to be Loans that are not deemed to be Doubtful Loans on a given date.

4.9.3.4 **Amortisation Withholding on each Payment Date and Amortisation Deficiency.**

On each Payment Date, the Available Funds shall be used in 9th place in the priority of payments for withholding the amount altogether designed for amortising the Bonds and without distinguishing among the various Series and repaying to the State and EIF the amounts respectively paid for repaying Series A3(G) principal and for early repayment of Series C principal ("**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, increased by the amount to be repaid to the State upon the State Guarantee being enforced for amortising Series A3(G) and, if the EIF should have exercised the EIF Early Repayment Option, by the amount to be repaid to EIF of the payment it shall have made for early repayment of Series C Bond principal, and (ii) the Outstanding Balance of Non-Doubtful 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.

The amortisation deficiency (the "**Amortisation Deficiency**") on a Payment Date shall be the positive difference, if any, between (i) the Amortisation Withholding amount, and (ii) the amount actually applied of the Available Funds for Amortisation.

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 applied in 9th place of the Available Funds on the relevant Payment Date.

Additionally, and not included among the Available Funds for Amortisation, the Fund shall avail of:

- (i) The amount drawn upon enforcing the State Guarantee paid to the Fund from the preceding Payment Date until the relevant Payment Date, allocated only to repaying Series A3(G) Bond principal.
- (ii) The principal amount paid by EIF for early amortisation of the Series C Bonds upon the EIF Early Repayment Option being exercised, paid to the Fund on the relevant Payment Date, allocated only to repaying Series C Bond principal.

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(G)) and repaying amounts due to the State upon enforcing the State Guarantee for amortising Series A3(G) until fully amortised and repaid, as provided for in rule 2 below, secondly to amortising Series B until fully amortised and thirdly to amortising Series C (or instead and as the case may be repayment to EIF of the amount it shall have paid for early repayment of Series C Bond principal) 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(G)) and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A3(G), 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 A2 Bond principal in the amount of the repayment of Series A2 Bonds falling due on the Payment Date in accordance with section 4.9.2.2.1.
 2. Repayment of Series A1 Bond principal.
 3. Repayment of Series A3(G) Bond principal and repayment to the State of amounts it shall have paid to the Fund upon the State Guarantee being drawn for repaying Series A3(G) Bond principal, once the Series A1 and A2 Bonds have been fully amortised.

The amount of the Available Funds for Amortisation applied on a Payment Date to both items (repayment of Series A3(G) Bond principal and repayment to the State of amounts due upon enforcing the State Guarantee for amortising Series A3(G)) shall be applied as follows:

- (i) If there is an Amortisation Deficiency on the relevant Payment Date, firstly to amortising Series A3(G) and secondly, in the remaining amount, if any, to repayment to the State of amounts due upon enforcing the State Guarantee for amortising Series A3(G).
- (ii) Otherwise, firstly to repayment to the State of amounts due upon enforcing the State Guarantee for amortising Series A3(G) and secondly, in the remaining amount, if any, to amortising Series A3(G).

2.2 Exceptional pro rata application of Class A ("**Pro Rata Amortisation of Class A**"): The application priority of paragraph 2.1 above shall be stopped if any of the following circumstances should occur:

- a) In the event that on the Determination Date preceding the relevant Payment Date the Outstanding Balance of Delinquent Loans is in excess of 1.50% of the Outstanding Balance of Non-Doubtful Loans.

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(G)) and repayment to the State upon enforcing the State Guarantee for amortising Series A3(G), shall be distributed among the items set out in paragraph 2.1 above as follows:

- (a) It shall be 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(G) increased by the balance of amounts due to the State upon enforcing the State Guarantee for amortising Series A3(G).
 - (b) The amounts assigned to the Series A1 and the Series A2 Bonds under subparagraphs (a)(i) and (ii) above shall be respectively applied to amortising Series A1 and Series A2 Bonds.
 - (c) The amount assigned to the Series A1 and the Series A3(G) Bonds and the amounts due upon enforcing the State Guarantee for amortising Series A3(G), under subparagraph (a)(iii) above, shall be applied to amortising Series A3(G) Bonds and repayment to the State of the aforesaid amounts due in accordance with the provisions of subparagraph 2.1.3 above.
- b) In the event that on the relevant Payment Date, if the provisions of paragraph a) above do not apply and if upon calculating the Available Funds for Amortisation and their distribution for principal repayment in each Series in accordance with the other rules for Distribution of Available Funds for Amortisation, the Outstanding Principal Balance of Series A2 is to be in excess of 25% of the Outstanding Principal Balance of the Bond Issue.

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(G)) and repayment to the State upon enforcing the State Guarantee for amortising Series A3(G), shall be distributed among the items set out in paragraph 2.1 above as follows:

- (a) It shall be allocated to the Series A1, A2 and A3(G) Bonds and to the amounts due upon enforcing the State Guarantee for amortising Series A3(G) in such a way that the ratio of (i) the Outstanding Principal Balance of Series A2 to (ii) the Outstanding Principal Balance of the Bond Issue remains at 25% or lower percentage closest thereto.

The remaining amount shall be allocated to the Series A1 and A3(G) Bonds and to the amounts due upon enforcing the State Guarantee for amortising Series A3(G) in 2nd and 3rd place as established in paragraph 2.1 above.

- (b) The amounts assigned to the Series A1 and the Series A2 Bonds under paragraph (a) above shall be respectively applied to amortising Series A1 and Series A2 Bonds.
- (c) The amount assigned to the Series A1 and the Series A3(G) Bonds and the amounts due upon enforcing the State Guarantee for amortising Series A3(G), under paragraph (a) shall be applied to amortising Series A3(G) Bonds and repayment to the State of the aforesaid amounts due in accordance with the provisions of subparagraph 2.1.3 above.

3. However, even if Series A1, A2 and A3(G) have not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B and/or Series C (or instead and as the case may be repayment to EIF of the amount it shall have paid for early repayment of Series C Bond principal), 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 Series C (or instead and as the case may be repayment to EIF of the amount it shall have paid for early repayment of Series C Bond principal):
 - 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 the Non-Doubtful 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 4.20% of the Outstanding Principal Balance of the Bond Issue, and
 - ii) the Outstanding Balance of Delinquent Loans does not exceed 1.25% of the Outstanding Balance of Non-Doubtful Loans.
 - c) In order to amortise Series C (or instead and as the case may be the amount yet to be repaid to EIF of the amount it shall have paid for early repayment of Series C Bond principal), that on the Determination Date preceding the relevant Payment Date:
 - i) the Outstanding Principal Balance of Series C (or instead and as the case may be repayment to EIF of the amount it shall have paid for early repayment of Series C Bond principal), is equal to or greater than 6.00% of the Outstanding Principal Balance of the Bond Issue, and
 - ii) the Outstanding Balance of Delinquent Loans does not exceed 1.00% of the Outstanding Balance of Non-Doubtful Loans.

In the event that the amortisation of Series B and as the case may be Series C (or instead and as the case may be repayment to EIF of the amount it shall have paid for early repayment of Series C Bond principal), 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 (or instead and as the case may be repayment to EIF of the amount it shall have paid for early repayment of Series C Bond principal), in such a way that the ratio of the Outstanding Principal Balance of Series B or as the case may be the Outstanding Principal Balance of Series C (or instead and as the case may be the amount to be repaid to EIF of the payment it shall have made for early repayment of Series C Bond principal), to the Outstanding Principal Balance of the Bond Issue is respectively kept at 4.20% and at 6.00%, 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 an Early Liquidation of the Fund and hence an 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 the final amortisation of the Bonds is March 15, 2039 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 Loan established in the relevant loan document.
- ii) The Obligors' capacity to prepay the Loans in whole or in part and the aggregate prepayment pace throughout the life of the Fund. In this sense, Loan prepayments by Obligors, 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 most Loans, resulting in the repayment amount on every instalment differing.
- iv) The Obligors' delinquency in payment of Loan instalments.

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

- Loan interest rate: 3.85% weighted average interest rate as of September 12, 2006 of the portfolio of selected loans which has been used for calculating the repayment instalments and interest of each of the selected loans;
- Loan portfolio delinquency: 0.82% of the Outstanding Balance of the Loans, with 100% recoveries within 15 months of becoming delinquent;
- Loan portfolio doubtfuls rated as bad debts: 0%;
- that the Loan prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is October 26, 2006;
- that there is no Amortisation Deficiency, and
- that there is no extension of the term of any of the 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 4-month Euribor (3.550%) and 5-month Euribor (3.594%) on October 13, 2006 and in the event that the applicable margins should be the average margins in the range established for each Series in accordance with section 4.8.1.2 of this Securities Note (0.11% for Series A1, -0.01% for Series A2, 0.00% for Series A3(G), 0.21% for Series B and 0.04% for Series C):

	Series A1 Bonds	Series A2 Bonds	Series A3(G) Bonds	Series B Bonds	Series C Bonds
Nominal interest rate	3.689%	3.569%	3.579%	3.789%	3.619%

For successive 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 (3.499%) on October 13, 2006 and in the event that the applicable margins should be the average margins in the range established for each Series in accordance with section 4.8.1.2 of this Securities Note (0.11% for Series A1, -0.01% for Series A2, 0.00% for Series A3(G), 0.21% for Series B and 0.04% for Series C):

	Series A1 Bonds	Series A2 Bonds	Series A3(G) Bonds	Series B Bonds	Series C Bonds
Nominal interest rate	3.609%	3.489%	3.499%	3.709%	3.539%

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 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, would be as follows:

% CPR:	1.00%	4.00%	7.00%	10.00%	13.00%
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Series A1 Bonds					
Average life (years)	2.71	2.43	2.18	1.98	1.80
IRR	3.721%	3.722%	3.723%	3.725%	3.726%
Duration (years)	2.43	2.20	1.99	1.82	1.66
Final maturity	15 09 2014	16 12 2013	15 03 2013	17 09 2012	15 03 2012
(in years)	7.89	7.15	6.39	5.90	5.39

Series A2 Bonds					
Average life (years)	3.97	3.97	3.97	3.97	3.93
IRR	3.749%	3.749%	3.749%	3.749%	3.749%
Duration (years)	3.56	3.56	3.56	3.56	3.52
Final maturity	15 06 2012	15 06 2012	15 06 2012	15 06 2012	15 03 2012
(in years)	5.64	5.64	5.64	5.64	5.39

Series A3(G) Bonds					
Average life (years)	7.89	7.15	6.39	5.90	5.39
IRR	3.600%	3.600%	3.600%	3.600%	3.600%
Duration (years)	6.68	6.12	5.54	5.16	4.76
Final maturity	15 09 2014	16 12 2013	15 03 2013	17 09 2012	15 03 2012
(in years)	7.89	7.15	6.39	5.90	5.39

Series B Bonds					
Average life (years)	5.23	4.77	4.37	4.04	3.72
IRR	3.821%	3.821%	3.821%	3.821%	3.821%
Duration (years)	4.55	4.19	3.88	3.60	3.34
Final maturity	15 09 2014	16 12 2013	15 03 2013	17 09 2012	15 03 2012
(in years)	7.89	7.15	6.39	5.90	5.39

Series C Bonds					
Average life (years)	5.23	4.77	4.37	4.04	3.72
IRR	3.639%	3.639%	3.639%	3.639%	3.639%
Duration (years)	4.58	4.22	3.90	3.62	3.36
Final maturity	15 09 2014	16 12 2013	15 03 2013	17 09 2012	15 03 2012
(in years)	7.89	7.15	6.39	5.90	5.39

These figures have been calculated using the following formula:

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

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

Where:

- V* = Average life in each Bond Series issued expressed in years.
P = Estimated principal to be repaid in each Bond Series on each Payment Date.
d = Number of days elapsed between the Closing Date and the Payment Date at issue.
T = Total face amount in EUR in each Bond Series.

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

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

Where:

- N* = face value of the Bond in each Series.
r = IRR expressed as an annual rate, per unit.
A_i = (*A₁* *A_n*). Total estimated repayment and interest amounts to be received by investors.
nd = Number of days comprised between the Closing Date of the issue and each of the *n* Payment Dates, not inclusive, during the life of the Bond.

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

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

Where:

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

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 7.00%, 10.00% and 13.00% throughout the life of the Bond Issue, as explained above actual prepayment changes continually.
- The Outstanding Principal Balance of the Bonds on each Payment Date and hence interest payable on each such dates shall depend on the actual 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 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.

FLows for every Bond without withholding for the holder
(Amounts in EUR)
CPR = 7%

Payment Date	Series A1 Bonds			Series A2 Bonds			Series A3(G) Bonds			Series B Bonds			Series B 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	8,023.94	108,023.94	100,000.00	14,882.39	114,882.39	100,000.00	22,896.99	122,896.99	100,000.00	16,482.85	116,482.85	100,000.00	15,706.62	115,706.62
26/10/2006															
15/03/2007	11,055.29	1,434.74	12,490.03	0.00	1,446.41	1,446.41	0.00	1,391.96	1,391.96	0.00	1,473.63	1,473.63	0.00	1,405.57	1,405.57
15/06/2007	7,455.23	820.34	8,275.57	0.00	929.97	929.97	0.00	894.19	894.19	0.00	947.86	947.86	0.00	903.13	903.13
17/06/2007	9,491.31	767.92	10,259.23	0.00	950.18	950.18	0.00	913.63	913.63	0.00	968.46	968.46	0.00	922.77	922.77
17/12/2007	8,549.80	656.82	9,206.62	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
17/03/2008	7,319.12	578.82	7,897.94	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
16/06/2008	6,762.27	512.05	7,274.32	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
15/09/2008	6,730.94	450.36	7,181.30	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
15/12/2008	6,297.16	388.96	6,686.12	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
16/03/2009	4,538.95	331.51	4,870.46	9,500.00	919.86	10,419.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
15/06/2009	2,914.74	290.10	3,204.85	8,000.00	832.47	8,832.47	0.00	884.47	884.47	15,517.42	937.55	16,454.97	15,517.42	893.32	16,410.73
15/09/2009	3,265.99	266.41	3,532.40	8,000.00	767.22	8,767.22	0.00	894.19	894.19	7,513.95	800.77	8,314.72	7,513.95	762.99	8,276.94
15/12/2009	3,092.72	233.72	3,326.44	7,500.00	685.29	8,185.29	0.00	884.47	884.47	7,097.60	721.62	7,819.22	7,097.60	687.57	7,785.17
15/03/2010	2,954.01	203.25	3,157.26	6,500.00	609.53	7,109.53	0.00	874.75	874.75	6,623.69	647.88	7,271.57	6,623.69	617.31	7,241.00
15/06/2010	2,646.59	180.52	2,827.10	6,000.00	562.63	6,562.63	0.00	894.19	894.19	5,975.73	599.49	6,575.22	5,975.73	571.21	6,546.94
15/09/2010	2,441.53	156.11	2,597.63	5,500.00	506.83	6,006.83	0.00	894.19	894.19	5,504.49	542.85	6,047.34	5,504.49	517.24	6,021.73
15/12/2010	2,371.37	132.14	2,503.51	5,500.00	450.73	5,950.73	0.00	884.47	884.47	5,383.37	485.34	5,868.72	5,383.37	462.44	5,845.82
15/03/2011	1,946.19	109.29	2,055.48	6,000.00	395.74	6,395.74	0.00	874.75	874.75	4,766.56	430.09	5,196.65	4,766.56	409.80	5,176.36
15/06/2011	1,433.49	93.77	1,527.25	6,000.00	348.74	6,348.74	0.00	894.19	894.19	3,881.42	394.47	4,275.89	3,881.42	375.86	4,257.28
15/09/2011	741.74	80.55	822.29	8,750.00	292.94	9,042.94	0.00	894.19	894.19	3,331.89	357.68	3,689.57	3,331.89	340.80	3,672.70
15/12/2011	588.66	72.90	661.56	8,750.00	209.27	8,959.27	0.00	884.47	884.47	3,067.61	322.55	3,390.17	3,067.61	307.34	3,374.95
15/03/2012	396.09	67.53	463.63	9,000.00	128.78	9,128.78	0.00	884.47	884.47	2,793.77	293.79	3,087.56	2,793.77	279.93	3,073.70
15/06/2012	847.30	64.62	911.93	5,000.00	46.50	5,046.50	0.00	894.19	894.19	2,634.99	270.54	2,905.53	2,634.99	257.78	2,892.77
17/09/2012	1,423.61	58.04	1,481.66	0.00	0.00	0.00	0.00	913.63	913.63	2,457.74	250.90	2,708.64	2,457.74	239.07	2,696.81
17/12/2012	1,305.09	43.20	1,348.30	0.00	0.00	0.00	0.00	884.47	884.47	2,253.12	219.85	2,472.98	2,253.12	209.48	2,462.60
15/03/2013	3,430.79	30.27	3,461.05	0.00	0.00	0.00	100,000.00	855.31	100,855.31	21,196.65	192.18	21,388.83	21,196.65	183.11	21,379.76

FLows for every Bond without withholding for the holder
(Amounts in EUR)
CPR = 10%

Payment Date	Series A1 Bonds			Series A2 Bonds			Series A3(G) Bonds			Series B Bonds			Series B 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	7,272.69	107,272.69	100,000.00	14,882.39	114,882.39	100,000.00	20,957.20	120,957.20	100,000.00	15,211.90	115,211.90	100,000.00	14,495.64	114,495.64
26/10/2006															
15/03/2007	12,410.36	1,434.74	13,845.10	0.00	1,446.41	1,446.41	0.00	1,391.96	1,391.96	0.00	1,473.63	1,473.63	0.00	1,405.57	1,405.57
15/06/2007	8,273.32	807.84	9,081.16	0.00	929.97	929.97	0.00	894.19	894.19	0.00	947.86	947.86	0.00	903.13	903.13
17/06/2007	10,128.76	747.44	10,876.20	0.00	950.18	950.18	0.00	913.63	913.63	0.00	968.46	968.46	0.00	922.77	922.77
17/12/2007	9,049.92	631.18	9,681.10	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
17/03/2008	7,733.08	548.62	8,281.70	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
16/06/2008	7,095.63	478.07	7,573.71	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
15/09/2008	6,954.12	413.34	7,367.46	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
15/12/2008	6,433.56	349.90	6,783.46	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
16/03/2009	3,637.28	291.21	3,928.49	9,500.00	919.86	10,419.86	0.00	884.47	884.47	14,679.84	937.55	15,617.39	14,679.84	893.32	15,573.15
15/06/2009	3,464.85	258.03	3,722.87	8,000.00	832.47	8,832.47	0.00	884.47	884.47	7,857.26	799.92	8,657.18	7,857.26	762.18	8,619.43
15/09/2009	3,249.05	228.91	3,477.96	8,000.00	767.22	8,767.22	0.00	894.19	894.19	7,484.71	734.24	8,218.95	7,484.71	699.59	8,184.30
15/12/2009	3,026.77	196.78	3,223.55	7,500.00	685.29	8,185.29	0.00	884.47	884.47	6,983.74	656.08	7,639.82	6,983.74	625.13	7,608.86
15/03/2010	2,849.65	167.31	3,016.96	6,500.00	609.53	7,109.53	0.00	874.75	874.75	6,443.52	584.12	7,027.64	6,443.52	556.56	7,000.08
15/06/2010	2,530.74	144.74	2,675.48	6,000.00	562.63	6,562.63	0.00	894.19	894.19	5,775.72	536.02	6,311.74	5,775.72	510.73	6,286.45
15/09/2010	2,304.57	121.40	2,425.97	5,500.00	506.83	6,006.83	0.00	894.19	894.19	5,268.05	481.28	5,749.33	5,268.05	458.57	5,726.62
15/12/2010	2,192.34	99.06	2,291.40	5,500.00	450.73	5,950.73	0.00	884.47	884.47	5,074.30	426.65	5,500.95	5,074.30	406.52	5,480.82
15/03/2011	1,766.26	78.19	1,844.45	6,000.00	395.74	6,395.74	0.00	874.75	874.75	4,455.93	374.91	4,830.84	4,455.93	357.22	4,813.15
15/06/2011	1,288.46	63.64	1,352.09	6,000.00	348.74	6,348.74	0.00	894.19	894.19	3,631.04	341.01	3,972.05	3,631.04	324.92	3,955.96
15/09/2011	610.25	51.75	662.01	8,750.00	292.94	9,042.94	0.00	894.19	894.19	3,104.89	306.59	3,411.48	3,104.89	292.13	3,397.01
15/12/2011	450.89	45.62	496.51	8,750.00	209.27	8,959.27	0.00	884.47	884.47	2,829.76	274.15	3,103.91	2,829.76	261.21	3,090.98
15/03/2012	258.22	41.51	299.73	9,000.00	128.78	9,128.78	0.00	884.47	884.47	2,555.75	247.62	2,803.36	2,555.75	235.94	2,791.68
15/06/2012	702.69	39.58	742.27	5,000.00	46.50	5,046.50	0.00	894.19	894.19	2,385.32	226.12	2,611.44	2,385.32	215.45	2,600.77
17/09/2012	3,589.23	33.82	3,623.05	0.00	0.00	0.00	100,000.00	913.63	100,913.63	21,470.19	207.93	21,678.12	21,470.19	198.12	21,668.31

FLows FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER
(AMOUNTS IN EUR)
CPR = 13%

Payment Date	Series A1 Bonds			Series A2 Bonds			Series A3(G) Bonds			Series B Bonds			Series B 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	6,626.48	106,626.48	100,000.00	14,517.37	114,517.37	100,000.00	19,149.39	119,149.39	100,000.00	14,025.02	114,025.02	100,000.00	13,364.75	113,364.75
26/10/2006															
15/03/2007	13,794.92	1,434.74	15,229.66	0.00	1,446.41	1,446.41	0.00	1,391.96	1,391.96	0.00	1,473.63	1,473.63	0.00	1,405.57	1,405.57
15/06/2007	9,090.34	795.07	9,885.41	0.00	929.97	929.97	0.00	894.19	894.19	0.00	947.86	947.86	0.00	903.13	903.13
17/09/2007	10,750.15	726.69	11,476.85	0.00	950.18	950.18	0.00	913.63	913.63	0.00	968.46	968.46	0.00	922.77	922.77
17/12/2007	9,524.06	605.43	10,129.49	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
17/03/2008	8,114.12	518.54	8,632.66	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
16/06/2008	7,390.89	444.52	7,835.41	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
15/09/2008	7,136.99	377.09	7,514.08	0.00	919.86	919.86	0.00	884.47	884.47	0.00	937.55	937.55	0.00	893.32	893.32
15/12/2008	5,731.31	311.98	6,043.30	0.00	919.86	919.86	0.00	884.47	884.47	12,136.30	937.55	13,073.86	12,136.30	893.32	13,029.62
16/03/2009	4,025.08	259.70	4,284.78	9,500.00	919.86	10,419.86	0.00	884.47	884.47	9,176.12	823.77	9,999.88	9,176.12	784.90	9,961.02
15/06/2009	3,471.26	222.98	3,694.24	8,000.00	832.47	8,832.47	0.00	884.47	884.47	7,868.33	737.74	8,606.07	7,868.33	702.93	8,571.26
15/09/2009	3,200.27	193.41	3,393.68	8,000.00	767.22	8,767.22	0.00	894.19	894.19	7,400.48	671.26	8,071.75	7,400.48	639.59	8,040.08
15/12/2009	2,933.22	162.12	3,095.34	7,500.00	685.29	8,185.29	0.00	884.47	884.47	6,822.23	594.58	7,416.82	6,822.23	566.53	7,388.76
15/03/2010	2,629.64	133.87	2,763.51	7,182.17	609.53	7,791.70	0.00	874.75	874.75	6,223.62	524.79	6,748.42	6,223.62	500.03	6,723.66
15/06/2010	2,315.53	112.59	2,428.12	6,578.52	556.29	7,134.81	0.00	894.19	894.19	5,539.81	477.46	6,017.27	5,539.81	454.93	5,994.74
15/09/2010	2,091.01	91.24	2,182.25	5,940.67	495.11	6,435.77	0.00	894.19	894.19	5,002.67	424.95	5,427.62	5,002.67	404.90	5,407.57
15/12/2010	1,984.60	71.17	2,055.77	5,638.36	435.08	6,073.44	0.00	884.47	884.47	4,748.09	373.43	5,121.52	4,748.09	355.81	5,103.91
15/03/2011	1,579.76	52.48	1,632.24	6,000.00	379.00	6,379.00	0.00	874.75	874.75	4,133.94	325.30	4,459.25	4,133.94	309.95	4,443.90
15/06/2011	1,135.28	39.08	1,174.36	6,000.00	331.63	6,331.63	0.00	894.19	894.19	3,366.59	293.35	3,659.94	3,366.59	279.51	3,646.10
15/09/2011	471.39	28.61	499.99	8,750.00	275.83	9,025.83	0.00	894.19	894.19	2,865.15	261.44	3,126.59	2,865.15	249.10	3,114.25
15/12/2011	308.96	23.99	332.96	8,750.00	192.34	8,942.34	0.00	884.47	884.47	2,584.74	231.73	2,816.47	2,584.74	220.80	2,805.53
15/03/2012	2,321.21	21.18	2,342.39	12,160.28	111.86	12,272.14	100,000.00	884.47	100,884.47	22,131.92	207.50	22,339.41	22,131.92	197.71	22,329.62

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 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:

At its meeting of July 18, 2006, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN resolved that:

- BBVA-5 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS be set up in pursuance of the Order of December 28, 2001 and in accordance with the legal system for which provision is made in Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, and all other legal and statutory provisions in force and applicable from time to time.
- Credit rights owned by and recorded in the assets of BBVA derived from loans with real estate mortgage security, with security other than a real estate mortgage and/or without special security granted to non-financial (small and medium-sized) enterprises domiciled in Spain satisfying the requirements for small and medium-sized enterprises as defined by the European Commission (Recommendation of May 6, 2003 replacing the Recommendation of April 3, 1996) be pooled in the Fund.
- The Bonds be issued by the Fund.

Resolution to assign the Loans:

At a meeting held on June 23, 2006, the Board of Directors of BBVA resolved that the issue of pass-through certificates to be subscribed for by the Fund and the assignment to the Fund of loans, credits or credit rights derived from non-mortgage loans or credits or any other type of non-mortgage credit assets granted by BBVA to finance SMEs be authorised.

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 5.1.e) of Royal Decree 926/1998.

This Prospectus regarding the establishment of the Fund and issue of the Bonds has been entered in the CNMV's Official Registers on October 19, 2006.

c) Agreements relating to the execution of the State Guarantee.

In accordance with the provisions of section Two of the Order of December 28, 2001, the Management Company entered on October 10, 2006 into a standard Collaboration Agreement with the Industry, Tourism and Commerce Ministry to set up the Fund for fostering business financing.

Furthermore, in accordance with the provisions of section Three of the Order of December 28, 2001, BBVA entered on October 10, 2006 into the Framework Collaboration Agreement with the Industry, Tourism and Commerce Ministry to determine the credits eligible for assignment to the Fund.

In a Ministerial Order, the Economy and Finance Ministry shall provide the Fund before it is established with the Guarantee whereby the Spanish State will guarantee, waiving the benefit of discussion established in Civil Code article 1830, payment of such economic obligations as may be enforceable on the Fund deriving from the Series A3(G) Bonds for a face amount of EUR one hundred and thirty million three hundred thousand (130,300,000.00).

d) EIF Agreement.

The Board of Directors of EIF resolved on October 18, 2006 that the Fund be granted a guarantee whereby the EIF shall unconditionally and irrevocably guarantee to the Series C Bondholders, represented by the Management Company, payment of all interest and principal amounts due on the Series C Bonds, in accordance with the terms and characteristics of the EIF Guarantee.

e) Execution of the Fund public deed of constitution.

Upon the CNMV registering this Prospectus, the Management Company and BBVA, Originator of the Loans, shall proceed to execute on October 23, 2006 a public deed whereby BBVA-5 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BBVA will assign to the Fund Non-Mortgage Loans and Mortgage Loans, by means of the issue of 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 October 23, 2006.

4.13.1 Potential investors to whom the Series A1, A3(G), B and C Bonds are offered

Placement of the Bonds in each of Series A1, A3(G), B and C of the Bond Issue 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.

Tranches.

Each of the Series consists of one tranche only.

4.13.2 Series A1, A3(G), B and C Bond subscription or acquisition date or period.

The Series A1, A3(G), B and C Bond subscription period (the “**Subscription Period**”) shall begin at 1pm (CET time) on October 24, 2006 and end at 2pm (CET time) on the same day.

4.13.3 Where and with whom may Series A1, A3(G), B and C Bond subscription or acquisition be processed?

In order to be taken into account, Series A1, A3(G), B and C Bond subscription proposals shall be made during the Subscription Period established in the preceding section, with BBVA, DRESNER KLEINWORT, JPMORGAN, BANC OF AMERICA, CALYON, IXIS CIB and LEHMAN BROTHERS, as Underwriters and Placement Agents, and observing the procedures established hereinafter in the following sections.

Subscription for the Series A2 Bonds shall be carried out exclusively by EIB.

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

4.13.4 Placement and allocation of the Series A1, A3(G), B and C Bonds.

The Underwriters and Placement Agents shall freely proceed to accept or turn down the Series A1, A3(G), B and C Bond subscription proposals received, making sure in any event that there is no discriminatory treatment between similarly characterised proposals. The Underwriters and Placement Agents may nevertheless give priority to proposals of those of their customers as they shall deem fit or appropriate, and indeed subscribe for their own account, for themselves or for companies in their group, for all or part of each of the Series A1, A3(G), B and C Bond Series.

Each Underwriter and Placement Agent agrees to subscribe in its own name, at the close of the Subscription Period, for such amount of Series A1, A3(G), B and C Bonds as may be necessary to complete the figure of their underwriting commitment as determined in the Series A1, A3(G), B and C Bond Management, Underwriting and Placement Agreement.

4.13.5 Series A1, A3(G), B and C Bond subscription payment method and dates.

The investors to whom the Series A1, A3(G), B and C Bonds are allocated shall pay the relevant Underwriter and Placement Agent, by 1pm (CET time) on October 26, 2006 (the “**Closing Date**”), for same day value, the relevant issue price for each Bond allocated for subscription.

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 traded. 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 that definitive listing will be 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 so listed 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 Bonds issued by the Fund (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 3pm (CET time) on the Closing Date, by crediting the Treasury Account, for same day value, the aggregate amount of the subscription for the Bond Issue received from the other Underwriters and Placement Agents and EIB as provided for in the Series A1, A3(G), B and C Bond Management, Underwriting and Placement Agreement and in the Series A2 Bond Subscription Agreement plus the face amount of the Bonds placed and subscribed for, as the case may be, on its own account, as Underwriter and Placement Agent.
- (ii) Paying each Underwriter and Placement Agent on the Closing Date, as directed by the Management Company, the Series A1, A3(G), B and C Bond underwriting and placement fee amount they shall each have earned, after they have in turn paid it the face amount of the Bonds they shall each have placed and subscribed for, as the case may be, on their own account up to their respective underwriting commitment.
- (iii) Handing to the Management Company Bond Issue placement dissemination control information based on the Series A1, A3(G), B and C Bond information provided in that connection by the Underwriters and Placement Agents, 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 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 short-term, unsecured and unsubordinated debt of BBVA should, at any time during the life of the Bond Issue, be downgraded below F1, P-1 or A-1 respectively by Fitch, 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 having a credit rating for its short-term, unsecured and unsubordinated debt of at least F1, P-1 and A-1 respectively in Fitch's, Moody's and S&P's rating scales, 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. 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.

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.

6 EXPENSE OF THE OFFERING AND ADMISSION TO TRADING.

The following are the expected expenses deriving from setting up the Fund and issue and admission to trading of the Bond issue:

	EUR
• Initial Management Company fee	70,000.00
• Notary's, rating and legal advice fees and initial EIF fee *	489,258.12
• CNMV fees (registering Prospectus and supervising Bond admission to trading)	48,033.00
• AIAF and Iberclear fees for including the Bonds in the register of book entries	55,100.00
• Underwriting and placement fees **	997,200.00
• Translation, printing and other expenses	75,270.10
Total expenses	1,734,861.22

(* The audit fees for the specimen selected loans shall be paid by BBVA)

(** In the event that the fee percentages applicable should be the highest percentage within the ranges set for each Series under section 4.1 of this Securities Note)

7 ADDITIONAL INFORMATION.

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

CUATRECASAS, as independent advisers, have provided legal advice for establishing the Fund and issuing the Bonds and reviewed the tax implications thereof.

BBVA, DRESNER KLEINWORT 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 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, 2005, 2004 and 2003.

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 Loans, given in section 2.2.8 of the Building Block, and of the remaining information on BBVA and the 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 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 October 17, 2006, Fitch, 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.

Bond Series	Fitch Ratings	Moody's Ratings	S&P Ratings
Series A1	AAA	Aaa	AAA
Series A2	AAA	Aaa	AAA
Series A3(G)	AAA	Aaa	AAA
Series B	AA	A2	AA-
Series C	AAA	Aaa	AAA

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 the assignment of Loans terminating, as provided for in section 4.4.4.(iv) of the Registration Document.

Rating considerations.

The ratings assigned to each Bond Series by Fitch measure the Fund's capacity for timely payment of interest and payment of Bond principal throughout the life of the transaction and at all events before the Final Maturity Date, on the terms stipulated in the Prospectus. The structure allows Series B and C interest payment to be deferred in certain circumstances. This implies that those Series might not receive interest on some Payment Dates if the deferment circumstances occur, without that being a default on payment of those Bonds.

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

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

The ratings assigned, and any 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.

The Rating Agencies may review, 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.

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, DRESNER KLEINWORT, the auditors of the selected loans and lawyers.

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 Loans which BBVA shall assign to the Fund upon being established and their total outstanding principal or capital shall be equal to or slightly above EUR one billion nine hundred million (1,900,000,000.00), 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 Loans allow the payments due and payable on the Bonds issued to be satisfied.

Nevertheless, in order to cover for potential defaults on payment by the Obligors of the securitised 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 interest risk due to the different terms of the interest clauses of the 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 given the credit ratings assigned by the Rating Agencies to the Bonds in each Series, 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 with an Early Liquidation of the Fund and thereby an 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 credit rights to be pooled in the Fund, represented by the Management Company, upon being established, shall exclusively consist of credit rights owned by BBVA derived from Loans granted by BBVA to non-financial small and medium-sized enterprises (legal persons) (SMEs, as defined by the European Commission -Recommendation of May 6, 2003 replacing the Recommendation of April 3, 1996) domiciled in Spain.

The portfolio of selected loans from which the Loans to be assigned to the Fund upon being established will be taken comprises 15,159 loans, the outstanding principal of which as of September 12, 2006 amounted to EUR 2,223,359,115.01 and the overdue principal amounted to EUR 3,838,311.98.

Audit of the assets securitised through the Fund.

The most significant characteristics of the selected 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 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: nature of the loan and the obligor, title, identification of the obligor, asset transfer, SME accreditation, loan origination date, loan maturity date, initial loan amount, current loan balance (outstanding principal), reference rate or benchmark index, interest rate spread, interest rate applied, arrears in payment, insolvency status, and additionally for loans with mortgage security, mortgage loan origination, address of the mortgaged property, mortgage security and appraisal value. 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 obligors of the selected loans.

The following table gives the concentration of the ten obligors weighing most in the portfolio of selected loans as of September 12, 2006.

Loan portfolio as of 12.09.2006				
Classification by Obligor				
	Loans		Outstanding principal	
		%	(EUR)	%
Obligor 1	1	0.007	7,800,000.00	0.351
Obligor 2	1	0.007	7,529,535.24	0.339
Obligor 3	1	0.007	7,500,000.00	0.337
Obligor 4	1	0.007	7,306,919.32	0.329
Obligor 5	1	0.007	7,300,000.00	0.328
Obligor 6	1	0.007	7,095,188.00	0.319
Obligor 7	2	0.013	6,954,119.45	0.313
Obligor 8	1	0.007	6,885,964.31	0.310
Obligor 9	1	0.007	6,880,000.00	0.309
Obligor 10	1	0.007	6,000,000.00	0.270
Rest: 13,033 Obligors	15,148	99.927	2,152,107,388.69	96.795
Total Obligors: 13,043	15,159	100.00	2,223,359,115.01	100.00

The outstanding principal of each obligor is the result of the sum of the outstanding principal of each of the selected loans granted to the obligor proper.

b) Information on the obligors' economic activity by economic activity sectors in accordance with the Spanish Business Activity Code (CNAE).

The following table shows the distribution of the selected loans based on the corporate obligors' CNAE activity.

Loan portfolio as of 12.09.2006					
Classification by economic activity sectors					
CNAE		Loans %		Outstanding principal (EUR) %	
AA	Agriculture, Stockbreeding, Hunting and Forestry.	441	2.91	66,505,149.00	2.99
BB	Fishing.	81	0.53	16,399,545.28	0.74
CA	Extracting energy products	14	0.09	1,260,098.36	0.06
CB	Extracting other minerals except Energy Products.	171	1.13	22,613,695.95	1.02
DA	Food products, drinks and tobacco industry.	654	4.31	113,673,478.93	5.11
DB	Textile and textile manufacture industry.	226	1.49	38,501,907.97	1.73
DC	Leather and footwear industry.	98	0.65	8,583,045.82	0.39
DD	Wood and cork industry.	268	1.77	27,592,814.36	1.24
DE	Paper industry; publishing, graphic arts and reproduction of recorded media.	381	2.51	51,306,921.11	2.31
DF	Oil Refinery and Nuclear Fuel Processing.	2	0.01	600,244.29	0.03
DG	Chemical industry.	189	1.25	25,670,170.99	1.15
DH	Manufacture of rubber products and plastic materials industry.	209	1.38	33,447,865.99	1.50
DI	Other non-metallic mineral products industries.	340	2.24	63,784,302.50	2.87
DJ	Metallurgy and Manufacture of Metallic Products.	736	4.86	109,058,812.19	4.91
DK	Building of machinery and mechanical equipment industry.	240	1.58	34,980,735.06	1.57
DL	Electrical, Electronic and Optical Material and Equipment Industry.	176	1.16	20,679,827.03	0.93
DM	Manufacture of Transport Material.	69	0.46	9,185,076.40	0.41
DN	Other manufacturing industries.	372	2.45	41,729,322.23	1.88
EE	Production and distribution of electric power, gas and water.	65	0.43	16,637,522.92	0.75
FF	Building.	1,980	13.06	244,584,817.90	11.00
GG	Retail trade; repair of motor vehicles, motorcycles and mopeds and personal and household items.	3,080	20.32	412,611,988.22	18.56
HH	Catering trade.	647	4.27	110,835,883.05	4.99
II	Transport, Storage and Communications.	994	6.56	96,614,006.78	4.35
KK	Real Estate and Rental Activities; Business Services.	2,582	17.03	509,420,577.07	22.91
LL	Government, defence and social security.	5	0.03	745,103.17	0.03
MM	Education.	58	0.38	5,550,163.55	0.25
NN	Health and Veterinary Activities, Social Services.	328	2.16	36,860,325.96	1.66
OO	Other social activities and services provided to the Community; Personal Services.	753	4.97	103,925,712.93	4.67
Total		15,159	100.00	2,223,359,115.01	100.00

c) Information regarding selected loan collaterals.

The following table gives the distribution of the selected loans having regard to their collaterals.

Loan portfolio as of 12.09.2006 Classification by type of security				
	Loans		Outstanding Principal	
		%	(EUR)	%
Loans with real estate mortgage security *	2,117	13.97	732,859,986.62	32.96
Loans with security interests **	316	2.08	63,211,883.76	2.84
Loans with third-party personal guarantee	7,569	49.93	738,041,686.22	33.19
Loans without special security	5,157	34.02	689,245,558.41	31.00
Total	15,159	100.00	2,223,359,115.01	100.00

* May in addition include third-party personal bonds, as the case may be, and/or security interests

** May in addition include third-party personal bonds, as the case may be

d) Information regarding selected loan origination date.

The following table shows the distribution of the selected loans according to the origination date by six-monthly intervals, and the average, minimum and maximum age.

Loan portfolio as of 12.09.2006 Classification by loan origination date				
Date interval	Loans		Outstanding principal	
		%	(EUR)	%
01/01/1999 to 30/06/1999	54	0.36	3,974,258.57	0.18
01/07/1999 to 31/12/1999	68	0.45	6,797,438.76	0.31
01/01/2000 to 30/06/2000	76	0.50	8,344,443.25	0.38
01/07/2000 to 31/12/2000	83	0.55	10,363,860.29	0.47
01/01/2001 to 30/06/2001	180	1.19	22,767,163.66	1.02
01/07/2001 to 31/12/2001	165	1.09	31,793,232.52	1.43
01/01/2002 to 30/06/2002	317	2.09	46,636,013.30	2.10
01/07/2002 to 31/12/2002	468	3.09	54,920,605.39	2.47
01/01/2003 to 30/06/2003	937	6.18	96,188,054.10	4.33
01/07/2003 to 31/12/2003	781	5.15	115,814,874.96	5.21
01/01/2004 to 30/06/2004	1,448	9.55	179,676,711.44	8.08
01/07/2004 to 31/12/2004	1,304	8.60	205,684,744.24	9.25
01/01/2005 to 30/06/2005	2,990	19.72	415,683,926.83	18.70
01/07/2005 to 31/12/2005	2,504	16.52	569,615,011.42	25.62
01/01/2006 to 30/06/2006	3,784	24.96	455,098,776.28	20.47
Total	15,159	100.00	2,223,359,115.01	100.00
	19.96	Months	Weighted average age	
	92.09	Months	Maximum age	
	2.43	Months	Minimum age	

e) Information regarding selected loan principal.

The following table gives the distribution of the outstanding loan principal as at September 12, 2006 in EUR 250,000 intervals, and the average, minimum and maximum amount. No details are given of intervals with no contents.

Loan portfolio as of 12.09.2006				
Classification by outstanding principal				
Principal interval (EUR)	Loans No.	%	Outstanding principal (EUR)	%
0.00 - 249,999.99	13,080	86.29	743,775,901.86	33.45
250,000.00 - 499,999.99	1,149	7.58	397,527,138.46	17.88
500,000.00 - 749,999.99	390	2.57	233,857,499.21	10.52
750,000.00 - 999,999.99	180	1.19	153,208,749.72	6.89
1,000,000.00 - 1,249,999.99	117	0.77	127,744,667.73	5.75
1,250,000.00 - 1,499,999.99	68	0.45	92,339,951.73	4.15
1,500,000.00 - 1,749,999.99	48	0.32	74,243,377.71	3.34
1,750,000.00 - 1,999,999.99	33	0.22	61,852,796.17	2.78
2,000,000.00 - 2,249,999.99	19	0.13	40,067,890.70	1.80
2,250,000.00 - 2,499,999.99	10	0.07	23,497,548.46	1.06
2,500,000.00 - 2,749,999.99	7	0.05	18,484,519.28	0.83
2,750,000.00 - 2,999,999.99	4	0.03	11,416,483.84	0.51
3,000,000.00 - 3,249,999.99	10	0.07	30,576,014.10	1.38
3,250,000.00 - 3,499,999.99	5	0.03	16,782,867.28	0.75
3,500,000.00 - 3,749,999.99	4	0.03	14,528,461.34	0.65
3,750,000.00 - 3,999,999.99	6	0.04	23,364,238.28	1.05
4,000,000.00 - 4,249,999.99	5	0.03	20,418,403.30	0.92
4,250,000.00 - 4,499,999.99	2	0.01	8,884,360.39	0.40
4,500,000.00 - 4,749,999.99	4	0.03	18,331,720.04	0.82
4,750,000.00 - 4,999,999.99	1	0.01	4,774,000.00	0.21
5,000,000.00 - 5,249,999.99	4	0.03	20,304,446.09	0.91
5,500,000.00 - 5,749,999.99	2	0.01	11,314,847.35	0.51
5,750,000.00 - 5,999,999.99	1	0.01	5,765,625.10	0.26
6,000,000.00 - 6,249,999.99	2	0.01	12,000,000.00	0.54
6,750,000.00 - 6,999,999.99	2	0.01	13,765,964.31	0.62
7,000,000.00 - 7,249,999.99	1	0.01	7,095,188.00	0.32
7,250,000.00 - 7,499,999.99	2	0.01	14,606,919.32	0.66
7,500,000.00 - 7,749,999.99	2	0.01	15,029,535.24	0.68
7,750,000.00 - 7,999,999.99	1	0.01	7,800,000.00	0.35
Total	15,159	100.00	2,223,359,115.01	100.00
Average principal:			146,669.25	
Minimum principal:			280.61	
Maximum principal:			7,800,000.00	

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

The selected loans are fixed or floating-rate loans. The following table gives the distribution of the loans according to fixed or floating interest and benchmark indices applicable to the floating-rate loans for determining the nominal interest rate.

Loan portfolio as of 12.09.2006				
Classification by Interest rate benchmark index				
Benchmark Index	Loans		Outstanding principal	
		%	(EUR)	%
Fixed interest rate	3,366	22.20	220,781,937.44	9.93
Floating interest rate *	11,793	77.80	2,002,577,177.57	90.07
1-year EURIBOR/MIBOR	2,648	0.17	454,110,684.56	20.42
11-month EURIBOR/MIBOR	54	0.00	5,054,495.89	0.23
10-month EURIBOR/MIBOR	35	0.00	5,813,780.82	0.26
9-month EURIBOR/MIBOR	10	0.00	848,551.27	0.04
7-month EURIBOR/MIBOR	33	0.00	1,636,934.91	0.07
6-month EURIBOR/MIBOR	6,298	0.42	830,795,697.26	37.37
5-month EURIBOR/MIBOR	27	0.00	2,955,210.46	0.13
4-month EURIBOR/MIBOR	24	0.00	1,284,339.47	0.06
3-month EURIBOR/MIBOR	1,449	0.10	438,257,875.08	19.71
2-month EURIBOR/MIBOR	52	0.00	9,656,681.80	0.43
1-month EURIBOR/MIBOR	77	0.01	29,050,278.59	1.31
MLBI BANKS	1,010	0.07	215,512,768.79	9.69
MLBI ALL INSTITUTIONS	76	0.01	7,599,878.67	0.34
Total	15,159	100.00	2,223,359,115.01	100.00

* The EURIBOR and MIBOR indices have been grouped because their respective values are similar and they are financially comparable for the purpose of the financial transaction structure.

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

The following table gives the distribution of the selected loans by 0.50% nominal interest rate intervals applicable as at September 12, 2006, and their average, minimum and maximum values.

Loan portfolio as of 12.09.2006					
Classification by applicable nominal interest rate					
Interest Rate % Interval	Loans		Outstanding principal		% Interest Rate*
		%	(EUR)	%	
2.00 - 2.49	43	0.28	5,959,783.59	0.27	2.35
2.50 - 2.99	208	1.37	44,390,132.28	2.00	2.81
3.00 - 3.49	2,803	18.49	415,646,728.68	18.69	3.33
3.50 - 3.99	5,174	34.13	1,034,077,766.94	46.51	3.73
4.00 - 4.49	3,219	21.23	511,771,407.67	23.02	4.18
4.50 - 4.99	1,614	10.65	143,438,035.50	6.45	4.64
5.00 - 5.49	927	6.12	42,858,347.15	1.93	5.14
5.50 - 5.99	455	3.00	12,153,682.77	0.55	5.63
6.00 - 6.49	275	1.81	5,254,425.40	0.24	6.10
6.50 - 6.99	203	1.34	4,461,753.98	0.20	6.67
7.00 - 7.49	120	0.79	1,869,620.47	0.08	7.10
7.50 - 7.99	87	0.57	1,209,815.92	0.05	7.59
8.00 - 8.49	30	0.20	249,584.80	0.01	8.00
8.50 - 8.99	1	0.01	18,029.86	0.00	8.50
Total	15,159	100.00	2,223,359,115.01	100.00	
Weighted average:					3.85 %
Simple average:					4.12 %
Minimum:					2.00 %
Maximum:					8.50 %

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

h) Information regarding minimum nominal interest rates applicable to the selected loans.

Part of the selected floating-rate 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 loans as at September 12, 2006 range between 1.00% and 7.00%.

The following table shows the distribution of loans by 0.50% minimum nominal interest rate intervals applicable for determining the nominal interest rate of the loans. Intervals with no contents are not detailed.

Loan portfolio as of 12.09.2006					
Classification by applicable minimum nominal interest rates					
Minimum % Interest Rate Interval	Loans %		Outstanding principal (EUR) %		Minimum % Int. Rate*
1.00 - 1.49	28	0.18	5,230,537.87	0.24	1.00
1.50 - 1.99	4	0.03	2,773,511.96	0.12	1.50
2.00 - 2.49	1,229	8.11	299,192,158.62	13.46	2.01
2.50 - 2.99	388	2.56	112,569,427.50	5.06	2.54
3.00 - 3.49	511	3.37	70,832,373.64	3.19	3.01
3.50 - 3.99	548	3.62	93,576,286.29	4.21	3.51
4.00 - 4.49	91	0.60	11,058,376.55	0.50	4.00
4.50 - 4.99	12	0.08	831,661.52	0.04	4.54
5.00 - 5.49	13	0.09	753,885.95	0.03	5.03
5.50 - 5.99	1	0.01	12,666.61	0.00	5.50
7.00 - 7.49	1	0.01	140,898.86	0.01	7.00
No minimum applicable NIR	12,333	81.36	1,626,387,329.64	73.15	-
Total	15,159	100.00	2,223,359,115.01	100.00	
*Average nominal interest rate of the interval weighted by the outstanding principal.					

i) Information regarding the maximum nominal interest rates applicable to the selected loans.

Part of the selected floating-rate 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 loans as at September 12, 2006 range between 10.00% and 36.00%.

The following table shows the distribution of loans by 0.50% maximum nominal interest rate intervals applicable for determining the nominal interest rate of the loans. Intervals with no contents are not detailed.

Loan portfolio as of 12.09.2006					
Classification by applicable maximum nominal interest rates					
Maximum % Interest Rate Interval	Loans %		Outstanding principal (EUR) %		Maximum % Int. Rate*
10.00 - 10.49	83	0.55	19,764,563.58	0.89	10.00
10.50 - 10.99	4	0.03	2,101,996.55	0.09	10.50
11.00 - 11.49	14	0.09	2,226,520.92	0.10	11.06
11.50 - 11.99	1	0.01	11,946.61	0.00	11.50
12.00 - 12.49	1,375	9.07	374,935,795.05	16.86	12.00
12.50 - 12.99	21	0.14	5,247,286.39	0.24	12.50
13.00 - 13.49	17	0.11	1,597,841.07	0.07	13.00
13.50 - 13.99	3	0.02	242,446.66	0.01	13.50
14.00 - 14.49	43	0.28	8,264,496.56	0.37	14.00
14.50 - 14.99	1	0.01	182,422.00	0.01	14.75
15.00 - 15.49	1,628	10.74	328,545,951.59	14.78	15.00

Loan portfolio as of 12.09.2006					
Classification by applicable maximum nominal interest rates					
Maximum % Interest Rate Interval	Loans %		Outstanding principal (EUR) %		Maximum % Int. Rate*
15.50 - 15.99	1	0.01	12,666.61	0.00	15.50
16.00 - 16.49	74	0.49	8,612,816.54	0.39	16.00
17.00 - 17.49	10	0.07	1,817,424.36	0.08	17.00
18.00 - 18.49	106	0.70	18,430,208.95	0.83	18.00
19.00 - 19.49	19	0.13	2,573,387.86	0.12	19.00
20.00 - 20.49	33	0.22	7,740,345.43	0.35	20.00
21.00 - 21.49	1	0.01	633,209.42	0.03	21.00
22.00 - 22.49	23	0.15	5,327,469.38	0.24	22.00
25.00 - 25.49	6	0.04	544,980.45	0.02	25.00
26.00 - 26.49	2	0.01	2,418,804.42	0.11	26.00
29.00 - 29.49	17	0.11	3,541,790.20	0.16	29.00
30.00 - 30.49	1	0.01	398,822.50	0.02	30.00
35.00 - 35.49	2	0.01	91,231.17	0.00	35.00
36.00 - 36.49	1	0.01	92,859.62	0.00	36.00
No maximum applicable NIR	11,673	77.00	1,428,001,831.12	64.23	-
Total	15,159	100.00	2,223,359,115.01	100.00	

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

j) Information regarding initial repayment term.

The following table gives the distribution of loans by twelve-month intervals of the initial repayment term spanning from the origination to the final maturity dates of each loan. The loans all have an initial repayment term in excess of one year.

Loan portfolio as of 12.09.2006					
Classification by loan initial repayment term					
Intervals in months	Loans %		Outstanding principal (EUR) %		
12.01 - 24.00	48	0.32	15,809,794.85	0.71	
24.01 - 36.00	326	2.15	58,299,464.86	2.62	
36.01 - 48.00	2,701	17.82	165,483,114.43	7.44	
48.01 - 60.00	811	5.35	88,237,966.96	3.97	
60.01 - 72.00	6,030	39.78	515,765,014.69	23.20	
72.01 - 84.00	382	2.52	71,253,511.90	3.20	
84.01 - 96.00	2,307	15.22	435,126,834.23	19.57	
96.01 - 108.00	297	1.96	53,295,712.91	2.40	
108.01 - 120.00	96	0.63	29,864,376.91	1.34	
120.01 - 132.00	900	5.94	263,880,033.50	11.87	
132.01 - 144.00	61	0.40	36,093,722.72	1.62	
144.01 - 156.00	422	2.78	150,706,054.23	6.78	
156.01 - 168.00	48	0.32	34,817,746.13	1.57	
168.01 - 180.00	51	0.34	37,467,863.92	1.69	
180.01 - 192.00	473	3.12	175,655,996.49	7.90	
192.01 - 204.00	29	0.19	18,270,937.68	0.82	
204.01 - 216.00	21	0.14	17,241,845.57	0.78	
216.01 - 228.00	11	0.07	6,613,181.31	0.30	
228.01 - 240.00	8	0.05	940,142.74	0.04	
240.01 - 252.00	93	0.61	37,021,995.25	1.67	
252.01 - 264.00	6	0.04	835,958.73	0.04	
264.01 - 276.00	4	0.03	2,888,167.68	0.13	

Loan portfolio as of 12.09.2006				
Classification by loan initial repayment term				
Intervals in months	Loans		Outstanding principal	
		%	(EUR)	%
276.01 - 288.00	7	0.05	861,142.10	0.04
300.01 - 312.00	14	0.09	4,433,567.95	0.20
336.01 - 348.00	1	0.01	240,000.00	0.01
348.01 - 360.00	1	0.01	96,808.59	0.00
360.01 - 372.00	10	0.07	1,910,203.80	0.09
372.01 - 384.00	1	0.01	247,954.88	0.01
Total	15,159	100.00	2,223,359,115.01	100.00
	Weighted average:		97.89	Months
	Simple average:		72.81	Months
	Minimum:		14.95	Months
	Maximum:		373.08	Months

k) Information regarding final maturity date of the selected loans.

The following table gives the distribution of the selected loans according to final maturity date by annual intervals, and the weighted average residual life and the first and last final maturity dates. No details are given of years with no contents.

Loan portfolio as of 12.09.2006						
Classification by final repayment date						
Final Repayment Year	Loans		Outstanding principal		Residual Life*	
		%	(EUR)	%	Months	Date
2006	1	0.01	952.24	0.00	1.38	24/10/2006
2007	1,306	8.62	106,862,158.60	4.81	12.15	17/09/2007
2008	2,772	18.29	174,783,432.48	7.86	22.45	26/07/2008
2009	2,580	17.02	171,861,455.65	7.73	33.53	29/06/2009
2010	2,132	14.06	283,265,147.10	12.74	46.20	19/07/2010
2011	2,673	17.63	325,086,773.49	14.62	55.92	11/05/2011
2012	937	6.18	194,282,908.48	8.74	69.65	2/07/2012
2013	976	6.44	246,726,368.14	11.10	80.18	18/05/2013
2014	262	1.73	68,894,490.43	3.10	93.86	9/07/2014
2015	452	2.98	186,664,353.92	8.40	106.73	5/08/2015
2016	195	1.29	90,864,940.06	4.09	117.90	10/07/2016
2017	243	1.60	94,385,922.89	4.25	130.55	30/07/2017
2018	119	0.79	52,718,510.60	2.37	143.38	24/08/2018
2019	154	1.02	64,732,926.37	2.91	153.93	11/07/2019
2020	189	1.25	80,069,823.42	3.60	166.43	26/07/2020
2021	20	0.13	22,624,289.13	1.02	178.11	16/07/2021
2022	18	0.12	12,838,165.89	0.58	189.59	1/07/2022
2023	33	0.22	6,511,344.75	0.29	202.41	26/07/2023
2024	31	0.20	7,930,687.63	0.36	214.67	2/08/2024
2025	34	0.22	22,946,528.06	1.03	228.60	30/09/2025
2026	4	0.03	1,276,445.10	0.06	236.20	19/05/2026
2027	2	0.01	1,755,882.19	0.08	245.90	11/03/2027
2028	4	0.03	2,111,816.86	0.09	262.11	16/07/2028
2029	8	0.05	1,189,921.44	0.05	271.54	29/04/2029
2030	2	0.01	573,039.53	0.03	284.84	8/06/2030
2032	2	0.01	442,546.71	0.02	309.43	25/06/2032
2033	2	0.01	215,706.72	0.01	324.47	26/09/2033
2034	4	0.03	857,409.74	0.04	333.81	7/07/2034

Loan portfolio as of 12.09.2006					
Classification by final repayment date					
Final Repayment Year	Loans		Outstanding principal		Residual Life*
		%	(EUR)	%	Months Date
2035	3	0.02	637,212.51	0.03	349.49 28/10/2035
2036	1	0.01	247,954.88	0.01	353.58 29/02/2036
Total	15,159	100.00	2,223,359,115.01	100.00	
Weighted average:					77.87 09/03/2013
Simple average:					51.69 01/01/2011
Minimum:					1.37 24/10/2006
Maximum:					353.58 29/02/2036
* 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.					

l) Information regarding geographical distribution by Autonomous Communities.

The following table gives loan distribution by Autonomous Communities according to the location of the corporate obligors' place of business.

Loan portfolio as of 12.09.2006				
Classification by Autonomous Communities				
	Loans		Outstanding principal	
		%	(EUR)	%
Andalusia	2,062	13.60	304,419,674.65	13.69
Aragón	460	3.03	59,317,302.98	2.67
Asturies	279	1.84	39,702,908.78	1.79
Balearic Isles	303	2.00	56,230,125.41	2.53
Canary Islands	1,178	7.77	151,146,466.27	6.80
Cantabria	162	1.07	29,103,360.62	1.31
Castile La Mancha	684	4.51	68,922,048.87	3.10
Castile-León	808	5.33	120,351,539.37	5.41
Catalonia	2,313	15.26	292,159,458.73	13.14
Ceuta	32	0.21	3,554,413.04	0.16
Valencian Community	2,697	17.79	366,907,437.53	16.50
Extremadura	260	1.72	32,630,592.37	1.47
Galicia	701	4.62	84,437,476.60	3.80
La Rioja	118	0.78	19,140,282.28	0.86
Madrid	1,467	9.68	287,346,106.11	12.92
Melilla	21	0.14	2,042,335.18	0.09
Murcia	384	2.53	75,484,196.28	3.40
Navarre	164	1.08	30,545,730.87	1.37
Basque Country	1,066	7.03	199,917,659.07	8.99
Total	15,159	100.00	2,223,359,115.01	100.00

m) Information regarding delays, if any, in collecting selected loan interest or principal instalments and amount, if any, of the current principal of loans delayed in excess of 30, 60 and 90 days.

The following table gives the number of loans, the outstanding principal and the overdue principal on selected loans in regard to which there was any delay in payment of amounts due as at September 12, 2006.

Arrears in payment of instalments due as of 12.09.2006				
Day Interval	Loans	Outstanding Principal	Overdue Principal	% o/ Total Outstanding Principal
1 to 15 days	742	81,315,504.95	1,469,019.12	0.0661
16 to 30 days	181	7,493,348.34	170,125.13	0.0077
31 to 60 days	343	33,963,688.00	1,205,729.96	0.0542
61 to 90 days	229	21,168,468.50	993,437.77	0.0447
Total	1,495	143,941,009.79	3,838,311.98	0.1726

In accordance with BBVA's representation in section 2.2.8.2.(2) of the Building Block, none of the Loans that will finally be assigned to the Fund upon being established shall have any payments more than one (1) month overdue on their assignment date.

n) Loan to value ratio or level of collateralisation.

The selected loans with real estate mortgage security as of September 12, 2006 are 2,117 and their outstanding principal amounts to EUR 732,859,986.62, and the collaterals are all registered as senior collateral.

The ratio, expressed as a percentage, of the initial outstanding principal as of September 12, 2006 to the appraisal value of the mortgaged properties of the selected mortgage loans was comprised between 0.89% and 188.74%, and the average ratio weighted by the outstanding principal of each mortgage loan is 54.49%.

The following table gives the distribution of the mortgage loans by 10.00% intervals of that ratio.

Mortgage loan portfolio as of 12.09.2006 Classification by loan to value ratio				
Ratio Intervals	Loans	Outstanding principal		(%) Loan to Value*
	%	(EUR)	%	
0.01 - 10.00	43 2.03	4,866,738.69	0.66	8.05
10.01 - 20.00	209 9.87	42,736,831.39	5.83	15.00
20.01 - 30.00	242 11.43	66,099,649.66	9.02	25.60
30.01 - 40.00	284 13.42	81,738,185.56	11.15	34.70
40.01 - 50.00	373 17.62	124,818,785.67	17.03	45.65
50.01 - 60.00	384 18.14	135,760,474.53	18.52	54.87
60.01 - 70.00	289 13.65	118,056,842.92	16.11	64.60
70.01 - 80.00	144 6.80	81,662,438.96	11.14	74.49
80.01 - 90.00	56 2.65	34,932,005.97	4.77	84.52
90.01 - 100.00	34 1.61	14,207,233.36	1.94	94.83
100.01 - 110.00	20 0.94	8,083,993.13	1.10	104.35
110.01 - 120.00	11 0.52	4,549,353.44	0.62	115.09
120.01 - 130.00	8 0.38	3,837,448.82	0.52	125.35
130.01 - 140.00	7 0.33	6,138,465.49	0.84	135.83
140.01 - 150.00	5 0.24	1,097,184.44	0.15	142.75
150.01 - 160.00	4 0.19	1,480,922.62	0.20	155.99
170.01 - 180.00	3 0.14	1,696,096.83	0.23	172.11
180.01 - 190.00	1 0.05	1,097,335.14	0.15	188.74
190.01 - 200.00	1 0.05	1,112,471.39	0.15	191.34
Total	2,117 100.00	732,859,986.62	100.00	
Weighted Average:				54.49 %
Simple Average:				48.10 %
Minimum:				0.89 %
Maximum:				188.74 %

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

There is no overcollateralisation in the Fund since the total Loan principal or capital that BBVA shall assign to the Fund upon being set up shall be equal to or slightly above EUR one billion nine hundred million (1,900,000,000.00), the face value amount of the Bond Issue.

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

The selected loans may be classified based on their collaterals into:

- (i) Loans with real estate mortgage security, and the additional security, if any, specified in paragraph (ii) below, originated in a public deed (the Mortgage Loans).

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, and ancillary laws.

The Mortgage Loans 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.

- (ii) Loans with no special guarantee, exclusively secured by pledging money and/or units in investment funds and/or with third-party personal guarantees, originated in a public document, which are enforceable (Civil Procedure Act article 517) (the Non-Mortgage Loans).

The Non-Mortgage Loans shall be directly assigned to the Fund upon being sold by BBVA and acquired by the Fund, 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 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 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.

Final maturity date of the selected loans lies between October 24, 2006 and February 29, 2036.

2.2.5 Amount of the assets.

The Fund shall be set up with the Loans which BBVA shall assign to the Fund upon being established and their total principal or capital shall be equal to or slightly above EUR one billion nine hundred million (1,900,000,000.00), the face value amount of the Bond Issue.

The portfolio of selected loans from which the Loans to be assigned to the Fund upon being established will be taken comprises 15,159 loans, the outstanding principal of which as of September 12, 2006 amounted to EUR 2,223,359,115.01 and the overdue principal amounted to EUR 3,838,311.98.

In order to be assigned to the Fund upon being established, BBVA shall choose from the selected loans (i) loans that are in good standing or that have no payments that are more than one (1) month overdue and (ii) with an aggregate outstanding principal amount for each obligor from lowest to highest up to a total principal or capital equal to or slightly above EUR one billion nine hundred million (1,900,000,000.00).

2.2.6 Loan to value ratio or level of collateralisation.

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

2.2.7 Method of creation of the assets.

The loans selected for assignment to the Fund have been granted by BBVA following its usual credit risk analysis and assessment procedures for lending to small and medium-sized enterprises. The procedures currently in place at BBVA are described below:

1. Introduction.

Banca de Empresas is the Business Unit set up at BBVA to serve businesses. This unit specialises in managing and serving large, medium-sized and small enterprises. Banca Comercial is the Business Unit set up at BBVA to manage the business from the private customer, retail and small enterprise segments.

Origination channels.

Banca de Empresas has an own distribution network comprising 211 Branches.

Banca Comercial has 3,362 Branches nation-wide, which are specialised to some extent as follows:

- 630 Business Environment Branches
- 325 Rural Environment Branches

The management model is based on a customised integral customer management; customers are all allocated a personal account manager.

2. Lending procedures.

2.1 System supporting lending decision making: internal rating.

Rating tools are analysis and assessment systems enabling BBVA to assign a customer a credit rating based on data and standards. This is the basis for:

- Providing risk policies consistent with the rating and monitoring the live risk
- Conferring powers
- Permitting distinct pricing policies

This tool is integrated in the risks procedures and circuits covering all stages of the risks cycle, each of them including a value added system avoiding the need to re-collect information (incremental analysis system) and allows efforts to be adjusted and capacities to be assigned based on risk types:

- Less information in low-profile risks.
- More in-depth information and analysis in complex risks.

Thus, admission standards can be consistently applied and decision-making can be decentralised, trimming response times. The SME rating tool was the result of internal development at BBVA and was implemented in September 2002.

• Rating methodology

Rating

The following method is used for rating a customer:

1. Score-based valuing of the business.

Two types of information are considered:

- Quantitative factors: analysis of financial statements
- Qualitative factors: from customer reports

Each factor carries certain points or weights. The sum determines the customer's final score.

2. Obtaining alerted variables.

These are elements that, while not influencing the score obtained by the enterprise, may alert to situations exceeding predefined parameters. Alerts may be given on both scoring variables and other purposely defined quantitative and qualitative variables.

Based on their importance they are classified as:

- Variables to be explained: they do not condition the score obtained and indicate that certain variables take unusual values
- Conditioning variables: given their relevance, their existence condition the customer's score.

3. Assessing alerted variables.

The account manager or analyst at BBVA in charge of the rating shall assess any alerted variables and duly explain the reasons originating the alerts and their justification, if any.

Rating models

The models developed may be sorted into two types:

1. General business model based on size:
 - Corporate
 - Enterprises
 - SMEs
2. Specific to other business segments.

Master scale

One of the prime objectives of a Rating system is rating customers based on their credit quality. This quality is defined by the likelihood of a customer being in arrears. A master scale is used to calculate the default rate: it allows each customer to be assigned a default probability. It is unique for the whole Bank.

The master scale consists of a number of values or grades and each is assigned a default probability (expected default frequency or EDF).

• **SME Rating**

The following variables are involved in SME rating scoring:

Quantitative factors.

- Creditworthiness of the enterprise
 - Real estate net of liens on the balance sheet total
 - Other facilities on balance sheet total
 - Size (total assets)
- Creditworthiness of guarantors
 - Capacity to take on business debts
 - Members' credit rating
- Financial
 - Total investment in the business
 - Investment funding
 - Bank debt
 - Repayment capacity
- Economic
 - Progress of sales
 - Cash-flow on sales
 - Total balance sheet cash-flow

Qualitative factors

The following qualitative factors are captured in obtaining the rating:

- Sector: automatically obtained from the assessment made by the Sector Analysis Area
- Time in the business

The final score obtained is set against BBVA's master scale and each score is allocated an expected default frequency (EDF) reflecting the likelihood of the enterprise being in arrears within one year starting from the last date of the statements analysed. Once the score is obtained, the alerted variables are analysed.

Benchmarking, consistency and alerts

A number of ratios and variables have to be checked for the rating to be completed. These factors are an integral part of the Rating and are attached to the score obtained by the customer. There may be two types: quantitative and qualitative.

General operating diagram

In order to obtain an internal rating a minimum information on the customer has to be available (financial statements, other information and CIRBE), corporate application data must be captured, the automatic system calculation must be obtained, based on an algorithm calculated as described above, and finally an analysis and assessment of the results provided by the tool must be made.

2.2 Lending procedure.

a) Banca Comercial

The account manager receives a proposal from a client who may or may not be a customer of BBVA. The account manager requests such information as is deemed necessary to be able to decide and which shall at a minimum be the information established in the internal risks Empowerment Rule as detailed in paragraph 2.2.4 concerning risks empowerment.

b) Banca de Empresas

The admission procedure begins with the customer's risk application. BBVA Group has implemented a customised management model in the SME business segment.

Admission of transactions begins with the customer's application. The customer may be known to have a current risk with BBVA or to have been a customer in the past or not to have ever dealt with BBVA.

2.2.2 Required information.

a) Banca Comercial

The following will be the minimum information to be able to decide:

- Balance sheet or, alternatively, declaration of assets or Wealth return
- Operating account for the last fiscal year
- In enterprises in which the risks at BBVA are in excess of €300,000 or €1,200,000 in SCIR total, the balance sheets and operating accounts must be audited. It should usefully be noted that companies must satisfy this requirement when at least two of the following circumstances occur:
 - i. The Assets are in excess of €2,373,997.81.
 - ii. The turnover is in excess of €4,747,995.62
 - iii. The average number of workers employed during the fiscal year shall have been in excess of 50 workers.
- Checking the RAI, internal delinquency at BBVA, ASNEF, etc.
- Customer's complete position.
- Checking the assets and collaterals of the applicant and guarantors.
- For rated customers, rating history.

b) Banca de Empresas

Prior to analysing and approving the transaction, the account manager generally does the following:

Updating or opening a record with the following information:

- Balance sheets, financial statements, audits
- Guarantors' declaration of assets
- Business activity reports and purpose of the transaction
- Searches in registers
- Current positions at BBVA and in the Banking System

Studying the transaction

Based on the information provided by the customer, completed with information available to BBVA proper and other outside sources, a financial plan or base support is prepared including:

- Financial plan: economic and financial position, activity, shareholders, interests, etc.
- Searching for or preparing the rating and business risk conduction (CRE). Progress
- Search in default filters
- Progress of CIR, including guarantors
- Previous experience, if a customer
- Any other data relevant to or revealing for decision-making

2.2.3 Preparing the proposal and approval.

a) Banca Comercial

Proposed transactions shall be entered in a Certificate/Register of transactions/Committees, in chronological order, whether the proposals are authorised, refused in exercising the empowerment or submitted to be studied and decided on to higher levels.

b) Banca de Empresas

After the analysis made and the conclusions arrived at, the Branch draws up a mandatory proposal. If a dismissal is considered, then a reference is made to such refusal.

If the transaction is accepted, the proposal and supporting information passes to the approval process by the Branch's committee, where it has authority over the customer at issue, or is submitted to the Regional Management or the Central Credit Risks Unit.

2.2.4 Empowerment in authorising risks

a) Banca Comercial

The account manager's empowerment figure and the requirements laid down in the internal risks empowerment rule shall determine whether the account manager is able to authorise the transaction. Being empowered to take on risks is a requirement but is not sufficient in order for a person to decide. Powers are conferred personally and based on the empowered person's experience and qualification. The figure to be empowered with shall be determined based on the empowered person's capacity and the characteristics of the market and segment allocated. The empowerment does not cover certain transactions, either because of their type, amount, term, instrumentation, documentation, products or type of client at issue.

b) Banca de Empresas

Empowerment is implemented under an internal policy. The following is noteworthy among the most relevant aspects influencing the management model:

- The conferment of powers to accept risks is a requirement but is not sufficient in order for a person to decide.
- Powers are conferred personally based on the attorney's experience and qualification.
- It is advisable for powers to be gradually conferred.
- The empowerment figure embodies the maximum limits and risks to be arrived at with a customer or group of customers considered to be an economic group or family unit.
- Empowerment originates in the group's political bodies and is hierarchically conveyed.
- The conferrer shall specify to his or her attorneys the empowerment figure conferred and the extent and capacity in and by which the attorney may in turn subdelegate.

Quantitatively, the general manager, Retail Banking, confers on the Corporate Banking Manager powers for approving risks of up to EUR 8 million, with authority to subdelegate 75% of that figure.

The Corporate Banking Manager has in turn subdelegated to regional managers between EUR 5.2 and EUR 6 million, subject to the restriction that they may in turn subdelegate to Branch managers up to 33% of that figure.

Risks exceeding the Regional Managers' authority because of their amount or other circumstances are decided, on a proposal by the Branches, at the Central Credit Risks Unit.

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 Loans until assigned to the Fund and as issuer of the Pass-Through Certificates, represent as follows to the Fund, the Management Company and the other Underwriters and Placement Agents 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 grant loans to SMEs and 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 insolvent, bankrupt or in suspension of payments, 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 Loans, to assign the Loans to the Fund and 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, 2005, 2004 and 2003 which have been filed with the CNMV and with the Companies Register. The audit report on the year 2005 annual accounts has no provisos.
- (5) That it has signed on October 10, 2006 the Master Co-Operation Agreement with the Industry, Tourism and Commerce Ministry in accordance with schedule II to the Order dated December 28, 2001, in order to determine the credits eligible for assignment to the Fund.

2. In relation to the Loans.

- (1) That the Loans have all been duly originated in a public document, being either a public deed or a loan agreement, and that BBVA keeps a first copy of the public deed or the valid loan agreement at the Management Company's disposal, as the case may be.
- (2) That in order to be assigned to the Fund upon being established, BBVA shall choose from the selected loans (i) loans that are in good standing or that have no payments that are more than one (1) month overdue and (ii) with an aggregate outstanding principal amount for each obligor from lowest to highest up to a total principal or capital equal to or slightly above EUR one billion nine hundred million (1,900,000,000.00).
- (3) That the Loans all exist and are valid and enforceable in accordance with the applicable laws.
- (4) That it holds legal and beneficial title to all the Loans, clear of any liens and claims, and there is no obstacle whatsoever for the Loans to be assigned. In this sense, the respective agreements, public deed or public document supporting the Loans contain no clauses preventing their assignment or requiring any authorisation or notice for such assignment to be made.

- (5) That the Loans are all denominated in euros and payable exclusively in euros.
- (6) That all the Loans have an initial repayment term of not less than one year.
- (7) That all the Obligors under the Loans are non-financial small and medium-sized enterprises (legal persons) (SMEs, as defined by the European Commission -Recommendation of May 6, 2003 replacing the Recommendation of April 3, 1996-) domiciled in Spain.
- (8) That it has strictly adhered to the policies for granting credit in force from time to time in granting all the Loans and in accepting, as the case may be, the subrogation of subsequent borrowers to the initial borrower's position, and in this connection the policies for granting credits and loans to enterprises currently in force are given in section 2.2.7 of the Building Block to the Prospectus.
- (9) That it is not aware of the existence of any lawsuits whatsoever in relation to the Loans that might be detrimental to their validity and enforceability.
- (10) That the Loans are clearly identified in the information system of BBVA as from being granted or subrogated to BBVA and are serviced, analysed and monitored by BBVA in accordance with the usual set procedures.
- (11) That upon the Fund being established, it has not come to BBVA's notice that any of the Loan Obligors has been decreed to be insolvent, bankrupt or in receivership.
- (12) That upon the Fund being established, the sum of the Outstanding Balance of the Loans of a same Obligor is not in excess of 0.42% of the Outstanding Balance of the Loans.
- (13) That the Loan security arrangements, if any, are valid and enforceable in accordance with the applicable laws, and BBVA is not aware of the existence of any circumstance which might prevent the security arrangements from being enforced.
- (14) That upon the Fund being established, it is not aware of having received any notice whatsoever of total prepayment of the Loans.
- (15) That none of the Loans has a final maturity date extending beyond February 29, 2036.
- (16) That it is not aware that the Obligors may howsoever object to paying any amount relating to the Loans.
- (17) That upon the Fund being established, at least two instalments have matured on each Loan.
- (18) That nobody has a pre-emptive right over the Fund, as holder of the Loans.
- (19) That both the grant of the Loans and their assignment to the Fund and all aspects related thereto are ordinary actions in the course of business of BBVA and are at arm's length.
- (20) That after being granted or subrogated to BBVA the Loans have been serviced and are still being serviced by BBVA in accordance with its set customary procedures.
- (21) That the data and information relating to the loans selected to be assigned to the Fund given in section 2.2.2 of the Building Block to the Prospectus, fairly present their status on the relevant date and are accurate.
- (22) That the capital or principal of all the Loans has been fully drawn down.
- (23) That based on its internal records, none of the Loans are in the nature of financing granted to real estate developers for building or renovating homes and/or business or industrial properties designed to be sold, or finance lease transactions.

- (24) That the Loans all stand as a valid and binding payment obligation for the relevant Obligor and are enforceable on their own terms.
- (25) That the Loan payment obligations are all satisfied by directly debiting an account opened at BBVA.
- (26) That none of the Loans have clauses allowing deferment of periodic interest payment and principal repayment.

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

- (1) That the particulars of the Mortgage Loans and the Pass-Through Certificates, represented in a multiple registered certificate, accurately reflect their current status and are true and complete.
- (2) That the Pass-Through Certificates are issued in accordance with the contents of additional provision five of Act 3/1994, as worded by article 18 of Act 44/2002, and other applicable laws.
- (3) That the Mortgage Loans are all secured with a senior real estate mortgage on the legal and beneficial ownership of each and every one of the mortgaged properties, which are not encumbered with any restrictions on their disposal, conditions subsequent or any other limitation as to title.
- (4) That the Mortgage Loans are all originated in a public deed, and the mortgages are all duly established and entered in the relevant Land Registries. The entry of the mortgaged properties is in force and has not been howsoever objected to and is subject to no limitation whatsoever taking precedence over the mortgage, in accordance with the applicable laws.
- (5) That the Mortgage Loans do not have any of the characteristics of credits excluded or restricted by article 32 of Royal Decree 685/1982.
- (6) That the mortgages are established on properties wholly legally and beneficially owned by the respective mortgagor, and BBVA is not aware of the existence of litigation over the ownership of those properties which might detract from the mortgages.
- (7) That the mortgaged properties underlying the Mortgage Loans are not ineligible as assets excluded for standing as security under article 31.1.d) of Royal Decree 685/1982.
- (8) That all the mortgaged real properties (i) are located in Spain, (ii) have been appraised by duly qualified institutions approved by BBVA, evidence of which appraisal has been provided in the form of an appropriate certificate, and (iii) in the case of real properties relating to constructions in general, building work has been completed.
- (9) That the Mortgage Loans are not perfected in registered, negotiable or bearer securities, other than the Pass-Through Certificates hereby issued for subscription by the Fund.
- (10) 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.
- (11) That it is not aware of any circumstance which might prevent foreclosure of the mortgage security.
- (12) That nobody has a preferred right over the Fund in and to the Mortgage Loans, as holder of the Pass-Through Certificates.
- (13) That the Pass-Through Certificates shall be issued for the same term remaining until maturity of and at the same interest rate as each of the underlying Mortgage Loans.

2.2.9 Substitution of the securitised assets.

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

1. In the event of prepayment of the Loans upon the relevant Loan capital being prepaid, there will be no substitution of the Loans.
2. In the event that during the full term of the Loans it should be found that any of them 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 Loans not substituted, by automatically terminating the assignment of the affected Loans and, as the case may be, cancelling the relevant Pass-Through Certificate, 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 Loans, notifying the Management Company of the characteristics of the 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 residual term, interest rate and outstanding principal value as the affected Loans and also credit quality in terms of ratio of outstanding principal to the appraisal value of the mortgaged property or properties of the Mortgage Loans to be replaced, in order for the financial balance of the Fund not to be affected by such substitution, nor indeed the rating of the Bonds in connection with the provisions of section 7.5 of the Securities Note. Once the Management Company has checked the appropriateness of the substitute loan or loans, and after advising the Originator expressly of loans suitable for such substitution, such substitution shall be made by terminating the assignment of the affected Loans and, as the case may be, cancelling the relevant Pass-Through Certificate, and simultaneously assigning the new substitute loans 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 Loans upon the Fund being established, in accordance with the specific characteristics of the new 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 Loans in accordance with rule 1 above, the assignment of the affected Loans not substituted shall be terminated and, as the case may be, the relevant Pass-Through Certificate will be cancelled. That termination shall take place by a repayment in cash to the Fund by the Originator of the outstanding principal of the affected Loans not substituted, interest accrued and not paid, calculated until the repayment date, and any other amount owing to the Fund under those Loans.
 - (iii) In the event of paragraphs (i) and (ii) above occurring, BBVA shall be vested in all the rights attaching to those Loans 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 Servicer during the life of the 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 Servicer 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 Loans, in accordance with the procedure provided for in paragraph 2 above of this section, which shall not result in the Servicer 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 Servicer and cannot be charged to the Fund or the Management Company. The Management Company shall forthwith notify the CNMV of each and every replacement or redemption of Loans resulting from a breach by the Originator.

2.2.10 Relevant insurance policies relating to the assets.

The public deeds originating the Mortgage Loans provide that until and unless the same are fully repaid the Obligor shall be bound to have taken out insurance in respect of the mortgaged properties covering fire and other damages throughout the term of the agreement, at least meeting the minimum requirements laid down by the mortgage market laws in force for the time being, assigning to BBVA the insured capital and other indemnities payable by the Insurer.

No details are included regarding concentration of the insurers because the current status of the insurance policies taken out by the corporate obligors and their data are not supported or updated in the Originator's computer records. Nevertheless, given that the mortgage loans are part of the selected loans as a whole and the geographic distribution, as detailed in sections 2.2.2.c) and k) of this Building Block, any possible concentration of insurers has not been considered significant for the transaction.

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.

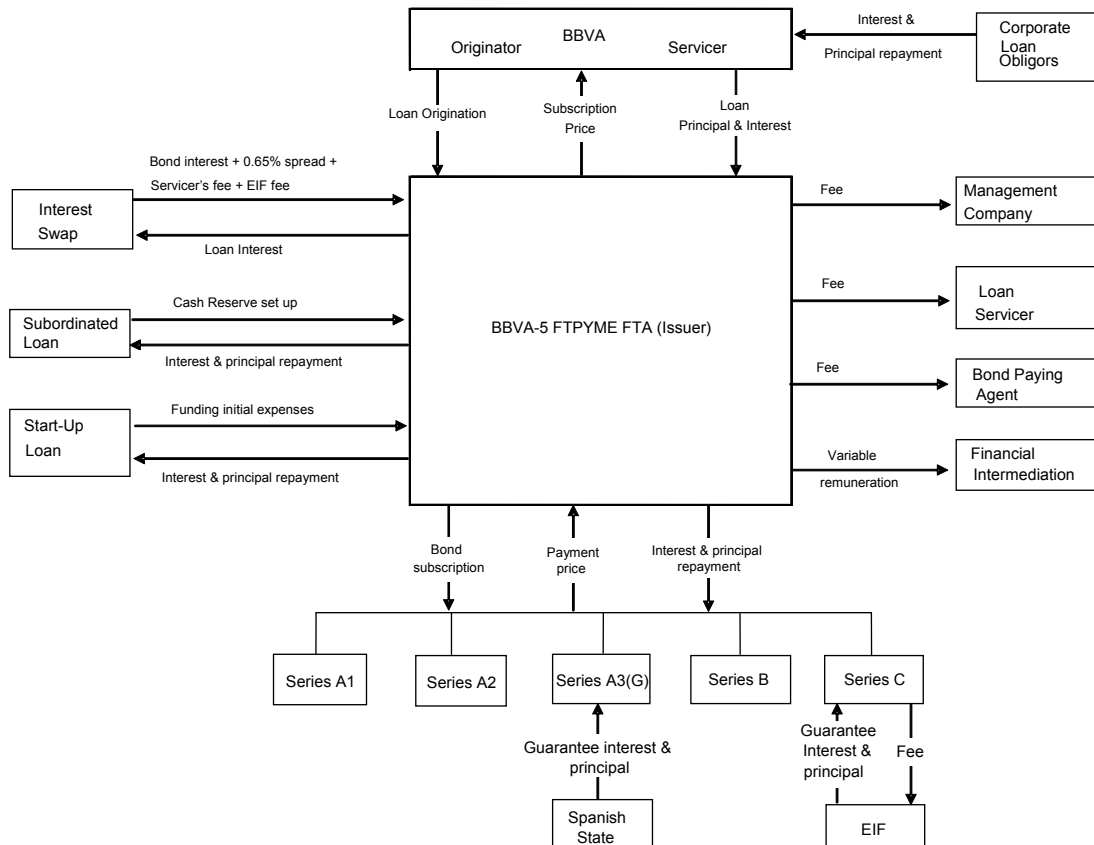
2.4 Where the issuer proposes to issue further securities backed by the same assets, statement to that effect and description of how the holders of that class will be informed.

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	
Fixed Assets	1,901,850,000.00	Bond Issue	1,900,000,000.00
Loans	1,900,115,138.78	Series A1 Bonds	1,472,800,000.00
(adjustment excess to EUR 115,138.78)		Series A2 Bonds	200,000,000.00
		Series A3(G) Bonds	130,300,000.00
		Series B Bonds	39,900,000.00
Set-up, issue and admission expenses*	1,734,861.22	Series C Bonds	57,000,000.00
Current assets	to be determined	Other long-term liabilities	31,300,000.00
Treasury Account*	29,450,000.00	Start-Up Loan	1,850,000.00
		Subordinated Loan	29,450,000.00
Accrued interest receivable**	to be determined		
		Short-term creditors	to be determined
		Mortgage Loan interest accrued **	to be determined
Total assets	1,931,300,000.00	Total liabilities	1,931,300,000.00
MEMORANDUM ACCOUNTS			
Cash Reserve	29,450,000.00		
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 1,734,861.22 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 Loans to be assigned to the Fund upon being established, shall be a Lead Manager and a Series A1, A3(G), B and C Bond Underwriter and Placement Agent, was involved in structuring the financial terms of the Fund and the Bond Issue and shall be one of the Series A1, A3(G), B and C Bond subscription book runners.

Moreover, BBVA shall be the Fund's counterparty in the Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Financial Swap, Loan Servicing, Bond Paying Agent and Financial Intermediation Agreements.
- (iii) DRESDNER KLEINWORT shall be a Lead Manager and a Series A1, A3(G), B and C Bond Underwriter and Placement Agent, was involved in structuring the financial terms of the Fund and the Bond Issue and shall be one of the Series A1, A3(G), B and C Bond subscription book runners.
- (iv) JPMORGAN shall be a Lead Manager and a Series A1, A3(G), B and C Bond Underwriter and Placement Agent and one of the Series A1, A3(G), B and C Bond subscription book runners.
- (v) EIB shall fully subscribe for the Series A2 Bonds.
- (vi) BANC OF AMERICA, CALYON, IXIS CIB and LEHMAN BROTHERS shall be Series A1, A3(G), B and C Bond Underwriters and Placement Agents.
- (vii) CUATRECASAS, as independent advisers, have provided legal advice for establishing the Fund and issuing the Bonds and reviewed the tax implications thereof.
- (viii) Deloitte have audited the selected loans of BBVA.

- (ix) The Economy and Finance Ministry shall, in a Ministerial Order, provide the Fund before it is established with a guarantee whereby the Spanish State will secure, waiving the benefit of discussion established in Civil Code article 1830, payment of such economic obligations of the Series A3(G) Bonds as may be enforceable on the Fund.
- (x) EIF shall guarantee, waiving the benefit of discussion established in Civil Code article 1830, payment of such economic obligations as may be enforceable on the Fund deriving from the Series C Bonds.
- (xi) Fitch, 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, given in the relevant sections, 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 Loans to the Fund.

The Management Company, for and on behalf of the Fund, and BBVA as Originator, shall in the Deed of Constitution perfect the agreement assigning the Loans to the Fund, effective from that same date, as follows:

- (i) The assignment of the Mortgage Loans shall be perfected by means of the issue by BBVA of and the subscription by the Fund for pass-through certificates (the "**Pass-Through Certificates**") as established by Act 2/1981 and by additional provision five of Act 3/1994, as worded by article 18 of Financial System Reform Measures Act 44/2002, November 22 ("**Act 44/2002**").

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 ("**Royal Decree 685/1982**"), and specifically the registration particulars of the mortgaged properties securing 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 there should be an Early Liquidation of the Fund, in the events and on the terms of section 4.4.3 of the Registration Document, and 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 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 that the Fund 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.

- (ii) The Non-Mortgage Loans shall be assigned directly without any underlying security being issued by means of their sale by BBVA and acquisition by the Fund.

The assignment by BBVA to the Fund of the Loans shall not be notified to either Obligor or third-party guarantors or the insurers with which the Obligor may have taken out the damage insurance contracts, if any, attaching to the Mortgage Loans underlying the Pass-Through Certificates. Where the Loans have other security interests or third-party personal bonds other than a real estate mortgage, the assignment will not be initially notified either to the custodian of the assets, where that is an undertaking other than the Servicer, or to the Obligor's guarantors. Where the Loans have security interests in which the custodian of the assets is the Servicer proper, the same shall be deemed to have received notice of the transfer in the Deed of Constitution.

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 Obligor (and third-party guarantors and insurers, if any), of the transfer to the Fund of the outstanding 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 Obligor and third-party guarantors and insurers, 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 Obligor 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 Loans 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 Loan assignment terms.

1. The Loans will be fully and unconditionally assigned for the entire term remaining from the date on which the Fund is established, until maturity of each 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 Loans, and for the personality with which the assignment is made, but shall not be liable for the solvency of the Obligor.

The Originator shall not bear the risk of default on the Loans and shall therefore have no liability whatsoever for default by the Obligor of principal, interest or any other amount whatsoever they may owe under the Loans, and shall not be answerable either for the enforceability of the securities collateral thereto. 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 Loans, saving as provided for in section 2.2.9 of this Building Block.

2. The assignment of each Loan 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 Loan assigned.

3. The Fund shall have rights in and to the Loans from the date on which they are assigned and the Fund is established. Specifically, without limitation and for illustrative purposes only, the assignment shall confer on the Fund the following rights in relation to each Loan:
 - a) To receive all Loan capital or principal repayment amounts accrued.
 - b) To receive all Loan principal ordinary interest amounts accrued. Ordinary interest will also include interest accrued and not due on each Loan from the last interest settlement date, on or before the assignment date, and overdue interest, if any, on that same date.
 - c) To receive all late-payment interest amounts on the Loans.
 - d) To receive any other amounts, assets, securities or rights received as payment of 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 Loans accruing for the Originator and derived therefrom, including those derived from the 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 Loans, excluding the fees established for each Loan, which shall remain to the benefit of the Originator.
4. In the event of prepayment of the Loans upon a full or partial repayment of the principal, there will be no direct substitution of the affected Loans.
5. The rights of the Fund resulting from the Loans shall be linked to the payments made by the Obligors and are therefore 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 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. As the holder of the Pass-Through Certificates, the Fund shall be entitled to all the amounts BBVA would have received in this connection.

3.3.3 Loan sale or assignment price.

The sale or assignment price of the Loans shall be at par. The aggregate price payable by the Fund represented by the Management Company to BBVA for the assignment of the Loans shall be an amount equivalent to the sum of (i) the face value of the capital or principal outstanding on each Loan, and (ii) interest accrued and not due and overdue interest, as the case may be, on each of the Loans on the assignment date (the “**accrued interest**”).

The Management Company shall pay the total Loan assignment price on behalf of the Fund as follows:

1. The part of the assignment price consisting of the face value of the capital of all the 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 Loan, item (ii) of paragraph one, shall be paid by the Fund on each collection date falling on the earlier of the Fund collection date falling on the first interest settlement date on each Loan or the date on which they are paid by the Obligor, after the Loan assignment date, and will not be subject to the Fund Priority of Payments.

If the establishment of the Fund and hence the assignment of the Loans 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 Loan assignment price shall terminate, and (ii) the Management Company shall be obliged to restore to BBVA any rights whatsoever accrued for the Fund upon the Loans being assigned.

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.

The amounts received by the Fund derived from the Loans 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 amounts received from the Loans.

The weighted average interest rate of the loans selected as of September 12, 2006, as detailed in section 2.2.2.g) of this Building Block, is 3.85%, which is above the 3.67% weighted average 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 Loans are subject to fixed and floating interest with different benchmark indices and different review and settlement periods at the floating interest established for the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods and the risk deriving from potential 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 delinquency and default on the Loans.
- (ii) Financial Swap:
Mitigates the interest rate risk occurring in the Fund because the Loans have fixed and floating interest rates with different benchmark indices and review 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 Loan interest rate renegotiations which may even result in their novation to a fixed rate. In addition, a 0.65% margin excess is included and the securitised Loan servicing fee amount and the ongoing EIF Guarantee fee amount are covered.
- (iii) Treasury Account.
Partly mitigates the loss of return on the liquidity of the Fund due to the timing difference between income received daily on the Loans 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.

- (v) Spanish State Guarantee for the Series A3(G) Bonds:
Guarantees payment of the economic obligations (interest payment and principal repayment) of the Series A3(G) Bonds payable by the Fund.
- (vi) EIF Guarantee for the Series C Bonds.
Guarantees payment of the economic obligations (interest payment and principal repayment) of the Series C Bonds payable by the Fund.

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 twenty-nine million four hundred and fifty thousand (29,450,000.00) (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 with 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 twenty-nine million four hundred and fifty thousand (29,450,000.00).
 - (ii) The higher of:
 - a) 3.10% of the Outstanding Principal Balance of the Bond Issue.
 - b) EUR fourteen million seven hundred and twenty-five thousand (14,725,000.00).
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 Loans is equal to or greater than 1.00% of the Outstanding Balance of Non-Doubtful Loans.
 - ii) That the Cash Reserve was not provisioned up to the Required Cash Reserve amount on the relevant Payment Date.
 - ii) That two (2) 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.

3.4.2.3 Spanish State Guarantee for the Series A3(G) Bonds.

In a Ministerial Order, the Economy and Finance Ministry shall provide the Fund before it is established with a guarantee whereby the Spanish State will guarantee, waiving the benefit of discussion established in Civil Code article 1830, payment of such economic obligations as may be enforceable on the Fund deriving from the Series A3(G) Bonds for a face amount of EUR one hundred and thirty million three hundred thousand (130,300,000.00).

3.4.2.3.1 General characteristics of the State Guarantee.

- The State Guarantee shall extend exclusively to Series A3(G) Bond principal and interest
- The State Guarantee shall remain in force and be fully effective until total fulfilment of the economic obligations derived from the Bonds in Series A3(G). In any event, the State Guarantee shall expire on March 15, 2039, or the next succeeding Business Day if that is not a Business Day.
- The enforceability of the State Guarantee shall be conditional on (i) this Prospectus being registered at the CNMV, (ii) execution and registration at the CNMV of the Fund Deed of Constitution during the year 2006, (iii) confirmation by the start of the Bond Subscription Period of the provisional ratings assigned by the Rating Agencies to each Bond Series as final ratings, (iv) the Series A1, A3(G), B and C Bond Management, Underwriting and Placement Agreement not being terminated, and (v) submission of the documents mentioned in the following paragraph.

The Management Company shall send the Directorate-General of the Treasury and Financial Policy: (i) a copy of the Prospectus registered at the CNMV, (ii) a certified copy of the Fund Deed of Constitution entered in the register of the CNMV, (iii) a certificate by BBVA representing that the Loans satisfy the requirements of the Master Co-Operation Agreement attached to the Order of December 28, 2001, as amended by Order ECO/1064/2003, April 29, and that they are loans granted to non-financial small and medium-sized enterprises (legal persons) (SMEs as defined by the European Commission -Recommendation of May 6, 2003 replacing the Recommendation of April 3, 1996-) domiciled in Spain, (iv) a copy of the letters from the Rating Agencies notifying the ratings assigned to each Bond Series, and (v) a certified copy of the notarial certificate recording payment of the Bond subscription executed by the Management Company.

- No fee whatsoever shall accrue upon the State Guarantee being perfected and given.
- The Management Company shall notify the Directorate-General of the Treasury and Financial Policy on each Series A3(G) Bond Payment Date of the outstanding balance of Series A3(G) and, at the year end, in addition to that outstanding balance, an estimate of the financial burden of Series A3(G) for the following year. It shall also send after each Payment Date the information provided for in the Resolution dated 23rd June 2005, on the terms and with the contents therein laid down .

3.4.2.3.2 Enforcement of the State Guarantee.

- i) The State Guarantee may be partially enforced without any limitation as to number of enforcements.

The State Guarantee shall be enforced in the following events in the amounts determined for each one:

1. On any Payment Date or on the Final Maturity Date or upon the Early Liquidation of the Fund, when the Available Funds or the Liquidation Available Funds, as the case may be, are not sufficient to pay interest due on the guaranteed Series A3(G), after making the payments in the preceding priority of payments in accordance with the application in the Priority of Payments or the Liquidation Priority of Payments.

In that event, the State Guarantee shall be enforced in an amount equivalent to the difference between the Series A3(G) Bond interest amount payable and the amount applied to payment thereof, as the case may be, of the Available Funds on the relevant Payment Date or the Liquidation Available Funds.

The amounts received by the Fund upon enforcing the State Guarantee to meet payment of interest due on the guaranteed Series A3(G) shall be allocated to payment of that interest, as appropriate, on the following Payment Date or on the Final Maturity Date or upon the Early Liquidation of the Fund.

2. On any Payment Date other than the Final Maturity Date or upon the Early Liquidation of the Fund when the Available Funds for Amortisation are not sufficient to repay the Outstanding Principal Balance of guaranteed Series A3(G) in the relevant amount in accordance with the rules for Distribution of Available Funds for Amortisation because there is an Amortisation Deficiency.

In that event, the State Guarantee shall be enforced in an amount equal to the difference between the Series A3(G) Bond principal amount to be amortised should no such Amortisation Deficiency occur and the amount of the Available Funds for Amortisation actually applied to their amortisation on the relevant Payment Date.

The amounts received by the Fund upon enforcing the State Guarantee to meet payment of the guaranteed Series A3(G) amount to be amortised shall be allocated to payment of that amortisation on the following Payment Date.

3. On the Final Maturity Date or upon the Early Liquidation of the Fund when the Liquidation Available Funds are not sufficient to fully amortise the guaranteed Series A3(G).

In that event, the State Guarantee shall be enforced in an amount equal to the difference between the Outstanding Principal Balance of Series A3(G) and the amount actually applied of the Liquidation Available Funds to their amortisation.

The amounts received by the Fund upon enforcing the State Guarantee to meet payment of the guaranteed Series A3(G) Bond amount to be amortised shall be allocated to payment of that amortisation, as appropriate, on the Final Maturity Date or upon the Early Liquidation of the Fund.

- ii) Each enforcement of the State Guarantee shall be effected by a written notice from the Management Company to the Directorate-General of the Treasury and Financial Policy, declaring the occurrence of the events described of shortfall of Available Funds or Available Funds for Amortisation or Liquidation Available Funds in accordance with the provisions of the preceding paragraph, specifying the amounts claimed, as the case may be, for each of such items.
- iii) Payment of the required amounts under each enforcement of the State Guarantee shall be made, after being checked, by the Directorate-General of the Treasury and Financial Policy within not more than ninety (90) days, reckoned from the date of receipt of the written request from the Management Company, by crediting the Treasury Account.

Having regard to this period for payment to the Fund of the amounts requested upon every enforcement of the State Guarantee to satisfy Series A3(G) interest payable and/or principal repayment in accordance with the provisions of paragraph i) of this section, those amounts might not be paid to the Series A3(G) Bondholders on the relevant Payment Date, and will in any event be paid to them on the Payment Date next succeeding the day on which they are paid to the Fund by the Directorate-General of the Treasury and Financial Policy.

- iv) The amounts paid by the State under the State Guarantee shall constitute an obligation for the Fund in favour of the State. The amounts drawn on the State Guarantee, whether drawn for paying interest or for repaying principal on the guaranteed Series A3(G) Bonds, shall be repaid on each of the following Payment Dates, until fully repaid, respectively using the Available Funds and the Available Funds for Amortisation, or using the Liquidation Available Funds, in the places in the priority of payments respectively established in the Priority of Payments or the Liquidation Priority of Payments, as the case may be.

In the event that, in accordance with the preceding rules, on a Payment Date, in addition to repaying the amount drawn under the State Guarantee, it should be necessary to draw a new amount for paying interest or repaying principal on the guaranteed Series A3(G) Bonds, the Management Company shall calculate and apply the net amount which, as the case may be, should be requested from or repaid to the State.

3.4.2.4 European Investment Fund Guarantee for the Series C Bonds.

In accordance with the provisions of a guarantee agreement (the “**EIF Guarantee**”) and counter-guarantee agreement (the “**EIF Counter-Guarantee Agreement**”) to be entered into by the Fund, the Management Company, acting as Representative of the Series C Bondholders, and EIF, before or upon the Fund being established, EIF shall unconditionally and irrevocably guarantee to the Series C Bondholders, represented by the Management Company (the “**Representative of the Series C Bondholders**”), payment of all interest and principal amounts due on the Series C Bonds.

The amount of the EIF Guarantee is (i) fifty-seven million (57,000,000.00) the face amount of the Series C Bonds, plus (ii) Series C Bond face amount interest .

3.4.2.4.1 EIF Guarantee.

EIF shall unconditionally and irrevocably undertake:

- (i) subject to receipt by EIF, within the third Business Day (on which banks and EIF are also open for business in Luxembourg) preceding the relevant Payment Date, of a Payment Demand, duly completed and signed by the Representative of the Series C Bondholders in accordance with the provisions of the EIF Guarantee, to pay without set-off entitlement whatsoever on the relevant Payment Date for the benefit of the Series C Bondholders, in the event that the Available Funds, after making the preceding payments in the Priority of Payments, are not sufficient to pay interest due on the Series C Bonds, an amount, in Euro, equal to the positive difference, if any, on the relevant Payment Date between (i) the amount of interest due and payable to the Series C Bondholders and (ii) the amount of the Available Funds actually applied to paying interest due and payable on the Series C Bonds; and
- (ii) subject to receipt by EIF of a payment demand within the third Business Day (on which banks and EIF are also open for business in Luxembourg) preceding the Final Maturity Date or, as the case may be, the date on which there is an Early Liquidation of the Fund, duly completed and signed by the Representative of the Series C Bondholders in accordance with the provisions of the EIF Guarantee, to pay, without set-off entitlement whatsoever, on that date for the benefit of the Series C Bondholders, in the event that the Liquidation Available Funds, after making the preceding payments in the Liquidation Priority of Payments, are not sufficient to pay interest and repayment principal due on the Series C Bonds, an amount, in Euro, equal to the positive difference, if any, on the relevant date between (i) the sum of the amount of interest due and payable to the Series C Bondholders and the Outstanding Principal Balance of Series C and (ii) the sum of the amounts of the Liquidation Available Funds actually applied to paying interest due and payable on the Series C Bonds and repayment of all the Outstanding Principal Balance of Series C

Amounts received under the EIF Guarantee shall be only used for paying interest and repaying principal on the Series C Bonds and shall not be included, as the case may be, in the Available Funds, in the Available Funds for Amortisation and in the Liquidation Available Funds.

Subject to the above, the EIF Guarantee may be enforced before the Final Maturity Date if the EIF Early Repayment Option described below is exercised.

Any payment by EIF in accordance with the provisions of the EIF Guarantee shall be in satisfaction *pro tanto* of the relevant obligations of EIF under the EIF Guarantee.

EIF shall be entitled, but under no obligation, to demand the Management Company to proceed, on the Fund’s behalf, to an early amortisation, on a Payment Date, of all the Series C Bonds (the “**EIF Early Repayment Option**”), upon the occurrence of any of the following circumstances:

- (i) EIF shall have paid to the Fund any amount upon the EIF Guarantee being enforced on any Payment Date preceding the Payment Date on which there is an early amortisation of the Series C Bonds by virtue of the exercise of that faculty.
- (ii) Upon the occurrence of any Early Liquidation Event of the Fund which does not imply the mandatory early liquidation of the Fund and irrespective of whether or not the Management Company exercises its faculty to proceed to an Early Liquidation of the Fund and thereby an Early Amortisation of the Bond Issue.

- (iii) If the Management Company, as Representative of the Series C Bondholders, should not have enforced the EIF Guarantee within three months from the date on which obligations of EIF arise under the EIF Guarantee.

Should EIF decide to exercise the EIF Early Repayment Option, it shall give the Management Company not less than thirty (30) days' written notice ahead of the relevant Payment Date, indicating (i) the Payment Date on which it is to pay and (ii) the amount to be paid which shall be equal to the sum of the Outstanding Principal Balance of Series C plus overdue Series C Bond Interest on the relevant.

Should the EIF Early Repayment Option be exercised, EIF shall pay to the Fund, for the benefit of the Series C Bondholders, by 10am (CET time) on the relevant Payment Date, for same day value, the amount of the Outstanding Principal Balance of Series C and overdue Series C Bond interest on the relevant Payment Date, by payment into the Fund's Treasury Account or transfer thereof to the account indicated by the Management Company. The amount paid by EIF shall under no circumstances be included in the Available Funds or in the Available Funds for Amortisation in the Priority of Payments.

Following payment of any principal or interest amount in accordance with the provisions of the EIF Guarantee, the EIF shall be subrogated to all the credit rights the Series C Bondholders may hold against the Fund as a result of the principal or interest amount paid by EIF upon the enforcement of the EIF Guarantee.

EIF's obligations under the EIF Guarantee shall terminate on the earlier of (i) the date on which there is full repayment of principal and full payment of interest due under the Series C Bonds and (ii) the Final Maturity Date, notwithstanding which obligations accrued before those dates shall continue to be enforceable on the agreed terms.

Any right of the Series C Bondholders under the EIF Guarantee shall be exercised solely and exclusively by the Management Company, acting as Representative of the Series C Bondholders. EIF shall have the right to address any payment or communication under the EIF Guarantee to the Representative of the Series C Bondholders. No Series C Bondholder shall be entitled to individually claim against EIF or individually address a communication to EIF demanding fulfilment of the EIF Guarantee.

The EIF Guarantee shall be governed by and construed in accordance with Spanish law and the Courts and Tribunals of the city of Madrid shall have exclusive jurisdiction to settle any disputes whatsoever arising out of or in connection with the EIF Guarantee.

3.4.2.4.2 EIF Counter-Guarantee Agreement.

In consideration of this undertaking, the Fund shall pay to EIF a fee consisting of a fixed up-front remuneration payable on the Closing Date and a variable ongoing fee of 0.45% per annum which shall accrue quarterly on each Payment Date and be calculated (i) on the Outstanding Principal Balance of Series C on the Determination Date preceding the relevant Payment Date or, as the case may be, on the principal amount yet to be repaid to EIF of the amount it shall have paid for early repayment of Series C Bond principal upon the EIF Early Repayment Option being exercised and (ii) proportionally to the actual number of days in the Interest Accrual Period falling due based on a three-hundred-and-sixty- (360-) day year. The variable ongoing fee shall accrue interest in the event of default at the same interest rate applicable to the Series C Bonds.

The Fund, represented by the Management Company, shall be bound under the EIF Counter-Guarantee Agreement to repay to EIF any amount paid by EIF on any Payment Date in accordance with the provisions of the EIF Guarantee for the benefit of the Series C Bondholders. That repayment shall occur on the Payment Date on which payment was made by EIF or, if not repaid in full on that Payment Date, on the Payment Dates thereafter, in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

In accordance with the EIF Counter-Guarantee Agreement, any principal or interest amounts paid by EIF under the EIF Guarantee shall accrue interest at the same interest rate applicable to the Series C Bonds, from the Payment Date on which they are paid by EIF up to the Payment Date on which those amounts

are repaid in full by the Fund to EIF. That interest payment shall be made in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

In accordance with the provisions of the EIF Counter-Guarantee Agreement, the Management Company, acting as Representative of the Series C Bondholders, shall acknowledge and agree that, upon EIF paying any Series C Bond principal or interest amount under the EIF Guarantee, the EIF shall be entitled to subrogate *pro quota* to all the rights, whether monetary or non-monetary, of the Series C Bondholders against the Fund, the Management Company or any third party, regarding any right which may result from the principal or interest amount paid by EIF upon enforcement of the EIF Guarantee. Additionally, it undertakes to carry out any activity and sign any document, as representative of the Series C Bondholders, as EIF may reasonably request to make this subrogation effective against the Fund and any third parties.

The EIF Counter-Guarantee Agreement shall be governed by Spanish law and the Courts and Tribunals of the City of Madrid shall have exclusive jurisdiction to settle any disputes whatsoever arising out of or in connection with the EIF Counter-Guarantee Agreement.

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 twenty-nine million four hundred and fifty thousand (29,450,000.00) (the "**Subordinated Loan Agreement**"). The Subordinated Loan amount shall be delivered on the Closing Date and shall 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 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 that should be repaid, as the case may be, 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 an Early Liquidation subject to the Liquidation Priority of Payments of the Fund.

Outstanding Subordinated Loan principal shall accrue a floating annual nominal interest, determined quarterly in each Interest Accrual Period, which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) 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 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 fall on March 15, 2007. Interest shall be paid on the relevant Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments or, in the event, the Liquidation Priority of Payments

Interest accrued and not paid on a Payment Date shall not be accumulated to the 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

amounts falling due under the Subordinated Loan on that Payment Date, satisfying in the first place overdue interest and secondly principal repayment 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 one million eight hundred and fifty thousand (1,850,000.00) (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, to financing the fixed up-front remuneration and financing partially assignment of the Loans at the difference between the total face capital of the Loans and the face amount of the Bond Issue.

Outstanding Start-Up Loan principal will accrue an 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 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 March 15, 2007.

Interest accrued and not paid on a Payment Date will not be accumulated to the Start-Up Loan principal interest 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, March 15, 2007, and the following until the Payment Date falling on December 15, 2009, inclusive.
- (ii) The portion of Start-Up Loan principal used to finance partially assignment of the Loans and not used, as the case may be, shall be repaid on the first Payment Date, March 15, 2007.

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 amounts falling due under the Start-Up Loan on that Payment Date, satisfying in the first place overdue interest and secondly principal repayment, 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 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 and admission 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.

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

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

In any event, payment of the economic obligations (interest payment and principal repayment) of the Series A3(G) and the Series C Bonds is respectively secured by the State Guarantee and the EIF Guarantee.

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 by the Fund through its Management Company into a financial account. The Guaranteed Interest Rate Account (Treasury Account) Agreement shall specifically determine that all amounts received by the Fund will be paid into a financial account in euros (the “**Treasury Account**”) opened at 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) Loan principal repaid and interest collected;
- (iii) any other 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) amounts, if any, paid to the Fund upon enforcement of the State Guarantee and the EIF Guarantee;
- (viii) the amounts of the returns obtained on Treasury Account and Surplus Account, if any, balances; and
- (ix) 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 (4th) 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, March 9, 2007.

In the event that the short-term, unsecured and unsubordinated debt of BBVA should, at any time during the life of the Bond Issue, be downgraded below F1, P-1 or A-1 respectively by Fitch, Moody's and S&P, the Management Company shall within not more than thirty (30) days from the time of the occurrence of any such circumstances put in place, after notifying the Rating Agencies, any of the options described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments

derived from 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 having a credit rating for its short-term, unsecured and unsubordinated debt of at least F1, P-1 and A-1 respectively in Fitch's, Moody's and S&P's rating scales, and subject at all times to the prior communication to the Rating Agencies, 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 deposited in the Treasury Account, for such time as BBVA remains downgraded below F1, P-1 or A-1.
- b) Transferring the Treasury Account to an institution with short-term, unsecured and unsubordinated debt rated at least as high as F1, P-1 and A-1 respectively by Fitch, Moody's and S&P, arranging the highest possible yield for its balances, which may differ from that arranged with BBVA under the Guaranteed Interest Rate Account (Treasury Account) Agreement.
- c) If options a) and b) above are not possible, obtaining from BBVA or a third party collateral security in favour of the Fund on financial assets with a credit quality of not less than that of Spanish State Government Debt (*Deuda Pública del Estado Español*), in an amount sufficient to guarantee the commitments established in the Guaranteed Interest Rate Account (Treasury Account) Agreement.
- d) Moreover, if the above options are not possible on the terms provided for, the Management Company may invest the balances for periods not extending beyond the following Payment Date, in short-term fixed-income assets in euros issued by institutions with short-term, unsecured and unsubordinated debt rated at least as high as F1 (for periods of less than 30 days or F1+ for longer periods), P-1 and A-1 (for periods of less than 30 days and in an amount not in excess of 20% of the Outstanding Principal Balance of the Bond Issue, or A-1+ for longer periods or amounts) respectively by Fitch, Moody's and S&P, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially with BBVA under the Guaranteed Interest Rate Account (Treasury Account) Agreement.
- e) In events b) or d), and in the event that BBVA's short-term, unsecured and unsubordinated debt should subsequently be upgraded back to F1, P-1 and A-1 respectively by Fitch, Moody's and S&P, the Management Company shall subsequently transfer the balances back to BBVA under the Guaranteed Interest Rate Account (Treasury Account) Agreement.

In addition, notwithstanding the provisions of the preceding paragraphs of this section, if at any time during the term of this Agreement the Treasury Account balance exceeds twenty percent (20.00%) of the Outstanding Principal Balance of the Bond Issue and the short-term, unsecured and unsubordinated debt of BBVA should be rated A-1 by S&P, the Management Company may, upon a request by S&P, put in place any of the options described hereinafter for such time as BBVA remains rated A-1 by S&P, and subject to notice being first given to the Rating Agencies in order for the rating given to the Bonds by the Rating Agencies not to be adversely affected:

- a) Obtaining from an institution having a credit rating for its short-term, unsecured and unsubordinated debt of at least F1, P-1 and A-1+ respectively in Fitch's, Moody's and S&P's rating scales, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BBVA of the amount by which the Treasury Account balance exceeds the amount equivalent to twenty percent (20.00%) of the Outstanding Principal Balance of the Bond Issue.
- b) Transferring and crediting the amount by which the Treasury Account balance exceeds the amount equivalent to twenty percent (20.00%) of the Outstanding Principal Balance of the Bond Issue to a financial account (the "**Surplus Account**") opened by the Management Company in an institution whose short-term, unsecured and unsubordinated debt has a rating of at least F1, P-1 and A-1+ respectively in Fitch's, Moody's and S&P's rating scales, and arranging the highest possible yield for its balances, which shall at least match that arranged with BBVA under the Treasury Account, and subject to the same settlement terms.
- c) In either of events a) or b), in the event that the short-term, unsecured and unsubordinated debt of the guarantor institution or institution where the Surplus Account shall have been opened should be downgraded to A-1 by S&P, the Management Company shall within not more than thirty (30) days from

the time of the occurrence of any such circumstance, once again put in place either of options a) or b) described above.

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

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

The Servicer shall manage collection of all amounts payable by the Obligors under the Loans, 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 Loans.

The 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 should be downgraded below F2, P-1 or A-2 respectively by Fitch, 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 addition, should the rating of the Servicer's short-term unsecured and unsubordinated debt be downgraded below F2 by Fitch, the Servicer shall make a cash deposit in favour of the Fund at a sum in line with Fitch's criteria described in its report "*Commingle Risk in Structured Finance Transactions: Servicer and Account Bank Criteria*" dated June 9, 2004 or Fitch document or report hereafter taking its stead.

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 Fitch, 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 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) Payment of the price for acquiring the Non-Mortgage Loans and subscribing for the Pass-Through Certificates at their face value.
- b) Payment of 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 when Early Liquidation of the Fund occurs, 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 for each of them (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 and to the Surplus Account, if any, transferred from the Treasury Account:

- a) Loan principal repayment income received during the Determination Period preceding the relevant Payment Date.
- b) 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 and to the Surplus Account, if any, transferred from 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 assets, securities or rights awarded to the Fund.

Income under items a), b) and f) above received by the Fund and credited to the Treasury Account from the Determination Date, exclusive, preceding the Payment Date for 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.

Additionally, and not included among the Available Funds, the Fund shall have:

- (i) The amount drawn upon enforcing the State Guarantee paid to the Fund from the Payment Date preceding the relevant Payment Date, used only for paying Series A3(G) Bond interest in 4th place in section 2 below.
- (ii) The amount drawn upon enforcing the EIF Guarantee and the interest amount paid by EIF for early repayment of the Series C Bonds upon the EIF Early Repayment Option being exercised, paid to the Fund on the relevant Payment Date, used only for paying Series C Bond interest in 6th or 11th place in section 2 below.

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 1st place, which may be made at any time as and when due:

1. Payment of the Fund's properly supported taxes and ordinary⁽¹⁾ and extraordinary⁽²⁾ 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 the Series A1, Series A2 and Series A3(G) Bonds and repayment to the State of amounts it shall have paid to the Fund upon the State Guarantee being drawn, for payment of interest on the guaranteed Series A3(G) Bonds.

5. Payment of interest due on the Series B Bonds unless this payment is deferred to 10th place in the priority of payments.

This payment shall be deferred to 10th place when on the Determination Date preceding the relevant Payment Date the cumulative Outstanding Balance of Doubtful Loans since the Fund was established is in excess of 6.50% of the initial Outstanding Balance of the Loans upon the Fund being established and provided that the Series A1, the Series A2 and the Series A3(G) Bonds have not been and are not to be fully amortised and the amount due to the State upon the State Guarantee being enforced for amortising Series A3(G) has not been and is not to be repaid on the relevant Payment Date.

6. Payment of interest due on the Series C Bonds (or instead and as the case may be payment to EIF of interest accrued on the amount to be repaid of the payment it shall have made for early repayment of Series C Bond principal upon the EIF Early Repayment Option being exercised on a preceding Payment Date) unless this payment is deferred to 11th place in the priority of payments.

This payment shall be deferred to 11th place when on the Determination Date preceding the relevant Payment Date the cumulative Outstanding Balance of Doubtful Loans since the Fund was established is in excess of 5.00% of the initial Outstanding Balance of the Loans upon the Fund being established and provided that the Series A1, the Series A2, the Series A3(G) and the Series B Bonds have not been and are not to be fully amortised and the amount due to the State upon the State Guarantee being enforced for amortising Series A3(G) has not been and is not to be repaid on the relevant Payment Date.

7. Repayment to EIF, unless this payment is deferred to 12th place in the priority of payments, of i) EIF amounts paid to the Fund upon the EIF Guarantee being enforced for payment of Series C Bond interest on preceding Payment Dates and not repaid, increased by interest accrued on those amounts from the relevant Payment Dates, and ii) ongoing EIF Guarantee fee amounts due and not paid on the preceding Payment Dates, increased by interest accrued on those amounts from the relevant Payment Dates.

This payment will be deferred to 12th place below in the same event provided for in 6th place for deferring Series C Bond interest due.

8. Payment to EIF of the ongoing EIF Guarantee fee under the EIF Guarantee unless this payment is deferred to 13th place in the priority of payments.

This payment will be deferred to 13th place below in the same event provided for in 6th place for deferring Series C Bond interest due.

9. 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, increased by the amount to be repaid to the State upon the State Guarantee being enforced for amortising Series A3(G) and, if EIF should have exercised the EIF Early Repayment Option, by the amount to the repaid to EIF of the amount paid for early repayment of Series C Bond principal, and (ii) the Outstanding Balance of Non-Doubtful 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.

10. Payment of interest due on the Series B Bonds when this payment is deferred from 5th place in the priority of payments as established therein.
11. Payment of interest due on the Series C Bonds (or instead and as the case may be payment to EIF of interest accrued on the amount to be repaid of the payment it shall have made for early repayment of Series C Bond principal upon the EIF Early Repayment Option being exercised on a preceding Payment Date) when this payment is deferred from 6th place in the priority of payments as established therein.
12. Repayment to EIF, when this payment is deferred from 7th place in the priority of payments as established therein, of i) EIF amounts paid to the Fund upon the EIF Guarantee being enforced for payment of Series C Bond interest on preceding Payment Dates and not repaid, increased by interest accrued on those amounts from the relevant Payment Dates, and ii) ongoing EIF Guarantee fee amounts due and not paid on the preceding Payment Dates, increased by interest accrued on those amounts from the relevant Payment Dates.
13. Payment to EIF of the ongoing EIF Guarantee fee under the EIF Guarantee when this payment is deferred from 8th place in the priority of payments as established therein
14. Withholding of an amount sufficient for the Required Cash Reserve amount to be maintained.
15. Payment of the settlement payment amount payable by the Fund under the Financial Swap Agreement other than in the events provided for in 3rd place above.
16. Payment of interest due on the Subordinated Loan.
17. Repayment of Subordinated Loan principal to the extent repaid.
18. Payment of interest due on the Start-Up Loan.
19. Repayment of Start-Up Loan principal to the extent repaid.
20. Payment of the Financial Intermediation Margin.

When accounts payable for different items exist in a same priority order number on the 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.
 - 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.
- (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 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 extraordinary expenses required 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 applied in ninth (9th) place of the Available Funds on the relevant Payment Date.

Additionally, and not included among the Available Funds for Amortisation, the Fund shall have:

- (i) The amount drawn upon enforcing the State Guarantee paid to the Fund from the Payment Date preceding the relevant Payment Date, used only for repaying Series A3(G) Bond principal.
- (ii) The principal amount paid by EIF for early repayment of the Series C Bonds upon the EIF Early Repayment Option being exercised, paid to the Fund on the relevant Payment Date, used only for repaying Series C Bond principal.

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 when there is an 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, and (ii) the amounts obtained by the Fund from time to time upon disposing of the Loans and the remaining assets, 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 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 due, if any, 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 the Series A1, the Series A2 and the Series A3(G) Bonds and repayment to the State of amounts it shall have paid to the Fund upon the State Guarantee being drawn, for payment of interest on the guaranteed Series A3(G) Bonds.
6. Repayment of Series A1, Series A2 and Series A3(G) Bond principal and repayment to the State of amounts it shall have paid to the Fund upon the State Guarantee being drawn for repaying Series A3(G) Bond principal in the same application order provided for in paragraph 2.1 of the Distribution of Available Funds for Amortisation established in section 4.9.3.6 of the Securities Note, saving upon the occurrence of the circumstance provided for in paragraph 2.2 of the Distribution of Available Funds for Amortisation in which case the same order provided for in that paragraph 2.2 shall apply.

7. Payment of interest due on the Series B Bonds.
8. Repayment of Series B Bond principal.
9. Payment of interest due on the Series C Bonds (or instead and as the case may be payment to EIF of interest accrued on the amount to be repaid of the payment it shall have made for early repayment of Series C Bond principal upon the EIF Early Repayment Option being exercised on a preceding Payment Date).
10. Repayment to EIF of i) EIF amounts paid to the Fund upon the EIF Guarantee being enforced for payment of Series C Bond interest on preceding Payment Dates and not repaid, increased by interest accrued on those amounts from the relevant Payment Dates, and ii) ongoing EIF Guarantee fee amounts due and not paid on the preceding Payment Dates, increased by interest accrued on those amounts from the relevant Payment Dates.
11. Payment to EIF of the ongoing EIF Guarantee fee under the EIF Guarantee.
12. Repayment of Series C Bond principal (or instead and as the case may be repayment to EIF of the amount to be repaid it shall have paid for early repayment of Series C Bond principal upon the EIF Early Repayment Option being exercised on a preceding Payment Date).
13. 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.
14. Payment of the settlement payment amount payable by the Fund under the Financial Swap Agreement other than in the events provided for in 4th place above.
15. Payment of Subordinated Loan interest due.
16. Repayment of Subordinated Loan principal.
17. Payment of Start-Up Loan interest due.
18. Repayment of Start-Up Loan principal.
19. Payment of the Financial Intermediation Margin.

Other than the application provided for in 6th place above, when accounts payable for different items exist in a same priority order number on the Final Maturity Date or when there is an 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.

Additionally, and not included among the Liquidation Available Funds, the Fund shall have:

- (i) The amount drawn upon enforcing the State Guarantee used only for paying interest and repaying principal on Series A3(G).
- (ii) The amount drawn upon enforcing the EIF Guarantee used only for paying interest and repaying principal on Series C Bonds.
- (iii) As the case may be, in accordance with the provisions of section 4.4.3.3.(iii) of the Registration Document, the amount drawn under the credit facility arranged for early amortisation of outstanding Bonds and repayment of amounts due to the State upon the State Guarantee being enforced for Series A3(G) and to EIF upon the EIF Guarantee being enforced for Series C or upon the EIF Early Repayment Option being exercised designed only for settling those items.

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 Loans 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 the expiration of every quarterly accrual 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 of the Intermediation Margin shall be comprised between the date on which the Fund is established, inclusive, and the first Determination Date, March 9, 2007, 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 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 settlement date of the Financial Intermediation Margin shall be on the first Payment Date, March 15, 2007.

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. The 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 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 March 15, June 15, September 15 and December 15 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 March 15, 2007.

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 settlement periods for Party A 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 settlement period for Party A shall be equivalent to the exact number of days elapsed between the date of establishment of the Fund, inclusive, and March 9, 2007, the first Determination Date, inclusive, and b) the length of the last settlement period for Party A 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 settlement periods for Party B shall be the exact number of days elapsed between two consecutive settlement dates, including the first but not including the last date. Exceptionally, a) the length of the first settlement period for Party B shall be equivalent to the exact number of days elapsed between the Bond Issue Closing Date, inclusive, and March 15, 2007, exclusive, and b) the length of the last settlement period for Party B 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 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 total interest amount received on the Loans and paid into the Fund during the Party A settlement period, decreased by the amount of interest accrued on the Loans assigned 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, (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, and (iii) the EIF Guarantee ongoing fee amount due on the settlement date.

5.1 Party B Interest Rate.

For each Party B settlement period this shall be the annual interest rate resulting from adding (i) the Nominal Interest Rate applicable to each Series A1, A2, A3(G), B and C (or instead and as the case may be the nominal interest rate applicable to the amount yet to be repaid to EIF of the amount it shall have paid for early repayment of Series C Bond principal) 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(G), B and C (or instead and as the case may be the

amount yet to be repaid to EIF of the amount it shall have paid for early repayment of Series C Bond principal) during the then-current Interest Accrual Period and (ii) 0.65%.

6. Maturity Date.

This shall be the earlier of the dates on which the 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 make payment of 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 non-payment 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 make payment of 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. Party B shall irrevocably agree that, if at any time throughout the life of the Bond Issue, the rating of the unsubordinated and unsecured debt of Party B should be downgraded below A or A1 for long-term debt respectively by Fitch and Moody's, or F1 or A-1+ for short-term debt respectively by Fitch and S&P, or the ratings assigned by Fitch or Moody's or S&P should be withdrawn, it shall put in place any of the following options within not more than thirty (30) days from the date of the occurrence of any such circumstances, on such terms and conditions as the Management Company shall see fit, after notifying the Rating Agencies, in order for there to be no detriment to the ratings assigned to each Series by the Rating Agencies to be maintained:
- (i) that a third-party institution with a rating for its unsubordinated and unsecured debt equal to or in excess of A and A1 for its long-term debt respectively in Fitch's and Moody's rating scales and F1 and A-1+ for its short-term debt in Fitch's and S&P's rating scales, will secure fulfilment of its contractual obligations under the Financial Swap Agreement,
 - (ii) that a third-party institution with the same ratings required for option (i) above will take over its contractual position and substitute it under the Financial Swap Agreement, or, as the case may be, that a new interest financial swap agreement be entered into with that third-party institution on the same terms and conditions as the Financial Swap Agreement; or
 - (iii) that a deposit in cash or securities will be made, at an institution having a rating for its short-term debt of P-1 in Moody's rating scale, pledged in favour of the Fund, if Party B has an unsecured and unsubordinated debt rating of F2 for its short-term debt in Fitch's rating scale, and of BBB for its long-term debt in S&P's rating scale, securing fulfilment of the contractual obligations of Party B in an amount calculated, among other factors, based on the Financial Swap market value in order for there to be no detriment to the ratings given to the Bonds by the Rating Agencies and, as the case may be and based on the rating assigned by Party B, additionally putting in place either of options (i) and (ii) above.

The market value for Fitch's purposes shall be calculated in line with Fitch's criteria set out in its report "*Counterparty Risk in Structured Finance: Swap Criteria*", dated September 13, 2004, or Fitch document or report hereafter taking its stead, proposing a formula for estimating the Swap market value, within fifteen (15) days after the loss of the A rating by Party B. If that formula should not be validated by Fitch, the market value calculation will be increased by an amount equivalent to the result of multiplying (i) 1.00% of the Outstanding Balance of the Loans by (ii) the average life of the Loans assuming a CPR of 0%.

The procedure for calculating the market value for S&P purposes shall be in accordance with S&P's criteria published in articles respectively of December 2003 and February 2004 or S&P document or report hereafter taking their stead,.

- (iv) In the event that the unsecured and unsubordinated debt obligations of Party B should be downgraded below BBB- by S&P, within not more than ten (10) Business Days from the date on which any such event should occur, Party B shall be replaced in its contractual position by an institution with ratings for its short-term unsecured and unsubordinated debt obligations of at least F1 and A-1+ respectively in Fitch's and S&P's rating scales, and with ratings for its long-term unsecured and unsubordinated debt obligations of at least A and A1, respectively in Fitch's and Moody's rating scales.

All and any costs, expenses and taxes incurred in connection with the compliance with the foregoing obligations shall be borne by Party B.

- 9. The occurrence, as the case may be, of an 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.

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

The originator and assignor of the securitised 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 treasury, capital and currency markets.

The following are the relevant consolidated data of BBVA Group for the first six months of the years 2006 and 2005 and how they compare between them, and for the year ended as of December 31, 2005. 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.

	30.06.2006	Δ%	30.06.2005	31.12.2005
BALANCE SHEET (EUR million)				
Total assets	390,235	4.1	374,856	392,389
Customer credit (gross)	236,156	17.9	200,244	222,413
Balance-sheet customer resources	261,868	8.9	240,574	259,200
Other customer resources	130,332	(2.7)	134,004	142,707
Total customer resources	392,200	4.7	374,578	401,907
Net assets	17,528	13.2	15,483	17,302
Equity	15,222	30.7	11,650	13,036
PROFIT & LOSS ACCOUNT (EUR million)				
Intermediation margin	4,050	19.7	3,383	7,208
Basic margin	6,567	19.3	5,505	11,756
Ordinary margin	7,924	28.9	6,145	13,024
Operating margin	4,575	40.9	3,246	6,823
Pre-tax profit	4,475	64.3	2,724	5,592
Profit attributed to the Group	3,336	84.0	1,813	3,806
DATA PER SHARE AND MARKET VALUE				
Price	16.08	26.0	12.76	15.08
Market value (EUR million)	54,525	26.0	43,267	51,134
Profit attributed to the Group	0.98	84.0	0.53	1.12
Book value	4.49	30.7	3.44	3.84
PER ⁽¹⁾	12.1	6.3	11.4	13.4
PBVR	3.6	(3.6)	3.7	3.9
RELEVANT RATIOS (%)				
Operating margin/ATM	2.37		1.87	1.87
ROE	45.2		36.0	37.0
ROA	1.50		1.11	1.12
RORWA	2.57		1.94	1.91
Efficiency ratio	38.5		43.0	43.2
Efficiency ratio with depreciation	41.4		46.4	46.7
Delinquency rate	0.82		1.01	0.94
Coverage rate	275.1		240.6	252.5
CAPITAL RATIOS (BIS REGULATIONS) (%)				
Total	11.3		12.2	12.0
Core capital	6.0		5.8	5.6
TIER I	7.6		7.6	7.5
ADDITIONAL INFORMATION				
Number of shares (million)	3,391		3,391	3,391
Number of shareholders	926,768		1,042,616	984,891
Number of employees	95,464		91,237	94,681
. Spain	31,507		31,212	31,154
. America ⁽²⁾	62,241		58,067	61,604
. Rest of the World	1,716		1,958	1,923
Number of branches	7,491		7,113	7,410
. Spain	3,635		3,448	3,578
. America ⁽²⁾	3,702		3,492	3,658
. Rest of the World	154		173	174

(1) PER 2006 is calculated on the profit median estimated by analysts (July 2006).

(2) 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 the management and legal representation of the Fund, on the terms set in Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, and other applicable laws, and on the terms of the Deed of Constitution.

The 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 an 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, and amend the Deed of Constitution, 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 Non-Mortgage Loans and 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 legally representing 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 Loans and on the terms of their respective agreements communicated by the Originator, and that the 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 and the Surplus Account, if any, return the yield set in the respective agreements.
- (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.
- (xvii) Determining the amount payable by the State for amounts due to the guaranteed Series A3(G) Bondholders and, if necessary, enforcing the State Guarantee.
- (xviii) Determining the amount payable by EIF for amounts due to the guaranteed Series C Bondholders and, if necessary, enforcing the EIF Guarantee.

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 management and legal representation function with respect to all or part of the funds managed whenever it deems this fit, applying to be substituted in a letter addressed to the CNMV, including a designation of the substitute management company. That letter shall enclose a letter from the new management company, declaring its willingness to take over that function and applying for the appropriate authorisation.
- (ii) The CNMV's substitution authorisation shall be subject to meeting of the following requirements:
 - (a) The substituted Management Company's delivery of the accounting records and data files to the new management company. That delivery will only be taken to have been made when the new management company is able to fully take over its function and that circumstance is notified to the CNMV.
 - (b) 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, 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 reviewed, 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 amounting to EUR seventy thousand (70,000.00) which shall accrue upon the Fund being established and be payable on the Closing Date.
- (ii) Periodic fee: equal to 0.0180% per annum, accruing on the exact number of days elapsed in each Interest Accrual Period, from the date of establishment of the Fund until it terminates, and payable quarterly in arrears on each Payment Date, calculated on the Outstanding Principal Balance of the Bond Issue on the Payment Date preceding the relevant Payment Date. The periodic fee for the first Payment Date shall accrue from the date of establishment of the Fund and shall be calculated on the face amount of the Bond Issue.

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

$$C = B \times \frac{0.0180}{100} \times \frac{d}{360}$$

where :

C = Fee payable on a given Payment Date.

B = Outstanding Principal Balance of the Bond Issue, on the preceding Payment Date.

d = Number of days elapsed during the relevant Interest Accrual Period.

In any event, the amount of this periodic fee on each Payment Date may not be respectively greater or lower than the following maximum and minimum amounts.

a) Maximum amount of EUR thirty-three thousand seven hundred and fifty (33,750.00).

Exceptionally, the maximum periodic fee for the first Payment Date shall accrue from the date on which the Fund is set up and shall be calculated on the exact number of days elapsed based on the following formula:

$$Ic_{max} = 33,750 \times \frac{d}{90}$$

where :

Ic_{max} = Maximum periodic fee amount payable on the first Payment Date.

d = Number of days elapsed between the date of establishment of the Fund and the first Payment Date.

b) Minimum amount of EUR seven thousand five hundred (7,500.00). In the event that, during the term of the Fund, the National General Retail Price Index published by the Spanish National Institute of Statistics for each calendar year should experience a positive variation, the minimum annual amount shall be cumulatively reviewed in the same proportion, from the year 2008, 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 Loans to be assigned to the Fund, as established in article 2.2.b) of Royal Decree 926/1998, and for the Pass-Through Certificates 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 Loans, and the relations between BBVA and the Fund, represented by the Management Company, shall be governed by the Loan Servicing and Pass-Through Certificate Custody Agreement (the “**Servicing Agreement**”) in relation to custody and servicing of the Loans and custody of 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 Loans acquired by the Fund subject to the system terms and ordinary servicing and management procedures established in the Servicing Agreement.
- (ii) To continue servicing the 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 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 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 deeds, agreements, documents and data files relating to the Loans 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 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. Furthermore, whenever it is required to do so by the Management Company, it shall provide within two (2) Business Days of that request and clear of expenses, a copy or photocopy of any of such deeds, loan agreements and documents.

2. Collection management.

The Servicer shall continue managing collection of all amounts payable by the Obligors under the Loans and any other item including under the 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 Loans.

The 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 should be downgraded below F2, P-1 or A-2 respectively by Fitch, 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 addition, should the rating of the Servicer's short-term unsecured and unsubordinated debt be downgraded below F2 by Fitch, the Servicer shall make a cash deposit in favour of the Fund at a sum in line with Fitch's criteria described in its report "*Commingleing Risk in Structured Finance Transactions: Servicer and Account Bank Criteria*" dated June 9, 2004 or Fitch document or report hereafter taking its stead.

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 Fitch, 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 Loans.

3. Fixing the interest rate.

In the case of floating-rate Loans, notwithstanding a possible renegotiation to a fixed rate, the Servicer shall continue fixing the interest rates applicable in each interest period as established in the respective 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 Loan, fulfilment by the Obligors of their obligations under the Loans, delinquency status, changes in the characteristics of the 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 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. Loan subrogation.

The Servicer shall be authorised to permit substitutions in the position of the Obligor under the Loan agreements, exclusively where the characteristics of the new Obligor are similar to those of the former Obligor and those characteristics observe the lending policies described in section 2.2.7 of this Building Block, and further provided that the expenses derived from that change are fully borne by the Obligors. The Management Company may fully or partially limit this authority of the Servicer or set conditions therefor, in the event that those substitutions might adversely affect the ratings accorded to the Bonds by the Rating Agencies.

In relation to Mortgage Loans, 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 Loan renegotiation procedures.

The Servicer may not voluntarily cancel the Loans or their security arrangements for any reason other than payment of the Loan, relinquish or settle in regard thereto, forgive the Loans in full or in part or extend the same, or in general do anything that may diminish the legal effectiveness or economic value of the Loans or of the 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, as manager of third-party portfolios and having regard to Obligors' requests to the Servicer directly or under Act 2/1994, may 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 Loan, either by an interest rate renegotiation or by an extension of the maturity period, provided in the case of Mortgage Loans that those novations are not detrimental to their ranking as a senior mortgage.

Without prejudice to the provisions hereinafter, any novation changing a Loan subscribed by the Servicer shall be made exclusively with the prior consent of the Management Company, on behalf of the Fund, and the Servicer agrees to seek such consent from the Management Company as soon as it is aware that an Obligor has requested a change. The Management Company may nevertheless initially authorise the Servicer to entertain and accept Loan interest rate and term renegotiations, without requiring the prior consent of the Management Company, subject to the following general enabling requirements:

a) Renegotiating the interest rate.

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 Loan. The Servicer shall, without encouraging the interest rate renegotiation, act in relation to such renegotiation bearing in mind the Fund's interests at all times.

2. Subject to the provisions of paragraph 3 below, the Servicer may renegotiate the interest rate clause of the 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 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 loans or credits granted to SMEs in an amount and on terms substantially similar to the 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 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 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 basic percentage 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 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 Loan by the difference between the simple averages of the values of the last three (3) months, published by the Bank of Spain, of (a) the Loan benchmark index and (b) one-year EURIBOR index (one-year Interbank reference).
 - (ii) The novated fixed-rate Loan margin shall be deemed to be the difference between the fixed rate applicable to the 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 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 Loan: average of the time periods from the effective date of the novation until each 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 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 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 Loan which may result in an extension thereof. The Servicer, without encouraging an extension of the term, shall act in relation to such extension bearing in mind at all times the Fund's interests.
- (ii) The aggregate of the capital or principal assigned to the Fund of the Loans with respect to which the maturity date is extended may not exceed 10% of the face amount of the Bond Issue.
- (iii) The term of a specific Loan may be extended provided that the following requirements are met:
 - a) That the same recurrence in settlement of interest and repayment of Loan capital or principal and the same repayment system and interest rate reset recurrence are maintained or reduced.
 - b) That the new final maturity or final amortisation date does not extend beyond February 29, 2036.

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 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 Loans to be updated.

In the event of a renegotiation of the interest rate of the 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 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 Loans.

Actions in the event of late payment.

The Servicer shall use the same efforts and procedure for claiming overdue amounts on the 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 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 or their guarantors.

Legal actions.

The Servicer, using its fiduciary title to the Loans or using the power referred to in the following paragraph, shall take all relevant actions against Obligors failing to meet their payment obligations derived from the Loans and against guarantors, if any. Such an 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 Loans and against 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 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 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 Loan Obligor and third-party guarantors, if any, to pay the debt.

1. In regard to the Mortgage Loans, 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 position of the former and continue the foreclosure proceedings, without the above period having to elapse.

In the events provided in paragraphs (iii) and (iv), the Management Company, for and on behalf of the Fund, may apply to the Judge or Notary with jurisdiction to commence or continue with the respective foreclosure proceedings, attaching to the application the original Pass-Through Certificate, the notice served 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 equal rights with 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.

2. In the event of default by the Obligor (or third-party guarantors, if any) of Non-Mortgage Loan payment obligations by the Obligor, the Management Company, acting for the Fund shall have an executive action against those Obligors (and third-party guarantors, if any), taking the steps provided for such proceedings in the Civil Procedure Act (articles 517.4 and 517.5).
3. In the event of default by the Obligor (or third-party guarantors, if any) of payment obligations of Loans secured with pledges, the Management Company, acting for the Fund, shall avail of an action to enforce those pledges, after entering, as the case may be, the assignment of the respective Loan in the relevant register. In particular:
 - a) In the case of Loans secured with a money pledge, and subject to delivery, as the case may be, of the bank-book, passbook, receipt or public deed supporting the pledged credit right or entry or recording therein or in the relevant originals, protocols or records concerning transfer of the pledge, the enforcement means provided for in the agreement proper, in the Civil Procedure Act and in the Civil Code (article 1872).
 - b) In the case of Loans secured with a pledge in units in investment funds (in book-entry form), and after first entering the assignment of the security in the register of the institution in charge of the accounting record of the units, the enforcement means provided for in the agreement proper, in the Civil Procedure Act and in the Civil Code (article 1872).

The description of the above actions and procedures shall not imply a waiver by the Servicer or the Management Company of any other legal or other actions or procedures whatsoever available against the Obligors or any guarantors or other third parties, if any, to recover the amounts due or keep in place or enforce the Loan security arrangements.

The Servicer agrees to promptly advise of payment demands, legal actions and all and any other circumstances affecting collection of overdue amounts on the Loans. Furthermore, the Servicer will provide the Management Company with all such documents as the latter may request in relation to said 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 or 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 where it is able to do so under the Mortgage Loan deed ultimately or on behalf of the Fund, advancing payment of the premiums, without prejudice to being reimbursed by the Fund for amounts so paid.

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

9. Set-off.

In the exceptional event that any of the Obligors under the Loans 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 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 reviewed. Notwithstanding any subcontracting or subdelegation, the Servicer shall not be excused or released under that subcontract 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 and assets.

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 and of the assets attached as security for the 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 and assets, 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 or other assets 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 Loans acquired by 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 should change 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) demanding the Servicer to subcontract or subdelegate to another institution the performance of the obligations and undertakings made in the Servicing Agreement; (ii) having another institution with a sufficient credit rating and quality secure all or part of the Servicer's obligations; (iii) setting up a deposit in 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) terminating 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. Any additional expense or cost derived from those previous actions shall be covered by the Servicer and at no event by the Fund or the Management Company. 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 with which the Obligors may have taken out the damage insurance contracts, if any, attaching to the Mortgage Loans underlying the Pass-Through Certificates, if any) 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, 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, if any, directly or, as the case may be, through a new Servicer it shall have designated.

Furthermore, 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 Loans and ancillary guarantees with respect to third parties, all on the terms given in section 3.7.2.1.7 of the Building Block.

Upon the 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 Loans, without prejudice to the liabilities undertaken thereby as Originator of the Loans acquired by the Fund.

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 Loans and custody 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 action 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 Loans corresponding to the Fund does not result from default by the Obligors and is attributable to the Servicer.

Upon the 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 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

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 shortage 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 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 Securities Note 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 percentages such Outstanding Principal Balances represent on the initial face amount of each Bond.
 - iv) Obligors' 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 Loan principal prepayment rates shall be maintained and making all other assumptions as provided in section 4.10 of the Securities Note.

The foregoing notices shall be made in accordance with the provisions of section 4.1.3 below and will also be notified to the CNMV, the Paying Agent, AIAF and Iberclear, not less than one (1) Business Day before each Payment Date.

b) Information referred to each Payment Date:

In relation to the 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 Loans.
4. Dates of maturity of the Loans.
5. Outstanding Balance of Doubtful Loans and cumulative amount of Doubtful 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 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 an Early Liquidation of the Fund and an 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 Underwriters and Placement Agents in order to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV, the Paying Agent, 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 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, for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN and as General Manager signs this Prospectus at Madrid, on October 17, 2006.

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.

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.

“Act 2/1994” shall mean Mortgage Loan Subrogation and Amendment Act 2/1994, March 30.

“Act 3/1994” shall mean Act 3/1994, April 14, adapting Spanish laws in the matter of credit institutions to the Second Banking Coordination Directive and introducing other changes in relation to the financial system.

“Act 44/2002” shall mean Financial System Reform Measures Act 44/2002, November 22.

“AIAF” shall mean AIAF Fixed-Income Market (*AIAF Mercado de Renta Fija*).

“Amortisation Deficiency” shall mean, on a Payment Date, the positive difference, if any, between (i) the Amortisation Withholding, and (ii) the Available Funds for Amortisation.

“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, increased by the amount to be repaid to the State upon the State Guarantee being enforced for amortising Series A3(G) and, if the EIF should have exercised the EIF Early Repayment Option, by the amount to be repaid to EIF of the payment it shall have made for early repayment of Series C Bond principal, and (ii) the Outstanding Balance of Non-Doubtful 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 applied in 9th place of the Available Funds 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.

“BANC OF AMERICA” shall mean BANC OF AMERICA SECURITIES LIMITED.

“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 one billion nine hundred million (1,900,000,000.00), consisting of nineteen thousand (19,000) Bonds comprised of five Series (Series A1, Series A2, Series A3(G), 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 the Class A Bonds (consisting of Series A1, A2 and A3(G)), the Series B Bonds and the 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 (Trans European Automated Real-Time Gross Settlement Express Transfer System).

“CALYON” shall mean CALYON Sucursal en España.

“Cash Reserve” shall mean the Initial Cash Reserve set up on the Closing Date and subsequently provisioned up to the Required Cash Reserve amount.

“CET” shall mean “Central European Time”.

“Class A Bonds” shall mean the Series A1, A2 and A3(G) Bonds issued by the Fund having a total face amount of EUR one billion eight hundred and three million one hundred thousand (1,803,100,000.00).

“Class A” shall mean the Class A (Series A1, A2 and A3(G)) Bonds issued by the Fund.

“Closing Date” shall mean October 26, 2006, 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(G) and/or B and/or C.

“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, i assignment by BBVA to the Fund of Non-Mortgage Loans and Mortgage Loans by means of the issue of Pass-Through Certificates, and issue by the Fund of the Asset-Backed Bonds.

“Delinquent Loans” shall mean Loans that are delinquent on a given date with an arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Loans.

“Deloitte” shall mean Deloitte S.L.

“Determination Dates” shall mean the dates falling on the fourth (4th) 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, March 9, 2007, 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 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 Loans” shall mean 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.

“DRESDNER KLEINWORT” shall mean DRESDNER BANK AG London Branch.

“Early Amortisation” shall mean Bond amortisation on a date preceding the Final Maturity Date in the Early Liquidation Events of the Fund 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 an Early Liquidation of the Fund.

“Early Liquidation of the Fund” shall mean the liquidation of the Fund and thereby an early amortisation of the Bond Issue on a date preceding the Final Maturity Date, in the events and subject to the procedure established in section 4.4.3 of the Registration Document.

“EIB” shall mean EUROPEAN INVESTMENT BANK.

“EIF Guarantee” shall mean the guarantee the European Investment Fund (EIF) shall provide the Fund with before or upon being established whereby EIF shall unconditionally and irrevocably guarantee for Series C Bondholders, represented by the Management Company payment of all Series C Bond interest and principal amounts due. The EIF Guarantee amounts to (i) EUR fifty-seven million (57,000,000.00), the face amount of the Series C Bonds, plus (ii) interest on this face amount of Series C.

“EIF” shall mean European Investment Fund.

“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 time), accurate to three decimal places.

“Final Maturity Date” shall mean the final Bond amortisation date, i.e. March 15, 2039 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 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 floating interest rate 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.

“Fitch” shall mean both Fitch Ratings España, S.A. and Fitch Ratings Limited, the holding company to which Fitch Ratings España, S.A. is affiliated.

“Fund” shall mean BBVA-5 FTPYME 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 twenty-nine million four hundred and fifty thousand (29,450,000.00).

“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.

“IXIS CIB” shall mean IXIS CORPORATE & INVESTMENT BANK.

“JPMORGAN” shall mean J.P. MORGAN SECURITIES LTD.

“Lead Managers” shall mean BBVA, DRESDNER KLEINWORT and JPMORGAN.

“LEHMAN BROTHERS” shall mean LEHMAN BROTHERS INTERNATIONAL (EUROPE).

“Liquidation Available Funds” shall mean, in relation to the Liquidation Priority of Payments, on the Final Maturity Date or when there is an Early Liquidation, the amounts to be allocated to meeting the Fund’s payment or withholding obligations, as follows: (i) the Available Funds, and (ii) the amounts obtained by the Fund from time to time upon disposing of the Loans and of the assets remaining.

“Liquidation Priority of Payments” shall mean the priority of the Fund’s payment or withholding obligations for applying the Liquidation Available Funds on the Final Maturity Date or when there is an Early Liquidation of the Fund.

“Loan Servicing and Pass-Through Certificate Custody Agreement” shall mean the Loan servicing and custody 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.

“Loans” shall mean the loans owned by BBVA granted to non-financial small and medium-sized enterprises (legal persons) (SMEs, as defined by the European Commission -Recommendation of May 6, 2003 replacing the Recommendation of April 3, 1996-) domiciled in Spain, assigned by BBVA to the Fund upon being established.

In this Prospectus the term “Loans” shall be used to refer collectively to the Non-Mortgage Loans and the Mortgage Loans or the Pass-Through Certificates perfecting their assignment.

“Management Company” shall mean EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

“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 Loans” shall mean the Loans with real estate mortgage security assigned by BBVA to the Fund by means of the issue by BBVA of and subscription by the Fund for the Pass-Through Certificates.

“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 Loans” shall mean Mortgage Loans that are not deemed to be Delinquent Loans on a given date, also excluding Doubtful Loans.

“Non-Doubtful Loans” shall mean Mortgage Loans that are not deemed to be Doubtful Loans on a given date.

“Non-Mortgage Loans” shall mean Loans without special security secured by pledging money and/or units in investment funds or with third-party personal guarantees, assigned by BBVA to the Fund upon being sold by BBVA and acquired by the Fund.

“Obligors” shall mean the borrowers (non-financial small and medium-sized enterprises domiciled in Spain) of the Loans.

“Order of December 28, 2001” shall mean the Order of December 28, 2001 relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing, amended by Economy Ministry Order ECO/1064/2003, April 29.

“Originator” shall mean BBVA, originator of the Loans.

“Outstanding Balance of the 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 Loans.

“Outstanding Principal Balance of Class A” shall mean the sum of the Outstanding Principal Balance of Series A1, A2 and A3(G) 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(G), 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 by BBVA in accordance with article 18 of Act 44/2002, 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 March 15, June 15, September 15 and December 15 in each year or the following Business Day if any of those is not a Business Day. The first Payment Date shall be March 15, 2007.

“Priority of Payments” shall mean the priority for applying the Fund’s payment or withholding obligations both for applying the Available Funds and for distribution of Available Funds for Amortisation.

“Rating Agencies” shall mean Fitch Ratings España, S.A., 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 time) 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 four- (4-) month Euribor and five- (5-) month Euribor, fixed at 11am (CET time) 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.

“Required Cash Reserve” shall mean, on each Payment Date, the lower of the following amounts: (i) EUR twenty-nine million four hundred and fifty thousand (29,450,000.00) and (ii) the higher of a) 3.10% of the Outstanding Principal Balance of the Bond Issue and b) a sum of EUR fourteen million seven hundred and twenty-five thousand (14,725,000.00).

“Royal Decree 116/1992” shall mean Book Entries and Stock Exchange Transaction Clearing and Settlement Royal Decree 116/1992, February 14.

“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.

“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, amended by Act 37/1998, November 16, and Act 44/2002, November 22, and Royal Decree Law 5/2005, March 11, among other amendments.

“Series A1 Bonds” shall mean the Series A1 Bonds issued by the Fund having a total face amount of EUR one billion four hundred and seventy-two million eight hundred thousand (1,472,800,000.00) comprising fourteen thousand seven hundred and twenty-eight (14,728) Bonds having a unit face value of EUR one hundred thousand (100,000).

“Series A1, A3(G), B and C Bond Management, Underwriting and Placement Agreement” shall mean the Series A1, A3(G), B and C Bond Issue management, underwriting and placement agreement entered into between the Management Company, for and on behalf of the Fund, and BBVA, as Lead Manager and Placement Agent, DRESNER KLEINWORT and JPMORGAN as Lead Managers and Underwriters and Placement Agents, and BANC OF AMERICA, CALYON, IXIS CIB and LEHMAN BROTHERS as Underwriters and Placement Agents.

“Series A1” shall mean the Series A1 Bonds issued by the Fund.

“Series A2 Bonds” shall mean the Series A2 Bonds issued by the Fund having a total face amount of EUR two hundred million (200,000,000.00) comprising two thousand (2,000) Bonds having a unit face value of EUR one hundred thousand (100,000).

“Series A2 Repayment Schedule” shall mean the Series A2 repayment schedule established in section 4.9.2.2 of the Securities Note.

“Series A2 Subscription Agreement” shall mean the Series A2 subscription agreement entered into by the Management Company, for and on behalf of the Fund, and EUROPEAN INVESTMENT BANK as subscriber for all the Series A2 Bonds.

“Series A2” shall mean the Series A2 Bonds issued by the Fund.

“Series A3(G) Bonds” shall mean the Series A3(G) Bonds issued by the Fund having a total face amount of EUR one hundred and thirty million three hundred thousand (130,300,000.00) comprising one thousand three hundred and three (1,303) Bonds having a unit face value of EUR one hundred thousand (100,000).

“Series A3(G)” shall mean the Series A3(G) Bonds issued by the Fund.

“Series B Bonds” shall mean the Series B Bonds issued by the Fund having a total face amount of EUR thirty-nine million nine hundred thousand (39,900,000.00) comprising three hundred and ninety-nine (399) Bonds having a unit face value of EUR one hundred thousand (100,000).

“Series B” shall mean the Series B Bonds issued by the Fund.

“Series C Bonds” shall mean the Series C Bonds issued by the Fund having a total face amount of EUR fifty-seven million (57,000,000.00) comprising five hundred and seventy (570) Bonds having a unit face value of EUR one hundred thousand (100,000).

“Series C” shall mean the Series C Bonds issued by the Fund.

“Servicer” shall mean the institution in charge of custody and servicing of the Mortgage Loans and custody of the certificates 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.

“SMEs” shall mean small and medium-sized enterprises (legal persons) as defined by the European Commission (Recommendation of May 6, 2003 replacing the Recommendation of April 3, 1996).

“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 one million eight hundred and fifty thousand (1,850,000.00).

“Start-Up Loan” shall mean the loan granted by BBVA to the Fund, in accordance with the provisions of the Start-Up Loan Agreement.

“State Guarantee” shall mean the guarantee which the Spanish Economy and Finance Ministry shall give in a Ministerial Order amounting to (i) EUR one hundred and thirty million three hundred thousand (130,300,000.00), equivalent to the sum of the face amount of the Series A3(G) Bonds, and (ii) the financial charges corresponding to that amount in said Series. That guarantee secures, waiving the benefit of discussion established in Civil Code article 1830, payment of the economic obligations payable by the Fund, derived from the Series A3(G) Bonds.

“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 twenty-nine million four hundred and fifty thousand (29,450,000.00).

“Subordinated Loan” shall mean the loan granted by BBVA to the Fund, in accordance with the provisions of the Subordinated Loan Agreement.

“Subscription Period” shall mean the Bond subscription period comprised between 1pm (CET time) and 2pm (CET time) on October 24, 2006.

“Surplus Account” shall mean the financial account to which the Management Company shall, as the case may be, transfer and credit the amount by which the Treasury Account balance exceeds an amount equivalent to twenty percent (20.00%) of the Outstanding Principal Balance of the Bond Issue.

“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.

“Underwriters and Placement Agents” shall mean BBVA, DRESNER KLEINWORT, JPMORGAN, BANC OF AMERICA, CALYON, IXIS CIB and LEHMAN BROTHERS.