

BCL MUNICIPIOS I

FONDO DE TITULIZACIÓN DE ACTIVOS

ASSET-BACKED SECURITIES

1,205,000,000 EUROS

Series A1	245,000,000 euros	Aaa	3 M Euribor + 0.05%
Series A2	900,000,000 euros	Aaa	3 M Euribor + 0.10%
Series B	60,000,000 euros	A2	3 M Euribor + 0.50%

Backed by loans originated by



Lead Manager

Banco Bilbao Vizcaya Argentaria

Underwriters and Placement Agents

Banco Bilbao Vizcaya Argentaria

Banco Urquijo

Credit Agricole Indosuez

Paying Agent

Banco Bilbao Vizcaya Argentaria

Fund structured and managed by

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

Full prospectus entered in the Registers of the Comisión Nacional del Mercado de Valores

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

TABLE OF CONTENTS

CHAPTER 0	<i>Relevant circumstances to consider on the securities issue or offer</i>	3
CHAPTER I	<i>Persons taking responsibility for and bodies supervising the contents of the Prospectus</i>	15
CHAPTER II	<i>Information relating to the securities issued on the Fund.</i>	19
CHAPTER III	<i>General information on the Fund.</i>	61
CHAPTER IV	<i>Information on the characteristics of the assets securitised through the Fund</i>	83
CHAPTER V	<i>Information on the economic and financial operation of the Fund.</i>	113
CHAPTER VI	<i>General information on the Fund Management Company.</i>	135
CHAPTER VII	<i>Recent evolution and prospects of the Fund.</i>	141
ANNEX 1	<i>Definitions</i>	
	<i>The Annexes mentioned in the Prospectus have not been translated and are not included in this translation. These Annexes are available in Spanish upon request from the Management Company, and can be found in the Spanish version of the Prospectus.</i>	

CHAPTER 0

RELEVANT CIRCUMSTANCES TO CONSIDER ON THE SECURITIES ISSUE OR OFFER

0.1 Summary of the characteristics of the issued or offered securities covered by this full prospectus and of the process established to place or allot the same among investors.

The securities subject of the present Issue are Asset-Backed Securities (the “Bonds”), which are issued on BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS, on the terms described in the Prospectus. Two Classes A and B are issued on the Fund.

The main terms and conditions of the present Bond Issue are the following:

Class of security: Asset-Backed Securities represented by means of book entries.

Issuer: BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS

Rating: Assigned provisionally at the Fund incorporation date by Moody’s Investors Service España, S.A. (Moody’s).

Aaa for Series A1 Bonds.

Aaa for Series A2 Bonds.

A2 for Series B Bonds.

These ratings may be revised, suspended or withdrawn at any time by Moody’s, which would not constitute an early-redemption event of the Fund.

Amount of the issue: 1,205,000,000 euros (200,495,130,000 Ptas.) in two Classes:

	Face value per Bond (euros)	Number of Bonds	Total face value (euros)
Class A:			
Series A1	100,000	2,450	245,000,000
Series A2	100,000	9,000	900,000,000
Class B:			
Series B	100,000	600	60,000,000

Issue price: 100 per cent of the face value of each Bond, clear of subscription expenses and taxes for the subscriber through the Fund.

Interest rate:

The Bonds will accrue an annual interest, variable quarterly and payable quarterly in arrears on each Payment Date, which shall be the result of applying for each of the Series the relevant nominal interest rate to the Principal Balance Outstanding of each Bond.

Interest Accrual:

Interest will accrue by Interest Accrual Periods. Every Interest Accrual Period will comprise the days actually elapsed between each Payment Date (26 January, 26 April, 26 July and 26 October), including the initial Payment Date and excluding the final Payment Date. Exceptionally, the duration of the first Interest Accrual

Period shall be equal to that comprised between the Closing Date, inclusive, and the first Payment Date, 26 October 2000, exclusive.

The nominal interest rate shall accrue on the days actually elapsed in each Interest Accrual Period for which it shall have been determined, calculated on the basis of a 360-day-year.

Nominal interest rate.

The nominal interest rate for each of the Series shall be the result of adding: (i) the Benchmark Interest Rate (three- (3-) month Euribor, excepting for the first Interest Accrual Period which shall be four- (4-) month Euribor, or the substitute Benchmark Interest Rate) and (ii) the following spread for each of the Series:

- 0.05% spread for Series A1 Bonds
- 0.10% spread for Series A2 Bonds, y
- 0.50% spread for Series B Bonds.

all rounded up or down to the nearest thousandth of a percentage point.

The nominal interest rate of each of the Series shall be fixed on the second Business Day preceding each Payment Date and shall apply to the next Interest Accrual Period.

Exceptionally, the nominal interest rate of the Bonds in each of the Series for the first Interest Accrual Period shall be fixed on the second Business Day preceding the first day of the Subscription Period and shall be made publicly known before the Subscription Period begins, by means of an insert in a widely circulated business and financial or general newspaper in Spain.

Interest and principal redemption payment.

Bond interest and principal redemption payment in each of the Series will be effected quarterly in arrears on each of the Payment Dates, namely 26 January, 26 April, 26 July and 26 October of each year or the next Business Day, as the case may be.

In the present Bond Issue, Business Day shall mean any day other than a Saturday, Sunday, public holiday in Madrid or non-business day in the TARGET calendar.

Payment of amounts in connection with each of the Series shall be effected on each Payment Date provided that the Fund has sufficient liquidity to do so in the Payment Priority Order described hereinafter.

Redemption price: 100 per cent of the face value of each Bond.

Final Redemption of the Bonds:

Final Redemption will take place on the Final Maturity Date of the Bonds, namely 26 July 2030, which does not preclude their prepayment, on the terms and conditions established in the Prospectus.

Partial Redemption of the Bonds:

Irrespective of the Final Maturity Date, partial redemptions of the Bonds in each of the Series will take place on the terms described in section II.11.3.2 of this Prospectus.

The Redemption Payment Dates shall fall on the interest Payment Dates, i.e. 26 January, 26 April, 26 July and 26 October of each year or the next Business Day, as the case may be, until full redemption.

The first redemption Payment Date of the Bonds in each Series, in accordance with the rules contained in this section, will take place on the dates given hereinafter for each of the Series:

- Series A1 on 26 October 2005.
- Series A2 on 26 October 2010, other than in the event that on any of the Payment Dates preceding that date the Bond Redemption System for the distribution of the Funds Available for Principals should apply or, if the Loan Restitution System should apply, any of the established events should occur.
- In Series B, the first redemption payment shall take place when the Bonds in Series A1 and A2 are fully amortised.

Redemption of Series A1 Bonds.

The redemption of Series A1 Bonds shall be made pro rata between the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, into twenty (20) consecutive instalments, between the Payment Dates falling on 26 October 2005 and 26 July 2010, both inclusive, in an amount in accordance with the redemption table established in section II.11.3.2.2 of this Prospectus.

Redemption of Series A2 Bonds.

The redemption of Series A2 Bonds shall be made pro rata between the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, on each Payment Date, in the amount of the Funds Available for Principals applied for amortising this Series, in accordance with the Loan Restitution System or the Bond Redemption System applicable on the Payment Date.

Redemption of Series B Bonds.

The redemption of Series B Bonds shall only begin when the Series A1 and A2 Bonds have been fully amortised.

The redemption of Series B Bonds shall be made pro rata between the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, on each Payment Date, in the amount of the Funds Available for Principals applied for amortising this Series, in accordance with the Bond Redemption System.

Prepayment of the Bonds.

Without prejudice to the Fund's obligation, through its Management Company, to amortise the Bonds on the Final Maturity Date or on each partial redemption, as established in the preceding paragraphs, the Management Company shall be authorised, after notifying the Comisión Nacional del Mercado de Valores, to proceed to an Early Liquidation of the Fund and hence an prepayment, on a Payment Date, of the entire Bond issue in the Early-Liquidation Events in accordance with and subject to the Requirements established in section III.8 of the present Prospectus.

Bond subscription and placement procedure.

Underwriters and Placement Agents: BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
BANCO URQUIJO, S.A .
CREDIT AGRICOLE INDOSUEZ, SUCURSAL EN ESPAÑA.

Investors to whom the Bonds are offered.

The placement of the Bond Issue is directed to institutional investors.

Subscription Period.

The Subscription Period will commence at 12am on the same day on which notice of incorporation of the Fund and of the Bond issue is published in a widely circulated newspaper in Spain, or on the next Business Day if that is not a Business Day, and will end at 5pm on that same day.

Manner and date of paying up.

The investors to whom the Bonds are allotted shall pay the Underwriters and Placement Agents on the Business Day after the closing date of the Subscription Period ("Closing Date"), before 12am in Madrid, same day value, the relevant issue price for each Bond allotted for subscription.

Secondary market for Bonds to be traded: AIAF MERCADO DE RENTA FIJA.

The Management Company agrees that final listing shall take place no later than three months after the Closing Date.

0.2 Considerations regarding the activities, financial position and most relevant circumstances of the issuer described in this full prospectus.

0.2.1 Brief review of the Fund's activity

The Bonds subject of the present Issue are issued on BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS, incorporated in accordance with Royal Decree 926/1998, 14 May, regulating asset securitisation funds and securitisation fund management companies and, failing a provision in this Royal Decree, with Act 19/1992, 7 July, on the System of Investment Trusts and Companies and on Mortgage Securitisation Funds, to the extent applicable.

In accordance with article 1 of Royal Decree 926/1998, the Fund is a separate estate, devoid of legal personality, and shall have open-end assets, in accordance with article 4.1.b) of Royal Decree 926/1998, comprising the Initial Loans pooled upon its being incorporated and, which shall be renewed upon the partial or total redemption of the assets, the Additional Loans acquired in due course, both of which are collectively designated Securitised Loans; its liabilities shall consist of the Bonds issued on the same, the Subordinated Loan and the Subordinated Credit, in such a way that the net worth of the Fund is nil. The Management Company shall be responsible for managing and legally representing the Fund.

The Management Company.

The Management Company that has incorporated and, therefore, whose duty it is to manage and represent the Fund, and defend the interests of Bondholders, is EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

Consequently, the Management Company shall safeguard at all times the interests of the Bondholders, making its actions conditional on defending the Bondholders and observing the provisions statutorily established for that purpose. The Bondholders shall have no right of action against the Fund Management Company, other than for breach of its duties or a failure to observe the provisions of the Incorporation Deed.

The Management Company shall notify the Bondholders of all and any circumstances that may be relevant to them by publishing appropriate inserts and notices on the terms established in sections III.5.2 and III.5.3 of the Prospectus.

The Management Company may be substituted on the terms and in the events provided in the Prospectus.

The Securitised Loans pooled in the Fund.

Because the Fund has exclusively open-end assets that are renewed, as the case may be, upon the partial or full redemption of the Securitised Loans, the maximum amount of the Outstanding Balance of the Securitised Loans acquired by the Fund, excluding those rated Very Doubtful Securitised Loans, shall at no time be in excess of the Principal Balance Outstanding on the Bonds issued by the Fund, the initial amount being one billion two hundred and five million (1,205,000,000) euros (200,495,130,000 pesetas) equivalent to the face value of the issue. The partial or full redemption of any of the Bond Series shall not result in new series being issued or new credits being arranged.

The loans acquired from BANCO DE CRÉDITO LOCAL, comprising the loans acquired upon being incorporated to be pooled in the Fund (“**Initial Loans**”), and the loans acquired subsequently in due course (“**Additional Loans**”), shall all collectively be designated “**Securitised Loans**”.

Each Securitised Loan shall refer to a 100% share in the principal, ordinary and late-payment interest, and fees of the loan assigned to the Fund (see Chapter IV of this Prospectus).

The characteristics of the loans selected from the portfolio of BANCO DE CRÉDITO LOCAL, which shall mostly be assigned to the Fund upon being incorporated, Initial Loans, are itemised in section IV.4 of this Prospectus.

Each of the Securitised Loans shall meet all the Election Requirements established in section IV.1.1.2.2.6 of this Prospectus.

After being incorporated, the Management Company may, on behalf of the Fund on each Payment Date during the Restitution Period, make successive acquisitions of Additional Loans from BANCO DE CRÉDITO LOCAL, in order to restore the decrease in the Outstanding Balance of the Securitised Loans following the redemptions experienced by the same, whether they are full or partial ordinary and prepayments.

The Loan Restitution Period shall be comprised between 26 October 2000 and 26 July 2010, both inclusive, other than in certain circumstances. Nevertheless, upon the Restitution Period concluding, the same may be extended yearly for annual periods, as the case may be, if the Rating Agency so expressly authorises, as it shall see fit, following a request by the Management Company.

Subsequent acquisitions of Additional Loans during the Restitution Period shall be made by the Management Company, for and on behalf of the Fund, in accordance with the terms established in the Restitution Rules established in section IV.1.1.2.2 of this Prospectus.

In every new acquisition of Additional Loans for the Fund, the Management Company shall send the CNMV a document, also subscribed by BANCO DE CRÉDITO LOCAL, containing the following:

- (i) Details of the main characteristics of the Additional Loans acquired.
- (ii) A statement by the Management Company to the effect that said Additional Loans meet all the Election Requirements established to be incorporated to the Fund.

Ordinary priority rules in payments by the Fund.

Applicable from the Closing Date until final liquidation of the Fund.

The Available Funds shall be applied on each Payment Date to meeting payment or withholding obligations in the same order of priority in which they are listed ("**Payment Priority Order**"), irrespective of the time of accrual. Exceptionally, the application established in the 1st place may be effected at any time, provided that the relevant expense is due and payable, and that established in the 2nd place shall be effected monthly.

1. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the same, and all other expenses and service fees, including those derived from the Payment Agency Agreement. Only expenses prepaid or disbursed on the Fund's behalf and amounts reimbursable to the Servicer, provided they are all properly supported, shall be made met in favour of the Servicer and in relation to the Servicing Agreement in this order.
2. a) Payment of the Swap Agreement amount, and in the event of termination of that Agreement following a breach by the Fund, payment of the amount payable by the Fund comprising the settlement payment.

This application shall be effected monthly on the 26th of each month or on the next Business Day, as the case may be.

- b) Payment for remunerating the balances of the Swap Guarantee Deposit, if it is ever set up.
- 3. a) Payment of interest accrued on Series A1 Bonds, as they fall due.
- b) Payment of interest accrued on Series A2 Bonds, as they fall due.
- 4. Payment of interest accrued on Series B Bonds, as they fall due.
- 5. Withholding up to the amount of the Amount Accrued for Principals, which shall constitute the Funds Available for Principals, which shall be allocated, in accordance with their specific application rules established hereinafter, to the acquisition of Additional Loans or the redemption of the Series A1, A2 and B Bonds, according to the application system prevailing on the Payment Date.
- 6. Withholding an amount sufficient for the capital of the Reserve Fund to be kept at the Minimum Level, if the Reserve Fund is ever set up in the event that the Subordinated Credit subject of the application in the 8th and 10th place is fully drawn down.
- 7. Payment of interest accrued on the Subordinated Credit.
- 8. Redemption of the principal drawn on the Subordinated Credit.

This application shall not be effected if the Subordinated Credit is fully drawn down as a result of a drop in the rating of the long-term debt of BANCO DE CRÉDITO LOCAL below A2. In that event, this application shall pass to 10th place.

- 9. Payment of interest accrued on the Subordinated Loan.
- 10. Redemption of the Principal Drawn on the Subordinated Credit in the amount of the reduction, as the case may be, of the Minimum Level of the Reserve Fund if it is ever set up.

This application shall be effected where appropriate in lieu of the application under item 8 above.

- 11. Redemption of the Subordinated Loan principal in the appropriate redemption amount.
- 12. Payment to the Servicer under the Servicing Agreement of the management fee for the Securitised Loans.

In the event that Banco de Crédito Local should be replaced as Servicer by another institution, this application shall take the place of item 3, and the order numbers of the applications under items 3 et seq. will consequently be changed.

- 13. Payment of the brokerage established as a variable remuneration in the Broking Agreement.

When different items exist in a same priority order number, the applications shall be effected pro rata among the amounts of each item.

Funds Available for Principals

The Funds Available for Principals on each Payment Date shall be the lower of the following amounts:

- a) The Amount Accrued for Principals on that Payment Date.
- b) Depending on the liquidity existing on that Payment Date, the remaining Available Funds after taking away the amounts applied to the items under numbers 1 to 4 in the Payment Priority Order.

Distribution of Funds Available for Principals.

The amount of the Funds Available for Principals shall be applied in and subject to the following orders and rules under the Loan Restitution System or the Bond Redemption System.

a) Loan Restitution System.

On a Payment Date within the Restitution Period in which Additional Loans are to be acquired, the Funds Available for Principals shall be distributed in the following order of priority (the “**Loan Restitution System**”):

1. Redemption of Series A1 Bonds in the amount of the relevant redemption instalment on the Payment Date in accordance with the redemption schedule established for this Series.
2. Payment of the sale price for the acquisition of Additional Loans.
3. Redemption of Series A2 Bonds.

This application shall be effected only in the event that there should be a Partial Cover of the Offer, using the remaining Funds Available for Principals after the applications of items 1 and 2 above.

4. Remaining principals collected which shall count as principals collected in the next Interest Accrual Period, and will remain deposited in the Reinvestment Account.

b) Bond Redemption System.

On a Payment Date within the Restitution Period in which no Additional Loans are to be acquired or when that period is over, the Funds Available for Principals shall be distributed in the following order of priority (the “**Bond Redemption System**”):

1. Redemption of Series A1 Bonds in the amount of the relevant redemption instalment on the Payment Date, in accordance with the redemption schedule established for this Series and until the Bonds in this Series are fully amortised.

2. Redemption of Series A2 Bonds using the remaining Funds Available for Principals, after the application of item 1 above and until the Bonds in this Series are fully amortised.
3. Redemption of Series A1 Bonds using the remaining Funds Available for Principals, after the application of items 1 and 2 above and until the Bonds in this Series are fully amortised.

This application shall only be effected if the Series A2 Bonds have been fully amortised, and is not subject to the redemption schedule established for this Series.

4. Redemption of Series B Bonds once the Series A1 and A2 Bonds have been fully amortised using the remaining Funds Available for Principals after the applications in the preceding items and until the Bonds in this Series have been fully amortised.

Termination of the Fund.

The Fund shall terminate in the events provided by Royal Decree 926/1998 and Act 19/1992 and in the events expressly provided in the Incorporation Deed.

The Fund shall terminate in any event in the following ordinary circumstances:

- (i) Upon the term for which it was incorporated expiring.
- (ii) Upon the Securitised Loans it shall have acquired being fully amortised

Early termination of the Fund may nevertheless occur following a resolution by the Management Company to proceed to its early liquidation in the extraordinary circumstances (“**Early-Liquidation Events**”) established in section II.8.1 of this Prospectus.

Early Liquidation.

If any of the set Early-Liquidation Events should occur, the Management Company shall be authorised to proceed to terminate the Fund, notifying the Comisión Nacional del Mercado de Valores of that resolution, and shall begin all appropriate procedures for the Early Liquidation of the Fund and hence the prepayment of the Bond issue. The following requirements will be nevertheless be necessary to proceed to such an Early Liquidation of the Fund in the event of a resolution passed by the Management Company as it shall see fit (“**Optional Early Liquidation Requirements**”):

- (i) That all the payment obligations derived from the Bonds issued on the Fund may be met and settled fully in the Liquidation Payment Priority Order, or otherwise that the Management Company convene the Bondholders before proceeding to the Early Liquidation of the Fund, solely for informative purposes.

The payment obligations derived from the Bonds on the date of Early Liquidation of the Fund shall at all events be deemed to be the Principal Balance Outstanding on that date plus interest accrued and not paid between the last Payment Date and the date of prepayment, deducting, as the case may be, the withholding tax, which amounts shall to all statutory intents and purposes be deemed to be due and payable on that date.

- (ii) That thirty (30) Business Days' notice be given to the Bondholders, in the manner provided in section III.5.3.c).2 of the present Prospectus, of the Management Company's resolution to proceed to an Early Liquidation of the Fund.

In the event that there should be a remainder upon the Fund being liquidated and all payments being made by distributing the Available Funds in the set Liquidation Payment Priority Order, that remainder shall be paid to the Originator. In the event that the remainder should not be cash amounts since deriving from Securitised Loans pending resolution in recovery proceedings commenced following a delinquency by the Assigned Debtor, both their continuation and the product of their resolution 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 remaining assets have been liquidated and the Fund's Available Funds have been distributed, in the Liquidation Payment Priority Order, with the exception of the appropriate reserve to meet final termination expenses.

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

In the event that the Management Company, acting for and on behalf of the Fund, should be unable to make payment of the Securitised Loans subscribed with a deferred price due to the termination of the Bond Management, Underwriting and Placement Agreement, the Fund will also be liquidated by returning the Securitised Loans to the Originator, settling all relevant incorporation and issue expenses and repaying the Subordinated Loan with the remaining funds which the Fund may have.

Financial transactions arranged on behalf of the Fund.

In order to consolidate its financial structure and secure as extensive a cover as possible for the risks inherent in the issue, the Management Company shall, on behalf of the Fund, proceed on the same date on which the Incorporation Deed is executed, to enter into the following agreements:

- Guaranteed Interest Rate Deposit Agreement and Reinvestment Account.
- Subordinated Loan Agreement.
- Subordinated Credit Agreement.
- Interest Flow Swap Agreement.
- Swap Guarantee Agreement.
- Loan Assignment Agreement.
- Securitised Loan Servicing Agreement.
- Bond Issue Management, Underwriting and Placement Agreement.
- Bond Payment Agency Agreement.
- Broking Agreement.

The Management Company may, in order for the Fund to operate on the terms provided in the Incorporation Deed and in the laws in force from time to time, acting for and on behalf of the Fund, extend or amend the agreements entered into on the Fund's behalf, substitute each of the service providers to the Fund under those agreements and indeed, if necessary, enter into additional agreements; the foregoing shall be subject to the laws in force from time to time, to the prior authorisation, if necessary, of the Comisión Nacional del Mercado de Valores, or competent administrative body, and to notice thereof being given on the relevant rating incorporation, provided that those actions do not detract from the Bondholders' interests.

0.2.2 Risks inherent in the Bonds

- (i) Risk of delinquency of the Securitised Loans: the holders of Bonds issued on the Fund shall have the risk of delinquency of the Securitised Loans pooled therein.
- (ii) Early-redemption risk of the Securitised Loans: the Securitised Loans pooled in the Fund shall be subject to prepayment when the part of the capital pending redemption is subject to early redemption by the borrowers of the Loans, on the terms provided in each of the loan agreements.

The risk of that prepayment shall pass quarterly, on each Payment Date, to the Bondholders upon their Partial Redemption.

Nevertheless, (i) as provided in section IV.1.1.2.2, the partial redemption of the Bonds shall be affected by subsequent acquisitions of Additional Loans by the Management Company acting for and on behalf of the Fund, and (ii) as established in section II.11.3.2.2, the Series A1 Bonds have an redemption schedule that must be met other than in exceptional events deriving from the prepayment of the Securitised Loans.

- (iii) Limited hedging: An investment in the Bonds may be affected, inter alia, by a downturn in general economic conditions adversely affecting payments of the Securitised Loans backing the Bond issue of the Fund. A high level of delinquency might reduce or indeed eliminate the hedging against losses in the loan portfolio that the Bonds have as a result of the existence of the credit enhancement transactions described in the Prospectus.
- (iv) Limited Liability: The Bonds issued by the Fund neither represent nor stand as an obligation of the Management Company or of BANCO DE CRÉDITO LOCAL. The cash flow generated by the Securitised Loans used to meet the obligations deriving from the Bonds is assured or guaranteed only in the specific events and up to the limits referred to in the Prospectus. With the exception of these guarantees, no others are given by any public or private institution, including BANCO DE CRÉDITO LOCAL, Europea de Titulización and any of their affiliated or subsidiary companies.
- (v) Limited 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.

- (vi) Yield: The calculation of the internal rate of return, average life and Duration of the Bonds given in the Prospectus is based on assumed early-redemption rates that may not be fulfilled. The prepayment of the Securitised Loans is influenced by a number of budget and economic factors such as the budget evolution of the Assigned Debtors, the seasonality of their resources, market interest rates and economic development of their municipal districts, which prevent their predictability.
- (vii) Late-payment interest: The late payment of interest or redemption of principal to the Bondholders shall under no circumstances result in late-payment interest accruing to their favour.
- (viii) Neither the Fund nor the bondholders shall have right of action respectively against the institution issuing the Securitised Loans or against the Management Company, other than as derived from the breaches of their respective functions and hence at no event as a result of the existence of arrears or prepayment.

CHAPTER I

PERSONS TAKING RESPONSIBILITY FOR AND BODIES SUPERVISING THE CONTENTS OF THE PROSPECTUS

I.1 Persons taking responsibility for the contents of the Prospectus.

I.1.1 Natural person or persons taking responsibility, on behalf of the Management Company, for the contents of the Prospectus.

Mr MARIO MASIÁ VICENTE, of full age, who holds Spanish ID number 50,796,768-A, acting as General Manager for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the “Management Company”), and using the authorities conferred by the Board of Directors and the Board’s Executive Committee at its meetings respectively held on 19 January 1993 and 28 January 2000, takes responsibility for the contents of this Prospectus.

EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with registered office at Madrid, Calle Lagasca number 120, having con VAT Reg. no. A-80514466, sponsors BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS (the “Fund”), and shall be responsible for managing and legally representing the same.

Confirmation that the above-mentioned person or persons believes that the information contained in the Prospectus is truthful and that no fact has been omitted that might alter its scope.

Mr MARIO MASIÁ VICENTE, acting on behalf of his principal aforesaid, declares to the best of his knowledge and understanding that the information contained in this Prospectus is truthful and that there are no omissions that might alter its scope.

I.1.2 Statement by the Originator.

Mr Álvaro Badiola Guerra, for and on behalf of BANCO DE CRÉDITO LOCAL DE ESPAÑA, S. A. (“BANCO DE CRÉDITO LOCAL” and “Originator”), declares that they verified to the necessary extent the quality and adequacy of the information contained in the Prospectus concerning this Originator and the Securitised Loans the Originator will assign to BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS. He further declares that the verification has shown that there are no circumstances contradicting or altering that information and that the latter omits no significant facts or figures that might be relevant to the investor. The letter from the Originator with the above-mentioned statements is attached as Annex 6 to this Prospectus.

I.2 Supervisory bodies.

The present full Prospectus regarding the incorporation of the Fund and the issue of the Bonds has been verified and entered in the Official Registers of the Comisión Nacional del Mercado de Valores.

The incorporation of the Fund and the issue of the Asset-Backed Bonds (hereinafter also the “Bonds”) is subject, in accordance with article 5 of Royal Decree 926/1998, 14 May, regulating asset securitisation funds and securitisation fund management companies (“Royal Decree 926/1998”), to the requirements specified below, which are to be applied, to the extent not in contradiction with the provisions contained in Royal

Decree 926/1998, the provisions of Royal Decree 291/1992, 27 March, relating to issues of and public offers for the sale of securities, amended by Royal Decree 2590/1998 (both Royal Decrees hereinafter “Royal Decree 291/1992”), with the exception of articles 6 and 7 thereof:

- (i) Notifying the Fund incorporation scheme to the Comisión Nacional del Mercado de Valores (hereinafter also “**CNMV**”).
- (ii) Previously submitting to and having registered at the CNMV the required supporting documents for the Fund to be incorporated and the assets to be pooled therein, along with the draft of the Fund incorporation deed. Attached as Annex 2 to the present Prospectus is a certificate of a resolution by the Executive Committee of the Management Company’s Board of Directors to organise the Fund and issue the Asset-Backed Bonds (as defined hereinafter), and as Annex 3 hereto a certificate of the resolution of the Board of Directors of Banco de Crédito Local relating to the securitisation of the loans, which has been publicly recorded in a deed.
- (iii) Submitting reports prepared either by the management companies or by auditors or other suitably qualified independent experts, in the opinion of the CNMV, regarding the assets that are to constitute the assets of the Fund. Attached as Annex 4 to the present Prospectus is an audit report by Arthur Andersen y Cía., S. Com., regarding the verification of certain attributes of the loan portfolio selected to be assigned to the Fund upon its incorporation.
- (iv) Submitting to the CNMV reports prepared by the agencies responsible for providing the credit rating of the liabilities. Attached as Annex 5 to the present Prospectus is a letter from Moody’s Investors Service España, S.A. (the “**Rating Agency**”), the incorporation that was asked to provide the credit rating of the securities that are to be issued on the Fund.
- (v) Having the CNMV verify and register a prospectus regarding the incorporation of the Fund and liabilities that are to finance the same. The present Prospectus regarding the incorporation of the Fund and the Bond Issue (as defined hereinafter) was verified and entered in the official registers of the CNMV on 20 June 2000.

No exemption from requirements is appropriate for the purposes of article 10 of Royal Decree 926/1998.

In accordance with article 2.2 1 of Royal Decree 926/1998, the assignment of credits to the Fund shall be subject to the subjective requirement that the originator have audited accounts for the last three years, with a favourable opinion in the last year. Attached as Annex 6 to this Prospectus is a statement from BANCO DE CRÉDITO LOCAL, as the Originator of the Securitised Loans that are to constitute the assets of the Fund, to that effect.

Registration of the Prospectus by the Comisión Nacional del Mercado de Valores does not imply recommending subscription for or purchase of the securities referred to therein, nor indeed any statement whatsoever as to the solvency of the issuing entity or yield of the issued or offered securities.

I.3 Name, address and qualifications of the auditors who have verified the number, amount and characteristics or attributes of the assets securitised through the fund.

Annex 4 to the present Prospectus contains the Audit Report on a selection of loans in the portfolio of BANCO DE CRÉDITO LOCAL, part of which are the Loans that will initially be assigned to the Fund upon being incorporated (the “Initial Loans”). That Report has been prepared by the firm Arthur Andersen y Cía., S. Com., entered in the Official Register of Auditors (ROAC) under number S0692 and with place of business in Madrid, Calle Raimundo Fernández Villaverde number 65.

That audit was made using sampling techniques by analysing a number of loans less (sample) than the full loan selection (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 loans and specifically regarding: identification of the borrower, authorisation of the loan, date of arrangement, date of maturity, initial amount, redemption system, current balance, benchmark interest rate or index, spread or differential, interest rate applied and arrears in payment.

CHAPTER II

INFORMATION RELATING TO THE SECURITIES ISSUED ON THE ASSET SECURITISATION FUND

II.1 Information on prior requirements and resolutions necessary for the Fund to be incorporated and on the securities issued on the Fund, and also on the terms for the Fund to acquire the assets subject of the securitisation process.

II.1.1 Issue resolutions and statutory requirements.

a) Corporate resolutions.

Resolution to assign the Securitised Loans:

The Board of Directors of BANCO DE CRÉDITO LOCAL, at its meeting dated 4 May 1999, resolved to authorise the securitisation of Loans for the purpose of their being acquired by the Fund. The characteristics of the Securitised Loans pooled in the Fund are described in Chapter IV, section IV.1. Attached as Annex 3 to the present Prospectus is a photocopy of the Certificate of Resolutions of the Board of Directors of BANCO DE CRÉDITO LOCAL.

Resolution to organise the Fund:

At its meeting dated 13 December 1999, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, resolved to organise BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS in accordance with the legal system provided by Royal Decree 926/1998 and by Act 19/1992, to acquire the loans assigned by BANCO DE CRÉDITO LOCAL and to issue the Bonds on the Fund. The characteristics of the Bond issue on the Fund are described in Chapter II of this Prospectus. Attached as Annex 2 hereto is a photocopy of the Certificate of the Resolutions of the Executive Committee of the Management Company's Board of Directors.

b) Execution of the Incorporation Deed.

Upon the Comisión Nacional del Mercado de Valores verifying and registering the present Prospectus and thereafter within twenty (20) Business Days, without the Bond subscription period having yet begun, the Management Company along with the Originator of the Loans to be acquired by the Fund, shall proceed to execute a public deed whereby BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS will be incorporated, Loans will be acquired and the Asset-Backed Bonds will be issued (hereinafter the "Incorporation Deed"), on the terms provided in Royal Decree 926/1998.

Said Incorporation Deed shall be submitted to the Comisión Nacional del Mercado de Valores to be entered in the public registers, before the Bond Subscription Period begins.

The Bonds issued on the Fund shall be exclusively represented by means of book entries and the Incorporation Deed shall have the effects provided in article 6 of the Securities Market Act. In this sense, and in accordance with said article and article 6 of Royal Decree 116/1992, 14 February, on the representation of securities by means of book entries and clearing and settlement of stock exchange transactions, amended by Royal Decree 2590/1998, 7 December (both Royal Decrees the **“Book Entries Royal Decree”**), the deed recording the representation of the Bonds by means of book entries shall be the issue deed.

II.1.2 Information on requirements and resolutions prior to listing on the Stock Exchange or on an organised secondary market.

The Management Company shall, forthwith upon executing the Incorporation Deed and once the Bonds have been paid up, apply for the present Bond Issue to be listed on the AIAF Mercado de Renta Fija (hereinafter also **“AIAF”**).

Furthermore, the Management Company shall, for and on behalf of the Fund, apply for the issue to be included in the Servicio de Compensación y Liquidación de Valores, S.A. in order for the Bonds to be cleared and settled in accordance with the operating rules in regard to securities listed on the AIAF, and represented by means of book entries, which the Servicio de Compensación y Liquidación de Valores, S.A. which may now be established or approved in the future.

II.2 Administrative authorisations prior to the issue or offer.

Verification and registration by the Comisión Nacional del Mercado de Valores.

The present Fund incorporation and Bond issue Prospectus was verified and entered in the Official Registers of the Comisión Nacional del Mercado de Valores on 20 June 2000. No prior administrative authorisation other than the prior verification and registration of the Prospectus is required.

The Comisión Nacional del Mercado de Valores has made no warning or remark concerning the incorporation of the Fund and issue of the Bonds.

II.3 Assessment of the risk inherent in the securities issued on the Fund by a rating incorporation recognised by the Comisión Nacional del Mercado de Valores.

The Management Company has entrusted the valuation of the credit risk of the Bonds to the Rating Agency Moody's Investors Service España, S.A. (hereinafter also **“Moody's”**), a rating incorporation recognised by the Comisión Nacional del Mercado de Valores, for the purposes of the provisions of article 2.3.b) of Royal Decree 926/1998.

Moody's is a Spanish company wholly owned by Moody's Investors Service and operates in accordance with the latter's methodology, standards and quality control.

Ratings assigned to the Bond Issue.

On 16 June 2000, Moody's has assigned an **Aaa** rating to the Class A Bonds, and an **A2** rating to the Series B Bonds, both provisionally, and expects to assign the same final ratings before the Bond Subscription Period begins.

If Moody's should fail to respectively confirm the **Aaa** rating for the Class A Bonds and **A2** rating for the Series B Bonds before the Subscription Period begins, this circumstance shall forthwith be notified to the Comisión Nacional del Mercado de Valores and shall be made publicly known in the manner for which provision is made in section III.5.3, b) 2). Furthermore, this circumstance shall be an event of termination of the incorporation of the Fund and Bond issue.

Annex 5 to this Prospectus contains a copy of Moody's letter notifying the rating.

The rating is the Rating Agency's opinion about the credit risk, the capacity to meet payments of interest as the fall due on each set Payment Date and of the principal of the issue on the Final Maturity Date.

The Rating Agency's rating is not a recommendation to acquire, sell or keep the Bonds.

The ratings may be revised, suspended or withdrawn at any time by the Rating Agency, based on any information the Agency may come to know, or the non-availability of information, or for any other reason. Those events, which shall not constitute early-redemption events of the Fund, shall forthwith be notified to both the National Stock Exchange Commission and the bondholders, in accordance with the provisions of section III.5.3.

Considerations concerning Moody's rating.

Moody's Investors Service's rating scales, used by Moody's for long- and short-term debt issues, are the following:

Long-term
Aaa
Aa
A
Baa
Ba
B
Caa
Ca
C

Short-term
Prime-1
Prime-2
Prime-3
Not Prime

Moody's Investors Service applies number modifiers 1, 2 and 3 to each long-term rating category comprised between Aa and B, inclusive. Modifier 1 indicates securities on the top range of the rating category, modifier 2 indicates the medium range and modifier 3 bottom range securities.

Moody's Investors Service gives an **Aaa** rating to debt issues with a very strong capacity to pay interest and amortise, and an **A2** rating to debt with a strong capacity to pay interest and repay principal, though it is slightly more sensitive to the effects of circumstantial changes and adverse economic conditions than the debt in higher categories.

Moody's Investors Service's rating takes into account the structure of the Bond issue, its legal aspects and the issuing Fund, the characteristics of the Initial Loans selected to be assigned to the Fund upon being incorporated, the capacity of BANCO DE CRÉDITO LOCAL to originate and assign Additional Loans and to service the Loans, the regularity and continuity of the Fund's flows, and the characteristics of the financial transactions entered into by the Fund and the institutions providing the same.

Moody's ratings are not an assessment of the probability of debtors making early redemptions of capital, nor of the extent to which such early redemptions differ from what was originally forecast. The ratings are not by any means a rating of the level of actuarial performance.

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

- (i) are given by Moody's based on manifold information received with respect to which Moody's gives no assurance, nor even as to their accuracy or fullness, wherefore Moody's may at no event be deemed to be responsible therefor; and,
- (ii) are not and cannot therefore be howsoever construed as an invitation, recommendation or encouragement for investors to proceed to carry out any transaction whatsoever on the Bonds and, in particular, acquire, keep, charge or sell those Bonds.

In carrying on the rating and monitoring process, Moody's relies on the accuracy and completeness of the information provided by the Management Company, auditors, lawyers and other experts.

Undertakings by the Management Company.

The Management Company, on behalf of the Fund, agrees to report regularly to Moody's on the status of the Fund and the performance of the Securitised Loans. It shall also report when reasonably required to do so and

in any event whenever there is a change in the conditions of the Fund, in the agreements entered into by the Fund through its Management Company or in the parties concerned.

II.4 Nature and denomination of the securities offered giving the issue or series number.

The amount of the issue of Asset-Backed Bonds (hereinafter the “Bonds”) totals a face value of one billion two hundred and five million (1,205,000,000) euros (200,495,130,000 Ptas.), and the issue consists of two classes: Class A comprising two Bond Series A1 and A2, and Class B comprising a single Series B.

Those Bonds are issued pursuant to Royal Decree 926/1998, and legally qualify as standard homogeneous fixed-income securities that are consequently transferable on organised Stock Exchanges, and the legal and financial configuration of the Fund therefore differs from investment funds.

II.4.1 Legal system of the securities, specifying the procedures guaranteeing the certainty and effectiveness of the rights of their first and subsequent holders. Servicing implications in each of the series of securities issued on the Fund of the compulsory connection between the schedule of principal and interest payments on those securities and the cash flows of the assets securitised through the Fund.

The incorporation of and Bond Issue on the Fund are carried out pursuant to Royal Decree 926/1998 and Act 19/1992.

The Bonds legally qualify as fixed-income transferable securities with an explicit return, and are subject to the system provided by the Securities Market Act.

As provided in section II.5 of this chapter, the Bonds will be represented by means of book entries. The Bondholders will be identified as such when they are entered as such in the accounting record kept by the Servicio de Compensación y Liquidación de Valores, S.A., and the relevant Clearing member may issue the Certificates of Title when so requested by the Bondholder and at his expense; the provisions of Title I, Chapter I, section four of the Book Entries Royal Decree will apply in this connection.

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

The Bondholders are bound in respect to Bond interest and principal redemption payment, by the Fund’s Payment Priority Order contained in section V.4.1.2 of this Prospectus.

In order to mitigate the risk of a loss of yield of the Fund due to timing differences between the Fund’s principal and interest income on Securitised Loans with different periodicities, and the redemption and interest payment on the Bonds or acquisition of Additional Loans, which is quarterly, the Management Company, on behalf of the Fund, shall enter into a Guaranteed Interest Rate Deposit Agreement with BANCO DE CRÉDITO LOCAL whereby the amounts received by the Fund from the Securitised Loans, both as principal redemption and interest, as well as the amounts referred to in section V.3.1 of the Prospectus, will be invested until the

next Payment Date of the Bonds, on which the principal redemption and interest payment on the Bonds shall fall due.

II.4.2 Other implications and risks that might, due to the legal and economic nature of the assets pooled in the Fund, affect the servicing of the securities issued on the Fund as a result of the process for securitising those assets.

a) Risk of delinquency of the Securitised Loans:

The holders of Bonds issued on the Fund shall bear with the risk of delinquency of the Securitised Loans pooled therein.

Consequently, BANCO DE CRÉDITO LOCAL, as the Originator, shall have no liability whatsoever for delinquency of the Assigned Debtors, whether of principal, interest or any other amount they may owe under the Securitised Loans, and is not answerable for the enforceability of the guarantees collateral thereto. It will not take on any other responsibility whatsoever to directly or indirectly guarantee that the assignment will be successful, nor give any guarantees or securities, nor indeed agree to repurchase the Securitised Loans, irrespective of the provisions of section IV.1.1.3,f) to the extent that any of the Securitised Loans might not conform to the Individual Election Requirements contained in section IV.1.1.2 of the present Prospectus, or their specific characteristics notified to the Management Company.

b) Early-redemption risk of the Securitised Loans:

The Securitised Loans pooled in the Fund shall be subject to prepayment when the part of the capital pending redemption is subject to early redemption by the Assigned Debtors, on the terms provided in each of the Loan agreements.

The risk of that prepayment shall pass quarterly, on each Payment Date, to the Bondholders upon their partial redemption, in accordance with the provisions of section II.11.3.2 of the present Prospectus. Nevertheless, (i) as provided in section IV.1.1.2.2, the partial redemption of the Bonds shall be affected by subsequent acquisitions of Additional Loans by the Management Company during the Restitution Period, acting for and on behalf of the Fund, and (ii) as established in section II.11.3.2.2, the Series A1 Bonds have an redemption schedule that must be met other than in exceptional events deriving from the prepayment of the Securitised Loans.

c) Other considerations

Limited hedging.

An investment in the Bonds may be affected, inter alia, by a downturn in general economic conditions adversely affecting payments of the Securitised Loans backing the Bond issue of the Fund. A high level of delinquency might reduce or indeed eliminate the hedging against losses in the loan portfolio that the Bonds have as a result of the existence of the credit enhancement transactions described in section V.3 of this Prospectus.

Limited liability.

The Bonds issued by the Fund neither represent nor stand as an obligation of the Management Company or of BANCO DE CRÉDITO LOCAL. The cash flow generated by the Securitised Loans used to meet the obligations deriving from the Bonds is assured or guaranteed only in the specific events and up to the limits referred to in the Prospectus. With the exception of these guarantees, no others are given by any public or private institution whatsoever, including BANCO DE CRÉDITO LOCAL, EUROPEA DE TITULIZACIÓN and any of their affiliated or subsidiary companies.

In the Loan Assignment Agreement, BANCO DE CRÉDITO LOCAL will make a number of representations and warranties as to the characteristics of the Initial Loans and their meeting of the Election Requirements established in section IV.1.1.2, and as to the existence and lawfulness of those Loans, and that they meet the necessary requirements to be assigned to the Fund. Those representations by BANCO DE CRÉDITO LOCAL shall be repeated in subsequent acquisitions of Additional Loans by the Fund. In any event, BANCO DE CRÉDITO LOCAL does not guarantee the solvency of the Assigned Debtors with reference to the Securitised Loans. Furthermore, these guarantees do not allow the Bondholders to enforce against BANCO DE CRÉDITO LOCAL any right whatsoever they may have against the Fund, the Management Company being the only institution authorised to represent the Bondholders in relations with third parties or in any legal action related to the Fund.

Limited 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

Furthermore, the Fund may at no event repurchase the Bonds from their holders, though they may be subject to a full prepayment in the event of early liquidation of the Fund, on the terms established in section III.8 of this Prospectus.

Yield.

The calculation of the internal rate of return, average life and duration of the Bonds is subject, inter alia, to assumed early-redemption rates and maintenance of the Restitution Period which might not be fulfilled, and future market interest rates, given the floating nature of the nominal interest rate.

The prepayment of the Securitised Loans is influenced by a number of budget and economic factors such as the budget evolution of the Assigned Debtors, the seasonality of their resources, market interest rates and economic development of their municipal districts, which prevent their predictability

Late-payment interest.

The late payment of interest or redemption of principal to the Bondholders shall at no event result in a late-payment interest accruing to their favour.

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

The Bonds issued on the Fund will be exclusively represented by means of book entries, and will be constituted as such when entered in the appropriate accounting record. In this connection, and for the record, the Incorporation Deed shall have the effects prescribed in article 6 of the Securities Market Act.

Bondholders shall be identified as such when entered in the accounting record kept by Clearing members of the Servicio de Compensación y Liquidación de Valores, S.A., which shall be the institution designated in the Incorporation Deed 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, now established or approved in the future by the Servicio de Compensación y Liquidación de Valores, S.A. Such designation shall be entered in the Official Registers of the Comisión Nacional del Mercado de Valores.

Servicio de Compensación y Liquidación de Valores, S.A. has its place of business in Madrid, Calle Orense no. 34.

II.6 Face amount of the securities altogether issued on the Fund, number of securities comprised and their numbering, as the case may be, itemised by the various constituent series.

The amount of the Bond Issue totals a face value of one billion two hundred and five million (1,205,000,000) euros (200,495,130,000 Ptas.), represented by means of book entries, and consists of two Classes:

- i) Class A, consisting of two Series for a total face amount of one billion one hundred and forty-five million (1,145,000,000) euros (190,511,970,000 Ptas.):
 - Series A1 for a total face amount of two hundred and forty-five million (245,000,000) euros (40,764,570,000 Ptas.), comprising two thousand four hundred and fifty (2,450) Bonds with a unit face value of one hundred thousand (100,000) euros (16,638,600 Ptas.).
 - Series A2 for a total face amount of nine hundred million (900,000,000) euros (149,747,400,000 Ptas.), comprising nine thousand (9,000) Bonds with a unit face value of one hundred thousand (100,000) euros (16,638,600 Ptas.).

- ii) Class B, consisting of an only Series B for a total face amount of sixty million (60,000,000) euros (9,983,160,000 Ptas.), comprising six hundred (600) Bonds with a unit face value of one hundred thousand (100,000) euros (16,638,600 Ptas.).

The Class B Bonds are deferred in the interest and principal redemption payment with respect to the Class A Bonds, in accordance with the provisions of the Fund's Payment Priority Order.

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

II.7 Face and actual amounts of each security, specifying, where it exists, the issue premium expressed in proportion to the face value and in monetary units per security. Currency in which each of the Series of securities issued on the Fund is denominated.

The Bonds are issued at 100 per cent of their face value. The issue price of the Bonds in all the Series shall be one hundred thousand (100,000) euros (16,638,600 Ptas.) per Bond, clear of taxes and subscription costs for the subscriber through the Fund.

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

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

The Fund, as Bond issuer, shall neither shift to nor charge the investor any expense item whatsoever for subscribing for the Bonds.

II.9 Reference, as appropriate, to the existence, as the case may be, of fees to be borne by the holders of the securities issued on the Fund, mandatorily represented as book entries, for entering and maintaining a balance.

The expenses of including the Bond Issue in the accounting record of the Servicio de Compensación y Liquidación de Valores, S.A. shall be borne by the Fund and may not be shifted to the Bondholders. This institution has established no fee whatsoever for maintaining a balance.

Clearing members of said Service may nevertheless establish, in accordance with the laws in force for the time being, such fees and expenses to be charged to the Bondholder, for administering securities, as they may freely determine, and notified at the time to the Bank of Spain or the Comisión Nacional del Mercado de Valores, as their supervisory bodies.

II.10 Interest rate clause:

II.10.1 Nominal interest rate.

The Bonds in each of the Series shall accrue a yearly nominal interest, variable quarterly and payable quarterly, which shall be the result of applying the standards established hereinafter.

Said resultant yearly nominal interest rate (hereinafter “nominal interest rate”) shall be payable quarterly in arrears on each Payment Date on the Principal Balance Outstanding on the Bonds in each Series, provided that the Fund has sufficient liquidity in the Payment Priority Order.

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

a) Interest accrual.

The duration of the present issue shall be divided into successive Interest Accrual Periods comprising the days actually elapsed between each Payment Date, including in each Interest Accrual Period the initial Payment Date and excluding the final Payment Date. Exceptionally, the duration of the first Interest Accrual Period shall be in excess of a quarter, equivalent to that comprised between the Closing Date, inclusive, and the first Payment Date (26.10.2000), exclusive.

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

b) Nominal interest rate.

The nominal interest rate applicable to each of the Series and determined for each Interest Accrual Period shall be the result of adding: (i) the Benchmark Interest Rate, as established in section c) below, and (ii) the following spreads for each of the Series:

- 0.05 % for Series A1 Bonds,
- 0.10 % for Series A2 Bonds,
- 0.50 % for Series B Bonds;

the foregoing rounded up or down to the nearest thousandth of a percentage point.

c) Benchmark Interest Rate and determining the same.

- i) The Benchmark Interest Rate for determining the nominal interest rate applicable to each of the Bond Series is the Euribor rate, “Euro Interbank Offered Rate”, calculated and distributed by the BRIDGE financial information system under an FBE (“Federation Bancaire de l’Union Europeene”) mandate, with a three (3) month maturity, other than for the first Interest Accrual Period which shall be four (4) months, fixed at 11am (CET time “Central European Time”) on the Interest Rate Fixing Date described below (the “**Benchmark Interest Rate**”), 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.

Said Euribor rate is currently the term interbank deposit offered rate in euros calculated as the daily average of the quotations supplied 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.

- ii) In the event that the rate established in section (i) above should not be available or be impossible to obtain, the substitute Benchmark Interest Rate shall be the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in euros with a maturity of three (3) months, on the Interest Rate Fixing Date, declared by the banks listed below, following a simultaneous request to each of them:

- Banco Santander Central Hispano, S.A.
- Banque Nationale de Paris
- Caja de Ahorros y Monte de Piedad de Madrid.
- Deutsche Bank AG

In the event that it should be impossible to apply the above substitute Benchmark Interest Rate, due to the failure by any of said banks to provide a statement of quotations, 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 sections i) and ii) above should not be available or be impossible to obtain, the last Benchmark Interest Rate applied to the last Interest Accrual Period shall apply, and so on for successive Interest Accrual Periods whilst matters remain the same.

d) Interest Rate Fixing Date.

The nominal interest rate applicable to each of the Bond Series for each Interest Accrual Period shall be determined by the Management Company, for and on behalf of the Fund, as provided in sections b) and c) above, based upon the Benchmark Interest Rate or its substitute, on the second Business Day before each Payment Date (the “**Interest Rate Fixing Date**”), and will be applied for the next Interest Accrual Period.

Exceptionally, the nominal interest rate of the Bonds in each of the Series for the first Interest Accrual Period shall be determined as provided in section c) above, based upon the Benchmark Interest Rate, four-(4-) month Euribor, albeit referred to the second Business Day before the date on which the Subscription Period begins, and shall be communicated to the general public before the Subscription Period begins by means of the notice provided in section III.5.3,b),1 of the present Prospectus.

The nominal interest rates determined for each of the Bond Series for successive Interest Accrual Periods shall be communicated to the Bondholders on the dates and in the manner for which provision is made in sections III.5.3, a) and c).

e) Formula for calculating the interest.

Calculation of the interest settlement for each of the Series, payable on each Payment Date for each Interest Accrual Period, shall be made 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 to the nearest euro cent.

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

R = Nominal interest rate of the Series expressed as a yearly percentage.

d = Number of days actually corresponding to each Interest Accrual Period.

f) Example for fixing the nominal interest rate.

As established in this section and for an easier understanding by the subscriber of the system for fixing the nominal interest rate and the amount of the interest to be received for each Bond in each Series on each Payment Date, the manner of calculating the same for the following event is shown below:

	Series A1 Bonds	Series A2 Bonds	Series B Bonds
1 Principal Balance Outstanding per Bond	100,000 euros (16,638,600 ptas.)	100,000 euros (16,638,600 ptas.)	100,000 euros (16,638,600 ptas.)
2 Interest Accrual Period Days	91	91	91
3 3-month Euribor rate	4.448%	4.448%	4.448%
4 Spread	0.05%	0.10%	0.50%
5 Nominal interest rate: rounded to the nearest ten thousandth of a percentage point	4.498%	4.548%	4.948%
6 Calculation of the interest accrued per Bond (1)×(2)×(5)/36000	1,136.994	1,149.633	1,250.744
7 Amount of interest payable per Bond: rounded to the nearest euro cent	1,136.99 (189,179 ptas.)	1,149.63 (191,282 ptas.)	1,250.74 (208,106 ptas.)

g) Informative table on the evolution of the benchmark interest rate to be used.

For merely illustrative purposes, below are monthly details of the three- (3-) month Euribor rates taken from the EURIBOR01 electronic page supplied by Reuters on the dates given (second Business Day

before the 26th of each month), and the nominal interest rates that would result if applied to each of the Bond Series:

Dates	3-month Euribor	Series A1 Bonds	Series A2 Bonds	Series B Bonds
24 May 2000	4.448	4.498	4.548	4.948
18 April 2000	3.937	3.987	4.037	4.437
23 March 2000	3.767	3.817	3.867	4.267
24 February 2000	3.632	3.682	3.732	4.132
24 January 2000	3.317	3.367	3.417	3.817
23 December 1999	3.447	3.497	3.547	3.947
24 November 1999	3.446	3.496	3.546	3.946
22 October de 1999	3.457	3.507	3.557	3.957
23 September 1999	2.698	2.748	2.798	3.198
24 August 1999	2.686	2.736	2.786	3.186
22 July 1999	2.681	2.731	2.781	3.181
24 June 1999	2.649	2.699	2.749	3.149
24 May 1999	2.579	2.629	2.679	3.079
22 April 1999	2.596	2.646	2.696	3.096
24 March 1999	3.014	3.064	3.114	3.514

II.10.2 Simple confirmation of the order number of the interest payment of the securities issued on the Fund in the Fund's payment priority, and specification of the section and pages of this Prospectus in which the rules of priority established in the Fund's payments are described, and specifically those affecting interest payments of those securities.

Payment of interest accrued by Series A1 Bonds is in third (3rd) place in the Payment Priority Order established in section V.4.2.2.B), page 130 of the present Prospectus.

Payment of interest accrued by Series A2 Bonds is in third (3rd) place in the Payment Priority Order established in section V.4.2.2.B), page 130 of the present Prospectus.

Payment of interest for Series B Bonds is in fourth (4th) place in the Payment Priority Order established in said section, page 130 thereof.

II.10.3 Dates, place, institutions and procedure for paying interest.

The interest on the Bonds in all the Series will be paid in arrears on 26 January, 26 April, 26 July and 26 October of each year until the Bonds are fully amortised (each of those dates, a "Payment Date"), using the calculation method described in section II.10.1.e) of the present Prospectus.

In the event that any of the dates established in the preceding paragraph should not be a Business Day, the Payment Date shall be the next immediate Business Day, and interest for the Ongoing Interest Accrual Period will accrue until said first Business Day, not inclusive.

The first interest Payment Date for the Bonds in all the Series shall be 26 October 2000, and interest will accrue at the relevant nominal interest rate between payment on the Closing Date, inclusive, and 26 October 2000, exclusive.

For the purposes of the present Bond Issue, Business Days shall be deemed to be all days other than a:

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

Days that are not business days in the TARGET calendar are currently the following:

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

Both the interest resulting for the Bondholders in each of the Series and the amount of the interest accrued and not paid shall be notified to the Bondholders as described in section III.5.3 of the present Prospectus, at least one (1) calendar day in advance of each Payment Date.

The interest accrued on the Bonds shall be settled on each Payment Date provided that the Fund has sufficient liquidity to do so in the Payment Priority Order.

In the event that on a Payment Date the Fund should be unable to make full or partial payment of the interest accrued by the Bonds in any of the Series, in the relevant Payment Priority Order, the amounts that the bondholders should not have received shall be paid on the next Payment Date.

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

The Fund, through its Management Company, may not defer Bond interest payment beyond 26 July 2030, the Final Maturity Date, or the next Business Day if the same is not a Business Day.

The Bond Issue shall be serviced through the Payment Agent, to which end the Management Company shall, for and on behalf of the Fund, enter into a Bond Payment Agency Agreement with BANCO BILBAO VIZCAYA ARGENTARIA.

In order for the subscriber to understand the system for fixing the nominal interest rate applicable and the amount of the interest to be received for each Bond on each Payment Date, section II.12 of the Prospectus provides an illustrative example and the Theoretical loan servicing Tables.

II.11 Redemption of the securities.

II.11.1 Redemption price, specifying the existence of premiums, rewards, lots or any other financial advantage.

The redemption price of the Bonds in each Series shall be one hundred thousand (100,000) euros (16,638,600 Ptas.) per Bond, equivalent to 100 per cent of its face value, payable partially on each Payment Date.

Each and every one of the Bonds in a same Series shall be amortised in an equal amount by reducing the face value of each of them. The amount to be repaid on amortising the Bonds in each of the Series on each Payment Date shall be determined as established in section II.11.3 of this Chapter.

II.11.2 Simple reference to the order number of the principal payment of the securities issued on the Fund in the Fund's payment priority, and specification of the section and pages of this Prospectus in which the rules of priority established in the Fund's payments are described, and specifically those affecting principal payments of those securities.

Payment of the redemption of principal in Series A1 Bonds is in fifth (5th) place in the Payment Priority Order established in section V.4.2.2), page 130 of the present Prospectus.

Payment of the redemption of principal in Series A2 Bonds is in fifth (5th) place in the Principal Payment Priority Order established in section V.4.2.2), page 130 of the present Prospectus..

Payment of the redemption of principal in Series B Bonds is in fifth (5th) place in the Principal Payment Priority Order established in section V.4.2.2), page 130 of the present Prospectus..

II.11.3 Redemption modes specifying dates, place, institutions, procedure and advertising for the same.

II.11.3.1 Final Redemption.

The Final Redemption Date and consequently the final redemption of the Bonds is 26 July 2030 or the next Business Day if the same 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 section II.11.3.3 below, proceeding to an prepayment of the present issue, in which case the Payment Date on which the same is to take place will be the final redemption date of the Bonds.

II.11.3.2 Partial Redemption.

II.11.3.2.1 Characteristics common to the partial redemption of the Bonds in all the Series.

1. Redemption Payment Dates.

Irrespective of the Final Redemption Date, the Fund shall, through its Management Company, proceed to make partial redemptions of the Bonds in each Series on the Redemption Payment Dates and on the terms described hereinafter in this section.

The Redemption Payment Dates shall fall on the interest Payment Dates, i.e. on 26 January, 26 April, 26 July and 26 October of each year or the next Business Day, as the case may be, until they are fully amortised.

The first redemption Payment Date of the Bonds in each Series, in accordance with the rules contained in this section, shall be made on the following dates for each of the Series:

- Series A1 on 26 October 2005.
- Series A2 on 26 October 2010, other than in the event that on any of the Payment Dates preceding that date the Bond Redemption System for the distribution of the Funds Available for Principals should apply or, if the Loan Restitution System should apply, if any of the set circumstances should occur.
- The first redemption payment in Series B shall be made when the Bonds in Series A1 and A2 have been fully amortised.

2. Determination Dates.

These will be the dates falling on each of the Payment Dates, on which the Management Company on behalf of the Fund will calculate both the Available Funds and the Funds Available for Principals, which the Fund shall provide on the relevant Payment Date as the payment or withholding obligations, distributing the same in the Fund Payment Priority Order.

Such Determination Dates shall fall on the fourth Business Day preceding each Payment Date.

3. Principal Balance Outstanding on the Bonds.

The Principal Balance Outstanding on the Bonds shall, for these purposes, be the sum of the outstanding balances of principal pending redemption on the Bonds in all the Series, such balances including the principal amounts that should have been amortised, as the case may be, and were not so settled due to a shortage of Funds Available for Principals, in the Fund Payment Priority Order.

4. Amount Accrued for Principals.

The Amount Accrued for Principals on each Payment Date shall be equal to the sum of:

- (i) The difference existing between the Principal Balance Outstanding on the Bonds and the Outstanding Balance of the Securitised Loans at the close of the day immediately preceding the ongoing Payment Date (the “**Available Principals**”).

If the Loan Restitution System should apply on the Payment Date, the Available Principals for the purposes of a Purchase Offer shall be calculated in relation to the close of the second day

immediately preceding the Offer Date, in the amount resulting from increasing the difference existing between the Principal Balance Outstanding on the Bonds and the Outstanding Balance of the Securitised Loans on the Offer Date, the principal redemption balance collected from the Assigned Debtors pending receipt, which should be received until the ongoing Payment Date, inclusive, subsequently to the Offer Date.

- (ii) Only if the Restitution Period is over, the variation of the Outstanding Balance of the Very Doubtful Securitised Loans equal to the difference between the Outstanding Balances of the Very Doubtful Securitised Loans at the close of the day immediately preceding the ongoing Determination Date and that referred to the previous Determination Date. Exceptionally, for the first Payment Date on which the Outstanding Balance of the Very Doubtful Securitised Loans should be added because the Restitution Period is over, their Outstanding Balance on the ongoing Determination Date will be added instead of the variation of the Outstanding Balance of the Very Doubtful Securitised Loans.

Very Doubtful Securitised Loans will be deemed to be Securitised Loans which, on account of their payment arrears, have overdue amounts without there having been a substitution or extension, when more than twenty-four (24) months have elapsed from the oldest overdue payment. The extension or rearrangement of the Doubtful Securitised Loans shall not result in their being reclassified as Non-Doubtful Securitised Loans unless new effective guarantees are provided or at least interest pending collection is received.

The Outstanding Balance of each Very Doubtful Securitised Loan shall comprise the amount of principal outstanding and principal overdue to the Fund.

5. Funds Available for Principals.

The Funds Available for Principals on each Payment Date shall be the lower of the following amounts:

- a) The Amount Accrued for Principals on that Payment Date.
- b) Depending on the liquidity existing on that Payment Date, the remaining Available Funds after deducting the amounts applied to the items under orders 1 to 4 in the Payment Priority Order.

6. Distribution of the Funds Available for Principals.

The amount of the Funds Available for Principals shall be distributed in accordance with the following orders and rules under the Loan Restitution System or the Bond Redemption System applicable on the Payment Date.

a) Loan Restitution System.

On the Payment Date within the Restitution Period in which Additional Loans are to be acquired, the Funds Available for Principals shall be distributed in the following order of priority:

1. Redemption of Series A1 Bonds in the amount of the redemption instalment due on the Payment Date in accordance with the redemption schedule established for this Series.
2. Payment of the sale price for the acquisition of Additional Loans.
3. Redemption of Series A2 Bonds.

This application shall be made only in the event that a Partial Cover of the Offer should occur, using the remaining Funds Available for Principals after the applications of items 1 and 2 above.

4. Remaining Funds Available for Principals, after the applications in the preceding order numbers, which shall count as remaining principals collected in the next Interest Accrual Period, remaining deposited in the Reinvestment Account.

b) Bond Redemption System.

On the Payment Date within the Restitution Period in which Additional Loans are not to be acquired or when that period is over, the Funds Available for Principals shall be distributed in the following order of priority:

1. Redemption of Series A1 Bonds in the amount of the redemption instalment due on the Payment Date in accordance with the redemption schedule established for this Series and until the Bonds in this Series are fully amortised.
2. Redemption of Series A2 Bonds using the remaining Funds Available for Principals, after the application of item 1 above and until the Bonds in this Series are fully amortised.
3. Redemption of Series A1 Bonds using the remaining Funds Available for Principals, after the applications of items 1 and 2 above and until the Bonds in this Series are fully amortised.

This application shall only be made if the Series A2 Bonds have been fully amortised, and is not subject to the redemption schedule established for this Series.

4. Redemption of Series B Bonds once the Series A1 and A2 Bonds have been fully amortised, using the remaining Funds Available for Principals after the applications in the preceding items and until the Bonds in this Series have been fully amortised.

II.11.3.2.2 Specific characteristics of the Partial Redemption of the Bonds in each of the Series.

1. Redemption of Series A1 Bonds.

The Series A1 Bonds shall be amortised pro rata between the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, into twenty (20) consecutive instalments, between the Payment Dates falling on 26 October 2005 and 26 July 2010, both inclusive, in an amount in accordance with the following redemption table:

Series A1 Bonds: redemption schedule (in euros)		
Payment Date	Redemption instalment	
	Bond	Total Series
26/10/2005	9,550	23,397.500
26/01/2006	9,110	22,319.500
26/04/2006	8,520	20,874.000
26/07/2006	7,850	19,232.500
26/10/2006	7,280	17,836.000
26/01/2007	6,760	16,562.000
26/04/2007	6,160	15,092.000
26/07/2007	5,630	13,793.500
26/10/2007	5,150	12,617.500
26/01/2008	4,600	11,270.000
26/04/2008	4,300	10,535.000
26/07/2008	3,870	9,481.500
26/10/2008	3,600	8,820.000
26/01/2009	3,290	8,060.500
26/04/2009	3,090	7,570.500
26/07/2009	2,670	6,541.500
26/10/2009	2,470	6,051.500
26/01/2010	2,190	5,365.500
26/04/2010	2,090	5,120.500
26/07/2010	1,820	4,459.000
Total	100,000	245,000,000

In the event that the Funds Available for Principals on any of the Payment Dates established for amortising the Series A1 Bonds should not be sufficient to amortise the principal due on that Payment Date, the funds actually available shall be allocated to a pro rata redemption between the Series A1 Bonds. The part of principal not amortised shall be amortised on the next Payment Date along with the instalment, which, as the case may be, should be amortised for Series A1 Bonds on that same Payment Date.

The redemption schedule for Series A1 Bonds has been designed based on information relating to prepayment performance, contained in section IV.3.2 of the present Prospectus, applied exclusively to the provisional loan portfolio, which shall serve as a basis for assigning the Initial Loans to the Fund upon being incorporated, using constant monthly redemption rates in an annual early-redemption range of between 0% and 9%, and considering that there is no subsequent acquisition of Additional Loans. These standards have been used in order for fulfilment of the redemption schedule established in this section for the redemption of this Series to be very likely, in view of the historical redemption rates contained in said section IV.3.2, other than in the event of extreme changes in the volatility of the early-redemption rate, widely and persistently exceeding the upper limit of the range used or very high delinquency rates.

2. Redemption of Series A2 Bonds.

The Series A2 Bonds shall be amortised pro rata between the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, on each Payment Date, in the amount of the Funds Available for Principals applied for amortising this Series, under the Loan Restitution System or the Bond Redemption System applicable on the Payment Date.

3. Redemption of Series B Bonds.

Series B Bonds shall only begin to be amortised when the Series A1 and A2 Bonds have been fully amortised.

Series B Bonds shall be amortised pro rata between the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, on each Payment Date, in the amount of the Funds Available for Principals applied for amortising this Series, under the Bond Redemption System.

II.11.3.3 Early Liquidation.

With prejudice to the Fund's obligation, through its Management Company, to amortise the Bonds on the Final Maturity Date or on each Partial Redemption, as established in the preceding paragraphs, the Management Company shall be authorised, after notifying the Comisión Nacional del Mercado de Valores, to proceed to an Early Liquidation of the Fund and hence an prepayment, on a Payment Date, of the entire Bond issue in the Early-Liquidation Events in accordance with and subject to the requirements established in section III.8 of the present Prospectus.

II.12 Servicing table of the loan, including both interest payments and principal redemption, for each of the Bond Series to be issued on the Fund.

The issue will be serviced through BANCO BILBAO VIZCAYA ARGENTARIA S.A, as the Payment Agent. The payment of interest and redemptions shall be notified to the Bondholders in the events and in such advance as may be provided for each case in section III.5.3.a). Interest and redemptions shall be paid to the lawful Bondholders by the relevant Clearing members and to the latter in turn by the Servicio de Compensación y Liquidación de Valores, S.A., the institution responsible for the accounting record.

a) Loan servicing tables.

The main characteristic of the Asset-Backed Bonds of the present issue lies in that their regular redemption and hence their average life and duration depend on the following factors:

- i) The incorporation of Additional Loans to the Fund.
- ii) The redemption schedule established in each of the Securitised Loan agreements.
- iii) The Assigned Debtors' ability to a full or partial prepayment of the Securitised Loans and the pace at which such prepayment occurs on aggregate throughout the life of the Fund.

In this sense, the prepayments of the Securitised Loans decided by the Assigned Debtors, subject to continual changes, and estimated in the present Prospectus by using several performance assumptions of the future effective constant annual early redemption or prepayment rate (hereinafter "CPR"), shall directly affect the Bond redemption pace and therefore their average life and duration. Nevertheless, (i) as established in section IV.1.1.2, the partial redemption of the Bonds shall be affected by the subsequent acquisitions of Additional Loans by the Management Company acting for and on behalf of the Fund, and (ii) as established in section II.11.3.2.2, the Series A1 Bonds have an redemption schedule that must be meet, other than in exceptional cases in the prepayment performance of the Securitised Loans.

There are also other variables, also subject to continual changes affecting said average life and duration of the Bonds. These variables and their assumed values in all the tables contained in this section are:

- interest rate of the portfolio of Securitised Loans: 4.912% (4.448% 3-month Euribor rate at 24 May 2000 plus a 0.464% weighted average spread of the loans on the selection date);
- delinquency of the portfolio of Securitised Loans: 0% per annum;
- defaults in the portfolio of Securitised Loans: 0%;
- that the prepayment rate remains constant throughout the life of the Bonds;
- that the Closing Date of the Bonds is on 23 June 2000;
- and that the Restitution Period will end on 26.07.2010 and the Loan Restitution System will always apply during the same for the distribution of the Funds Available for Principals;
- that during the Restitution Period, the Purchase Offers are always covered, in the full maximum available amount for each of them;
- that the redemption schedule of the Additional Loans acquired during the Restitution Period replicate the same aggregate redemption schedule of the Initial Loans, albeit adjusted in proportion to the amount of each new acquisition.

Finally, the true adjusted duration of the Bonds will also depend on their floating interest rate, which are assumed to be constant in all the tables contained in the present section in accordance with the following details for each Series:

	Series A1 Bonds	Series A2 Bonds	Series B Bonds
Nominal interest rate	4.498%	4.548%	4.948%

Assuming that the Management Company shall exercise the early-redemption option provided in the first paragraph of section II.11.3.3 of the present Prospectus when the Outstanding Balance of the Securitised Loans is less than 10% of their initial amount, the average life and duration of the Bonds for different CPRs shall be as follows:

% CPR:	1%	4%	7%	10%
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	Series A1 Bonds			
Average life (years)	7.0	7.0	7.0	7.0
IRR	4.638%	4.638%	4.638%	4.638%
Duration	5.8	5.8	5.8	5.8
Final maturity	26 07 2010	26 07 2010	26 07 2010	26 07 2010
(in years)	10.10	10.10	10.10	10.10

	Series A2 Bonds			
Average life (years)	12.8	12.6	12.4	12.2
IRR	4.691%	4.691%	4.691%	4.691%
Duration	9.2	9.1	9.0	9.0
Final maturity	26 10 2016	26 04 2016	26 01 2016	27 07 2015
(in years)	16.35	15.85	15.60	15.10

	Series B Bonds			
Average life (years)	16.4	15.9	15.6	15.1
IRR	5.111%	5.111%	5.111%	5.111%
Duration	10.7	10.5	10.4	10.2
Final maturity	26 10 2016	26 04 2016	26 01 2016	27 07 2015
(in years)	16.35	15.85	15.60	15.10

These figures have been calculated using the following formula:

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

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

Where:

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

P = Principal to be amortised in each Bond Series on each Payment Date, in accordance with the amount to be amortised in each Bond Series, as described in section II.11.3.2 of the present Prospectus.

d = Number of days elapsed between the Closing Date and the Payment Date at issue.

T = Total face amount in euros in each Bond Series.

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

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

Where:

N = face value of the Bond in each Series.

r = IRR expressed as an annual rate, per unit.

A_i = (A_1 A_n). Total redemption and interest amounts to be received by the investors.

nd = Number of days comprised between the Closing Date of the issue and each of the n Payment Dates, not inclusive, during the life of the Bond.

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

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

Where:

D = Duration in each Bond Series expressed in years.

a_j = Time elapsed (in years) between the Closing Date and each of the n Payment Dates at issue.

VA_j = Present value of each of the amounts comprising principal and gross interest, payable on each of the n Payment Dates discounted at the actual interest rate (IRR) in every Series.

PE = Issue price in every Bond Series.

i = Actual interest rate (IRR) in every Series, per unit.

Finally, the Management Company expressly states that the loan servicing tables described hereinafter are merely theoretical and given for illustrative purposes, and represent no payment obligation whatsoever, recalling that:

- The CPRs are assumed to be constant respectively at 1% and 4% throughout the life of the loan and, as noted, actual early-redemption rates change continually.
- The Bond Payment Balance Outstanding on each Payment Date and hence the interest payable on each such dates shall depend on the actual early-redemption rate in the portfolio of Securitised Loans.
- The Bond interest rates are assumed to be constant for each Series whereas the interest rate of all the Series is known to be variable.
- The assumed values referred to at the beginning of this section are at all events taken for granted.
- It is assumed that the Management Company will exercise the early-redemption option provided in the first paragraph of section II.11.3.3 of this Chapter when the Outstanding Balance of the Securitised Loans is less than 10% of its initial amount.

FLows for every bond without withholding for the holder

(AMOUNTS IN EUROS)

CPR = 1%

Payment Date	Series A1 Bonds			Series A2 Bonds			Series B Bonds		
	Amortised Principal	Interest (gross)	Total Flow	Amortised Principal	Interest (gross)	Total Flow	Amortised Principal	Interest (gross)	Total Flow
23 Jun 2000									
26 Oct 2000	0.00	1,561.81	1,561.81	0.00	1,579.17	1,579.17	0.00	1,718.06	1,718.06
26 Jan 2001	0.00	1,149.49	1,149.49	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Apr 2001	0.00	1,124.50	1,124.50	0.00	1,137.00	1,137.00	0.00	1,237.00	1,237.00
26 Jul 2001	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2001	0.00	1,149.49	1,149.49	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
28 Jan 2002	0.00	1,174.48	1,174.48	0.00	1,187.53	1,187.53	0.00	1,291.98	1,291.98
26 Apr 2002	0.00	1,099.51	1,099.51	0.00	1,111.73	1,111.73	0.00	1,209.51	1,209.51
26 Jul 2002	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
28 Oct 2002	0.00	1,174.48	1,174.48	0.00	1,187.53	1,187.53	0.00	1,291.98	1,291.98
27 Jan 2003	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
28 Apr 2003	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
28 Jul 2003	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
27 Oct 2003	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Jan 2004	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Apr 2004	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Jul 2004	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2004	0.00	1,149.49	1,149.49	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Jan 2005	0.00	1,149.49	1,149.49	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Apr 2005	0.00	1,124.50	1,124.50	0.00	1,137.00	1,137.00	0.00	1,237.00	1,237.00
26 Jul 2005	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2005	9,550.00	1,149.49	10,699.49	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Jan 2006	9,110.00	1,039.71	10,149.71	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Apr 2006	8,520.00	914.67	9,434.67	0.00	1,137.00	1,137.00	0.00	1,237.00	1,237.00
26 Jul 2006	7,850.00	827.96	8,677.96	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2006	7,280.00	746.82	8,026.82	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Jan 2007	6,760.00	663.14	7,423.14	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Apr 2007	6,160.00	572.71	6,732.71	0.00	1,137.00	1,137.00	0.00	1,237.00	1,237.00
26 Jul 2007	5,630.00	509.03	6,139.03	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2007	5,150.00	449.91	5,599.91	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
28 Jan 2008	4,600.00	399.20	4,999.20	0.00	1,187.53	1,187.53	0.00	1,291.98	1,291.98
28 Apr 2008	4,300.00	334.16	4,634.16	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
28 Jul 2008	3,870.00	285.27	4,155.27	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
27 Oct 2008	3,600.00	241.27	3,841.27	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Jan 2009	3,290.00	200.34	3,490.34	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
27 Apr 2009	3,090.00	162.93	3,252.93	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
27 Jul 2009	2,670.00	127.80	2,797.80	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2009	2,470.00	97.44	2,567.44	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Jan 2010	2,190.00	70.12	2,260.12	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Apr 2010	2,090.00	43.97	2,133.97	0.00	1,137.00	1,137.00	0.00	1,237.00	1,237.00
26 Jul 2010	1,820.00	20.69	1,840.69	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2010	0.00	0.00	0.00	6,909.97	1,162.27	8,072.24	0.00	1,264.49	1,264.49
26 Jan 2011	0.00	0.00	0.00	6,693.19	1,081.95	7,775.14	0.00	1,264.49	1,264.49

26 Apr 2011	0.00	0.00	0.00	6,531.99	982.33	7,514.32	0.00	1,237.00	1,237.00
26 Jul 2011	0.00	0.00	0.00	6,024.10	918.15	6,942.25	0.00	1,250.74	1,250.74
26 Oct 2011	0.00	0.00	0.00	5,528.00	858.23	6,386.23	0.00	1,264.49	1,264.49
26 Jan 2012	0.00	0.00	0.00	5,626.38	793.98	6,420.36	0.00	1,264.49	1,264.49
26 Apr 2012	0.00	0.00	0.00	5,607.96	720.66	6,328.62	0.00	1,250.74	1,250.74
26 Jul 2012	0.00	0.00	0.00	5,167.12	656.19	5,823.31	0.00	1,250.74	1,250.74
continued on next page.../...									

Payment Date	Series A1 Bonds			Series A2 Bonds			Series B Bonds		
	Amortise d	Interest (gross)	Total Flow	Amortise d	Interest (gross)	Total Flow	Amortise d	Interest (gross)	Total Flow
	Principal			Principal			Principal		
.../... continued from previous page									
26 Oct 2012	0.00	0.00	0.00	4,230.12	603.35	4,833.47	0.00	1,264.49	1,264.49
28 Jan 2013	0.00	0.00	0.00	3,864.52	566.23	4,430.75	0.00	1,291.98	1,291.98
26 Apr 2013	0.00	0.00	0.00	3,915.83	487.12	4,402.95	0.00	1,209.51	1,209.51
26 Jul 2013	0.00	0.00	0.00	3,392.23	458.71	3,850.94	0.00	1,250.74	1,250.74
28 Oct 2013	0.00	0.00	0.00	3,319.62	433.55	3,753.17	0.00	1,291.98	1,291.98
27 Jan 2014	0.00	0.00	0.00	3,100.11	381.55	3,481.66	0.00	1,250.74	1,250.74
28 Apr 2014	0.00	0.00	0.00	2,888.56	345.91	3,234.47	0.00	1,250.74	1,250.74
28 Jul 2014	0.00	0.00	0.00	2,853.04	312.70	3,165.74	0.00	1,250.74	1,250.74
27 Oct 2014	0.00	0.00	0.00	2,750.06	279.90	3,029.96	0.00	1,250.74	1,250.74
26 Jan 2015	0.00	0.00	0.00	2,610.96	248.29	2,859.25	0.00	1,250.74	1,250.74
27 Apr 2015	0.00	0.00	0.00	2,468.91	218.27	2,687.18	0.00	1,250.74	1,250.74
27 Jul 2015	0.00	0.00	0.00	2,120.42	189.89	2,310.31	0.00	1,250.74	1,250.74
26 Oct 2015	0.00	0.00	0.00	1,897.55	165.51	2,063.06	0.00	1,250.74	1,250.74
26 Jan 2016	0.00	0.00	0.00	1,771.23	145.28	1,916.51	0.00	1,264.49	1,264.49
26 Apr 2016	0.00	0.00	0.00	1,726.47	123.33	1,849.80	0.00	1,250.74	1,250.74
26 Jul 2016	0.00	0.00	0.00	1,704.22	103.49	1,807.71	0.00	1,250.74	1,250.74
26 Oct 2016	0.00	0.00	0.00	7,297.44	84.82	7,382.26	100,000.0 0	1,264.49	101,264.4 9
100,000.0032,083.77132,083.77100,000.0058,875.45158,875.45100,000.0082,040.47182,040.47									

FLows for every bond without withholding for the holder
(Amounts in Euros)
CPR = 4%

Payment Date	Series A1 Bonds			Series A2 Bonds			Series B Bonds		
	Amortised Principal	Interest (gross)	Total Flow	Amortised Principal	Interest (gross)	Total Flow	Amortised Principal	Interest (gross)	Total Flow
23 Jun 2000									
26 Oct 2000	0.00	1,561.81	1,561.81	0.00	1,579.17	1,579.17	0.00	1,718.06	1,718.06
26 Jan 2001	0.00	1,149.49	1,149.49	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Apr 2001	0.00	1,124.50	1,124.50	0.00	1,137.00	1,137.00	0.00	1,237.00	1,237.00
26 Jul 2001	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2001	0.00	1,149.49	1,149.49	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
28 Jan 2002	0.00	1,174.48	1,174.48	0.00	1,187.53	1,187.53	0.00	1,291.98	1,291.98
26 Apr 2002	0.00	1,099.51	1,099.51	0.00	1,111.73	1,111.73	0.00	1,209.51	1,209.51
26 Jul 2002	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
28 Oct 2002	0.00	1,174.48	1,174.48	0.00	1,187.53	1,187.53	0.00	1,291.98	1,291.98
27 Jan 2003	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
28 Apr 2003	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
28 Jul 2003	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
27 Oct 2003	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Jan 2004	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Apr 2004	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Jul 2004	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2004	0.00	1,149.49	1,149.49	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Jan 2005	0.00	1,149.49	1,149.49	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Apr 2005	0.00	1,124.50	1,124.50	0.00	1,137.00	1,137.00	0.00	1,237.00	1,237.00
26 Jul 2005	0.00	1,136.99	1,136.99	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2005	9,550.00	1,149.49	10,699.49	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Jan 2006	9,110.00	1,039.71	10,149.71	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Apr 2006	8,520.00	914.67	9,434.67	0.00	1,137.00	1,137.00	0.00	1,237.00	1,237.00
26 Jul 2006	7,850.00	827.96	8,677.96	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2006	7,280.00	746.82	8,026.82	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Jan 2007	6,760.00	663.14	7,423.14	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Apr 2007	6,160.00	572.71	6,732.71	0.00	1,137.00	1,137.00	0.00	1,237.00	1,237.00
26 Jul 2007	5,630.00	509.03	6,139.03	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2007	5,150.00	449.91	5,599.91	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
28 Jan 2008	4,600.00	399.20	4,999.20	0.00	1,187.53	1,187.53	0.00	1,291.98	1,291.98
28 Apr 2008	4,300.00	334.16	4,634.16	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
28 Jul 2008	3,870.00	285.27	4,155.27	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
27 Oct 2008	3,600.00	241.27	3,841.27	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Jan 2009	3,290.00	200.34	3,490.34	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
27 Apr 2009	3,090.00	162.93	3,252.93	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
27 Jul 2009	2,670.00	127.80	2,797.80	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2009	2,470.00	97.44	2,567.44	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Jan 2010	2,190.00	70.12	2,260.12	0.00	1,162.27	1,162.27	0.00	1,264.49	1,264.49
26 Apr 2010	2,090.00	43.97	2,133.97	0.00	1,137.00	1,137.00	0.00	1,237.00	1,237.00
26 Jul 2010	1,820.00	20.69	1,840.69	0.00	1,149.63	1,149.63	0.00	1,250.74	1,250.74
26 Oct 2010	0.00	0.00	0.00	7,697.30	1,162.27	8,859.57	0.00	1,264.49	1,264.49
26 Jan 2011	0.00	0.00	0.00	7,369.92	1,072.80	8,442.72	0.00	1,264.49	1,264.49

26 Apr 2011	0.00	0.00	0.00	7,088,41	965.69	8,054.10	0.00	1,237.00	1,237.00
26 Jul 2011	0.00	0.00	0.00	6,498,42	894.92	7,393.34	0.00	1,250.74	1,250.74
26 Oct 2011	0.00	0.00	0.00	5,930,93	829.23	6,760.16	0.00	1,264.49	1,264.49
26 Jan 2012	0.00	0.00	0.00	5,937,30	760.30	6,697.60	0.00	1,264.49	1,264.49
26 Apr 2012	0.00	0.00	0.00	5,826,08	683.78	6,509.86	0.00	1,250.74	1,250.74
26 Jul 2012	0.00	0.00	0.00	5,324,68	616.80	5,941.48	0.00	1,250.74	1,250.74
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Payment Date	Series A1 Bonds			Series A2 Bonds			Series B Bonds																				
	Amortise d	Interest (gross)	Total Flow	Amortise d	Interest (gross)	Total Flow	Amortise d	Interest (gross)	Total Flow																		
	Principal			Principal			Principal																				
.../... continued from previous page																											
26 Oct 2012	0.00	0.00	0.00	4,375.05	561.69	4,936.74	0.00	1,264.49	1,264.49																		
28 Jan 2013	0.00	0.00	0.00	3,971.41	521.94	4,493.35	0.00	1,29..98	1,291.98																		
26 Apr 2013	0.00	0.00	0.00	3,952.16	444.48	4,396.64	0.00	1,209.51	1,209.51																		
26 Jul 2013	0.00	0.00	0.00	3,420.10	414.19	3,834.29	0.00	1,250.74	1,250.74																		
28 Oct 2013	0.00	0.00	0.00	3,307.12	387.23	3,694.35	0.00	1,291.98	1,291.98																		
27 Jan 2014	0.00	0.00	0.00	3,060.81	336.86	3,397.67	0.00	1,250.74	1,250.74																		
28 Apr 2014	0.00	0.00	0.00	2,821.54	301.67	3,123.21	0.00	1,250.74	1,250.74																		
28 Jul 2014	0.00	0.00	0.00	2,751.10	269.23	3,020.33	0.00	1,250.74	1,250.74																		
27 Oct 2014	0.00	0.00	0.00	2,622.09	237.60	2,859.69	0.00	1,250.74	1,250.74																		
26 Jan 2015	0.00	0.00	0.00	2,461.74	207.46	2,669.20	0.00	1,250.74	1,250.74																		
27 Apr 2015	0.00	0.00	0.00	2,298.62	179.16	2,477.78	0.00	1,250.74	1,250.74																		
27 Jul 2015	0.00	0.00	0.00	1,967.72	152.73	2,120.45	0.00	1,250.74	1,250.74																		
26 Oct 2015	0.00	0.00	0.00	1,750.47	130.11	1,880.58	0.00	1,250.74	1,250.74																		
26 Jan 2016	0.00	0.00	0.00	1,617.73	111.19	1,728.92	0.00	1,264.49	1,264.49																		
26 Apr 2016	0.00	0.00	0.00	7,949.30	91.39	8,040.69	100,000.0 0	1,250.74	101,250.7 4																		
<table><tr><td>100,000.0</td><td>32,083.77</td><td>132,083.7</td><td>100,000.0</td><td>57,886.51</td><td>157,886.5</td><td>100,000.0</td><td>79,525.24</td><td>179,525.2</td></tr><tr><td>0</td><td></td><td>7</td><td>0</td><td></td><td>1</td><td>0</td><td></td><td>4</td></tr></table>										100,000.0	32,083.77	132,083.7	100,000.0	57,886.51	157,886.5	100,000.0	79,525.24	179,525.2	0		7	0		1	0		4
100,000.0	32,083.77	132,083.7	100,000.0	57,886.51	157,886.5	100,000.0	79,525.24	179,525.2																			
0		7	0		1	0		4																			

b) Example for applying dates and time periods defined in sections II.10 and II.11 of the present Prospectus, for determining and paying Bond interest and redemption.

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

1. First Payment Date: 26 October 2000.

(Execution of the Incorporation Deed: 21 June 2000)

- a) Interest Rate Fixing Date applicable for the first Interest Accrual Period:
 - 11am on the second Business Day immediately after the date on which the Bond Subscription Period begins: 20 June 2000.
- b) First Interest Accrual Period:
 - From 23 June 2000 (Closing Date), inclusive, until 26 October 2000, exclusive.
- c) Determination Date (or date on which the Management Company makes the calculations for the distribution and withholding of Available Funds):
 - 20 October 2000.
- d) Extraordinary notices (press inserts, as per section III.5.3.c).2):
 - Of incorporation of the Fund and issue of the Bonds, and of the resultant interest rate for the first Interest Accrual Period: 22 June 2000.
- e) Ordinary periodic notices (inserts in the AIAF journal, as per section III.5.3.c).1):
 - Of all other periodic information: until 25 October del 2000.

2. Second Payment Date: 26 January 2001.

- a) Interest Rate Fixing Date applicable for the second Interest Accrual Period:
 - 11am on the second business day preceding the first Payment Date: 24 October 2000.
- b) Ordinary periodic notices (inserts in the AIAF journal, as per section III.5.3.c).2):
 - Of the resultant interest rate for the second Interest Accrual Period: until 30 October 2000, inclusive.
- c) Second Interest Accrual Period:
 - From 26 October 2000 (first Payment Date), inclusive, until 26 January 2001, exclusive.
- d) Determination Date (or date on which the Management Company makes the calculations for the distribution and withholding of Available Funds):
 - 22 January 2001.
- e) Ordinary periodic notices (inserts in the AIAF journal, as per section III.5.3.c).1):
 - Of all other periodic information: 25 January 2000.

II.13 Actual interest forecast for the holder, bearing in mind the characteristics of the issue, specifying the calculation method used and the expenses expected by items having regard to its true nature.

In the event that the nominal interest rates applicable to each of the Series, Series A1, Series A2 and Series B, variable quarterly, should remain constant throughout the life of the loan, at the rates of the table contained in section II.12.b) of the Prospectus, these rates would result in the Internal Rates of Return (“IRR”) for the holder of each of the Series shown in the table provided hereinafter, given the effect of quarterly interest payment, calculated without considering the tax effect, and assuming at all events the values and assumptions contained in said section II.12.b for constant prepayment rates (CPR) of 3% and 9%.

	Series A1 Bonds	Series A2 Bonds	Series B Bonds
Nominal interest rate	4.498%	4.548%	4.948%
IRR	4.638%	4.691%	5.111%

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

The actual interest has been calculated using the Internal Rate of Return (IRR) formula described in section II.12.b) above, making the following assumptions:

- that the nominal floating interest rate of the Bonds should remain constant throughout the life of the loan at the rates of the table contained in section II.12,a)
- that the assumptions mentioned in section II.12,a) are made, and,
- that the expected incorporation and issue expenses are deducted from the face value of the Bond.

The actual interest forecast for the Fund would be 4.715% for CPRs of 1% and 4%, in the assumptions contained in the preceding paragraph.

The expected expenses are as follows:

Incorporation and Issue Expenses.	Euros	Pesetas
• CNMV fees (issue and listing)	72,210.73	12,014,854
• AIAF and Servicio de Compensación y Liquidación de Valores fees	70,843.52	11,787,370
• Audit, legal advice, rating and other	219,261.15	36,481,986
• Management Company fee	120,200.00	19,999,597
Total expenses	482,515.40	80,283.807

II.15 Existence or not of special guarantees on the assets pooled in the Fund or on the securities issued on the Fund, which may have been given by any of the institutions involved in the securitisation process covered by the present Prospectus.

There are no special guarantees covering the Bonds issued on or the Securitised Loans pooled in the Fund, beyond the undertakings by BANCO DE CRÉDITO LOCAL as the Originator contained in section IV.1.1.3,f) of this Prospectus, to the extent that any of the Securitised Loans should fail to conform to the Individual Election Requirements contained in section IV.1.1.2, or the specific characteristics of the loans notified to the Management Company.

II.16 Securities circulation law, particularly noting whether there are restrictions on the free conveyance of the securities or mentioning that such exist.

The Bonds subject of the present issue are not subject to restrictions on their free conveyance, which shall be made subject to the statutory provisions applicable thereto and to the provisions of sections II.4.1, II.5 y II.17 of this Chapter.

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

The Management Company shall apply, forthwith upon executing the Incorporation Deed and upon the Bonds having been paid up, for the present Bond issue to be listed on the AIAF Mercado de Renta Fija, which is a qualified official secondary securities market pursuant to Transitional Provision six of Act 37/1998 16 November, amending the Securities Market Act. The Management Company undertakes that definitive listing will be achieved not later than three months after the Closing Date.

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

In the event that, by the above deadline, the Bonds should not be so listed on the AIAF, the Management Company shall forthwith proceed to notify the Bondholders thereof, moreover advising of the reasons for such inobservance, all in accordance with the provisions of section III.5.3 of the Prospectus. The foregoing shall be without prejudice to the liability in which Management Company may incur, as the case may be.

II.18 Subscription or acquisition orders.

II.18.1 Potential investors to whom the securities are offered, and reasons for electing the same.

The placement of the Bond issue in all the Series is targeted to institutional investors, both legal persons or estates devoid of legal personality, such as Pension Funds, Collective-Investment Undertakings, Insurance Companies or such institutions as Credit Institutions or Securities Firms, in the business of regularly and professionally investing in transferable securities.

In addition to his own analysis as to the quality of the securities offered to be subscribed in this Prospectus, the potential investor also has the rating given by the Moody's, the Rating Agency, set forth in section II.3 of this Chapter.

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

Effects of the subscription for the Bondholders

Subscription for the Bonds in any of the Series implies for each Bondholder an acceptance of the terms of the Incorporation Deed.

Tranches

Each of the Series consists of only one placement tranche.

II.18.2 Legal status of the Bonds.

The following legal considerations apply to the Bonds subject of this issue in connection with their subscription by certain investors:

- (i) Class A Bonds have a 20 per 100 weighting on the solvency ratio that Credit Institutions and Securities Firms and Agencies must observe, in accordance with the provisions respectively of the Ministerial Order dated 30 December 1992 and of the Ministerial Order dated 29 December 1992, amended by the Ministerial Order dated 13 April 2000.

Class A Bonds have the weighting referred to in the preceding paragraph, bearing in mind the following factors: (i) that both the Initial Loans pooled in the Fund and the Additional Loans are and will respectively be active vis-à-vis Local Spanish Corporations; and (ii) that redemption of Class A Bonds is not subordinated to redemption of the remaining Bond Series issued by or of the loans and credits arranged for the Fund.

- (ii) Class B Bonds have no 20 per 100 weighting on the solvency ratio of Credit Institutions and Securities Firms and Agencies referred to in the Orders mentioned in the preceding section.
- (iii) They must be eligible for investment by insurance companies in observance of their technical provision obligations, pursuant to article 50.5 of the Private Insurance Arrangement and Supervision Regulations approved by Royal Decree 2486/1998, 20 November.
- (iv) They must be eligible for the investment by the Mutual Guarantee Company Technical Provision Fund, in accordance with Act 1/1994, 11 March, on the Legal System of Mutual Guarantee Companies, and Royal Decree 2345/1996, 8 November, relating to the rules for the administrative authorisation of and solvency requirements for Mutual Guarantee Companies.
- (v) They must be eligible for investment by Pension Funds in accordance with the provisions of article 34 of Royal Decree 1307/1988, 30 September, approving the Pension Plans and Funds Regulations.

- (vi) They must be eligible for investing the Assets of Collective-Investment Undertakings, in accordance with the specific rules established for each of them in articles 4, 10, 18 and 25 of Act 46/1984, 26 December, regulating Collective-Investment Undertakings, and its subsequent implementing regulations.

II.18.3 Subscription or Purchase Date or Period.

The subscription period for all the Series (the “Subscription Period”) shall begin at 12am on the same day on which notice of incorporation of the Fund and the Bond issue is published, as provided in section III.5.3,b),1. of the Prospectus, or on the next immediate Business Day, if the date of publication of the notice is not a Business Day, and shall end at 5pm on that same day.

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

In order to be taken into account, subscription orders shall be made in writing during the Subscription Period established in the preceding section, at BANCO BILBAO VIZCAYA ARGENTARIA, S.A., BANCO URQUIJO, S.A. or CREDIT AGRICOLE INDOSUEZ, SUCURSAL EN ESPAÑA, as Underwriters and Placement Agents of the Bond issue (the “**Underwriters and Placement Agents**”), observing the procedures established hereinafter in this section.

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

II.18.5 Placement and allotment of the securities.

The Underwriters and Placement Agents shall freely proceed to accept or turn down the subscription orders received, making sure that there is no discriminatory treatment between similarly characterised orders. The Underwriters and Placement Agents may nevertheless give priority to orders of those of their customers whom they deem fittest. The acceptance of those orders, as the case may be, shall be confirmed by the relevant Underwriter and Placement Agent to the ordering investor by written notice, either by letter, fax or any electronic transmission means during the Subscription Period.

II.18.6 Method and dates for paying up.

The investors to whom the Bonds shall have been allotted shall pay the relevant Underwriter and Placement Agent, on the Business Day after the closing date of the Subscription Period (the “**Closing Date**”), by 12am Madrid time, same day value, the issue price (100% of its face value) for each Bond allotted for subscription.

II.18.7 Method and deadline for delivery to the subscribers of copies of the subscription certificates or provisional slips, specifying the chances of trading the same and their maximum term of validity.

Every Underwriter and Placement Agent shall provide the subscribers for the Bonds, within not more than fifteen (15) days of the Closing Date, with a document certifying their subscription for the Bonds allotted and the actual amount paid for such subscription.

That confirmation document may not be transferable and will only be valid to justify subscription for the relevant Bonds, until and unless an entry is made in the accounting record as determined in section II.5 of the present Prospectus.

II.19 Placement and allotment of the securities:

The Underwriters and Placement Agents agree to subscribe in their own name, when the Subscription Period is over, for such number of Bonds as may be necessary to attain the figure of their respective underwriting commitment, as determined in sections II.19.1 and V.3.6 of the present Prospectus.

II.19.1 Institutions involved in the placement or marketing, giving their respective roles, describing the same specifically. Overall amount of the fees agreed between the various placement agents and the Management Company.

The placement shall be made by BANCO BILBAO VIZCAYA ARGENTARIA, S.A., BANCO URQUIJO, S.A., and CREDIT AGRICOLE INDOSUEZ, Sucursal en España, as Underwriters and Placement Agents, and for the Bond issue amounts underwritten by each of them in accordance with the following details per Series:

Underwriter and Placement Agent	Face amount underwritten (in euros)					
	Series A1 Bonds		Series A2 Bonds		Series B Bonds	
	Number	Face value	Number	Face value	Number	Face value
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	2,390	239,000,000	8,940	894,000,000	560	56,000,000
BANCO URQUIJO, S.A.	30	3,000,000	30	3,000,000	20	2,000,000
CREDIT AGRICOLE INDOSUEZ, Sucursal en España	30	3,000,000	30	3,000,000	20	2,000,000
Total	2,450	245,000,000	9,000	900,000,000	600	60,000,000

The Underwriters and Placement Agents shall receive no fee whatsoever for underwriting and placing the Bonds.

II.19.2 Lead Manager of the issue.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. shall take part as Lead Manager of the issue, and a statement is reproduced hereinafter signed by a duly authorised person, containing the representations referred to in Comisión Nacional del Mercado de Valores Circular 2/1994, 16 March, approving the standard Prospectus for organising Mortgage Securitisation Funds:

We, Mr Vicente Ortueta Monfort and Mr Borja Zamorano Moro, for and on behalf of BANCO BILBAO VIZCAYA ARGENTARIA, S.A., with place of business for the purposes hereof at Paseo de Recoletos number 10, duly authorised for these presents, and in connection with the incorporation of BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond Issue by the same, for an amount of one billion two hundred and five million (1,205,000,000) euros, notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on 10 May 2000, in pursuance of article 18.3 of Royal Decree 291/1992, 27 March, on issues and public offers for the sale of securities, as amended by Royal Decree 2590/1998, 7 December,

HEREBY DECLARE

That the necessary checks have been made to verify that the information contained in the Prospectus is truthful and complete.

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

In witness whereof, to serve and avail as and where appropriate, this statement has been made at Madrid, on 19 June 2000.

Attached as Annex 7 to the present Prospectus is a photocopy of the letter from BANCO BILBAO VIZCAYA ARGENTARIA, making that statement.

The Lead Manager will receive no fee whatsoever for leading the Bond underwriting and placement.

II.19.3 Institutions underwriting the issue, describing the characteristics of the relationship or Management, Underwriting and Placement Agreement, guarantees required of the issuer or offeror, types of risks taken, type of consideration agreed by the underwriter in the event of breach, and other relevant elements.

The Management Company, for and on behalf of the Fund, shall enter into a Bond issue Management, Underwriting and Placement Agreement with BANCO BILBAO VIZCAYA ARGENTARIA, S.A., BANCO URQUIJO, S.A., and CREDIT AGRICOLE INDOSUEZ, SUCURSAL EN ESPAÑA, whereby said Institutions shall proceed to place the entire Bond issue and, upon the Subscription Period being closed, to subscribe in their own name for the amount of Bonds yet to be subscribed under their respective underwriting commitment.

The Bond issue Underwriters and Placement Agents take on the obligations contained in the Management, Underwriting and Placement Agreement, which are basically the following: 1) undertaking to subscribe for the Bonds not taken when the Subscription Period is closed, up to the set amounts; 2) paying the Payment Agent by 1pm on the Closing Date, same day value, the aggregate amount of the subscription for the issue

underwritten by each of them, whereupon the Payment Agent will in turn pay the Fund, by 2pm on that same day, same day value; 3) undertaking to pay late-payment interest covenanted in the Agreement in the event of late payment of the amounts due; 4) providing the subscribers with of a document certifying subscription; and 5) all other aspects governing the underwriting and placement.

II.19.4 Pro rata placement, method and date, manner of publicising the results and, as the case may be, returning to the requestors the amounts settled in excess of the securities allotted, along with such interest payments as may be appropriate.

Not applicable.

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

The Bonds, represented by means of book entries, shall be constituted as such upon their entry in the relevant accounting record, as provided in the Book Entries Royal Decree, with the usual timing and procedures of the institution in charge of so doing, to wit the Servicio de Compensación y Liquidación de Valores, S.A.

The Bond subscribers may request the Underwriters and Placement Agents to provide a document certifying their subscription for the Bonds allotted, and the actual amount paid up on that subscription, though title to the Bonds taken shall be established by the appropriate entry in the accounting record.

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

The incorporation of the Fund and the Bond issue are subject to Spanish Law, as prescribed by Royal Decree 926/1998, 14 May, regulating asset securitisation funds and securitisation fund management companies, by Act 19/1992, 7 July, on the System of Investment Companies and Funds and on Mortgage Securitisation Funds, Securities Market Act 24/1988, 28 July, as amended by Act 37/1998, 16 November, and as prescribed, to the extent not in opposition to the regulations contained in Royal Decree 926/1998, by Royal Decree 291/1992, 27 March, on the Issues and Public Offers for the Sale of Securities, as amended by Royal Decree 2590/1998, 7 December, on the modification of the legal system of securities markets, and Order dated 12 July 1993 on Prospectuses and Other Implementations of Royal Decree 291/1992, 27 March, and Comisión Nacional del Mercado de Valores Circular 2/1994, 16 March.

All matters, disagreements, actions and claims deriving from the Management Company's incorporation, administration and legal representation of BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS, and the Bond issue by the same, shall be heard and decided by the Courts and Tribunals of the capital city of Madrid, an express waiver being made of any other forum having jurisdiction.

The Incorporation Deed shall be governed by and construed in accordance with Spanish Laws.

II.22 Personal taxation of income from the securities offered, distinguishing between resident and non-resident subscribers.

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

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

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

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

II.22.1 Natural or legal persons resident in Spain.

Personal Income Tax.

The income obtained by Bondholders who are Personal Income Tax (IRPF) payers, both as interest and in connection with the transfer, redemption or redemption of the Bonds, shall be considered income on investments obtained from the assignment of own capital to third parties, as defined in article 23.2 of the Personal Income Tax Act 40/1998, 9 December, and Other Tax Rules.

Interest income received shall be subject to 18% withholding tax on account of the beneficiary's IRPF, as prescribed by Royal Decree 214/1999, 5 February, approving the Personal Income Tax Regulations (RIRPF).

There is no withholding tax obligation on income derived from the transfer or redemption of the Bonds, other than where the same takes place within thirty days immediately preceding maturity of the coupon to (i) a person or undertaking not resident in Spanish territory, where there is no obligation to withhold on the coupon paid to purchasers of this kind, or (ii) a Corporation Tax obligor.

Corporation Tax.

Both interest income and income derived from the transfer, redemption or redemption of the Bonds obtained by undertakings considered to be Corporation Tax obligors, shall be added to the tax base as prescribed under Title IV of Corporation Tax Act 43/1995, 27 December.

The aforesaid income shall be excluded from withholding tax as provided by article 57.q) of Royal Decree 537/1997, 14 April, approving the Corporation Tax Regulations, amended by the wording provided in Royal Decree 2717/1998, 18 December. Nevertheless, in accordance with the Ministerial Order dated 22 December 1999, the procedure for the exclusion of withholding tax or prepayment, shall be subject to the following requirements:

1. The Management Company, for and on behalf of the Fund as the issuer, shall pay the custodians, through the Payment Agent, the liquid amount resulting from applying the general withholding rate in force on that date to all the interest.
2. By the 10th of the month after the month of maturity of each coupon, the custodians shall provide the Management Company or the Payment Agent with an itemised list of the holders who must pay Tax, along with their identification particulars, the number of securities they held at the date of maturity of each coupon, the respective gross income and the amount withheld.
3. Forthwith upon receiving that list, the Management Company shall promptly pay all the custodians through the Payment Agent the amount withheld from those obligors or taxpayers.
4. The custodians shall forthwith pay the amount withheld to the obligor or taxpaying holders.

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

Income obtained by Bondholders who are Non-Resident Income Tax payers, both on interest and in connection with the transfer, redemption or redemption of the Bonds, shall be considered to be income obtained in Spain, with or without a permanent establishment, on the terms of article 11 Act 41/1998, 9 December, on Non-Resident Income and Tax Rules.

Income obtained through a permanent establishment.

Bond income obtained by a permanent establishment in Spain shall pay tax in accordance with the rules of Chapter III of the aforesaid Act 41/1998, without prejudice to the double-taxation Agreements signed by Spain, which may determine that the relevant income need pay no tax or, as the case may be, that reduced rates apply. The aforesaid income shall be subject to a Non-Resident Income Tax withholding in the same events and on the same terms mentioned for Corporation Tax payers resident in Spain.

Income obtained other than through a permanent establishment.

Bond income obtained by persons or undertakings not resident in Spain acting without a permanent establishment shall pay tax in accordance with the rules of Chapter IV of the aforesaid Act 41/1998, the following elements of the system of that Act being noteworthy, without prejudice to the double-taxation Agreements signed by Spain, which may determine that the relevant income need pay no tax or, as the case may be, that reduced rates apply:

- The tax base shall be quantified as the full amount of the income obtained, calculated with reference to the rules of Act 40/1998, whereas the reductions of that Act will not apply.
- In the event of transfer, redemption or redemption, expenses attaching to acquisition and disposition shall be taken into account, provided that they are properly supported. Taxation shall be separately effected for each total or partial taxable accrual of income, which may under no circumstances be set off against one another.
- The Tax will be calculated applying a general rate of 25 per 100 to the tax base.

- The above-mentioned income shall be subject to a Non-Resident Income Tax withholding, other than where evidence is produced of Tax payment or that an exemption is appropriate.

The amount of the withholding will be equivalent to the Tax payable based upon the above standards.

Income obtained on the Bond issue by persons or undertakings not resident in Spain acting in this connection without a permanent establishment shall be exempt when the beneficiary is a resident of another European Union Member State.

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

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

In connection with the application of the tax exemption or the reduction of rates for which provision is made in double-taxation Agreements, non-resident Bondholders shall certify their tax residence to the Payment Agent or the Management Company before the Payment Date, by submitting a certificate issued by the relevant Tax Authorities, bearing in mind that said certificate is valid for six (6) months. Upon the failure to certify tax residence for these purposes, the interest and capital gains obtained from the Bond by non-resident holders shall be taxable under the general system aforesaid, though they may apply for the excess withholding or taxation to be returned availing of the procedure established in the laws in force for the time being.

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

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

II.22.4 Wealth Tax.

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

Non-resident natural persons whose real obligation it is to pay this Tax will also have to pay Wealth Tax, other than as provided in the double-taxation Agreements. Nevertheless, residents of other European Union countries shall be exempt in connection with Bonds whose income is exempt in regard to Non-Resident Income Tax, on terms set forth above.

II.22.5 Inheritance and Gift Tax.

The conveyance of the Bonds to natural persons by inheritance or donation shall be subject to the general rules of the Inheritance and Gift Tax. In the event that the beneficiary should be a body corporate, the income obtained would be taxed in accordance with the Corporation Tax rules.

II.23 Purpose of the transaction.

The net amount of the Bond issue will be fully allocated to paying the price of the acquisition of the Initial Loans assigned by BANCO DE CRÉDITO LOCAL, pooled in the assets of the Fund.

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

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

II.25 Natural or legal persons with a relevant involvement in designing or providing advice for the incorporation of the Fund or in connection with any of the significant information contained in the prospectus, including, as the case may be, underwriting of the placement:

II.25.1 Specification of natural and legal persons.

- a) The Fund and the Bond issue were designed by EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, as the sponsor and Fund Management Company.
- b) J&A GARRIGUES, ANDERSEN Y CÍA., S.R.C., as independent legal adviser, has provided the legal advice for designing the transaction.
- c) BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A. is the Originator of assets pooled in the Fund.
- d) BANCO BILBAO VIZCAYA ARGENTARIA, S.A., acts as Lead Manager and Underwriter and Placement Agent of the Bond issue.
- e) BANCO URQUIJO, S.A., y CREDIT AGRICOLE INDOSUEZ, SUCURSAL EN ESPAÑA, act as Underwriters and Placement Agents of the Bond issue.
- f) BANCO BILBAO VIZCAYA ARGENTARIA, S.A. acts as Payment Agent of the Bond issue.

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

“I, Mr MARIO MASÍÁ VICENTE, for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with place of business at Madrid, Calle Lagasca number 120, and in

connection with the incorporation of BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond Issue by the same, for an amount of one billion two hundred and five million (1,205,000,000) euros (200,495,130,000 Ptas.), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on 10 May 2000, in pursuance of point II.25.2. of Comisión Nacional del Mercado de Valores Circular 2/94, 16 March, (implementing the Order dated 12 July 1993, in turn implementing Royal Decree 291/92, 27 March),

HEREBY DECLARE

That Banco Bilbao Vizcaya Argentaria, S.A., Lead Manager and Underwriter and Placement Agent of the Bond issue, has an 82.97% interest in the share capital of the Management Company.

That BANCO DE CRÉDITO LOCAL, Originator of the Securitised Loans, is a member of Banco Bilbao Vizcaya Argentaria, S.A. Group, whose interest in the share capital of BANCO DE CRÉDITO LOCAL is 60%.

That Banco Urquijo, S.A., Underwriter and Placement Agent of the Bond issue, has a 0.77% interest in the share capital of the Management Company.

And that there is no other relationship or economic interest whatsoever between the experts who were involved in designing or providing advice for the incorporation of the Fund, or certain significant information contained in the Prospectus, either with the actual Management Company or with the Originator of the Securitised Loans.”

II.26 Rights of Bondholders.

In the event of any delinquency on the Bonds, the Bondholders may not avail, under article 1,464.6 of the Civil Procedure Act, of the executive action for which provision is made in article 1,429.7 of said Act against the Fund, through the Management Company as the authorised representative of the Fund, to recover from the Fund's assets overdue payments on both principal due and interest accrued. Nevertheless, in the event of a repeated delinquency on the Bonds, the Bondholders may request an early liquidation of the Fund from the Management Company, as provided in section III.8.1.(vii) of the present Prospectus.

The Bondholders shall have right of action against the Management Company in the event of a breach of its obligations, in an ordinary declaratory action for the relevant amount.

CHAPTER III

GENERAL INFORMATION ON THE ASSET SECURITISATION FUND

III.1 Governing system, full name of the Fund and, as the case may be, short name or trade mark designed to identify the same or its securities on secondary markets, and purpose of the Fund.

The Fund and Bond issue by the same shall be subject to the system provided by Royal Decree 926/1998 and failing a provision in this Royal Decree, to Act 19/1992, to the extent applicable.

The name of the Fund is “BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS” and the following short names may also be used to identify the Fund:

- BCL MUNICIPIOS I FTA
- BCL MUNICIPIOS I F.T.A.

The Fund is incorporated in order to serve as a vehicle for acquiring the Loans Securitised by BANCO DE CRÉDITO LOCAL and issue the Bonds backed by its assets.

Verification and registration.

The incorporation of the Fund and the Bond issue by the same are subject to the requirements described in section I.2 of this Prospectus and, in particular, the prior requirements of verification by and registration at the Official Registers of the Comisión Nacional del Mercado de Valores, in accordance with the provisions of article 5.1.a) of Royal Decree 926/1998 and articles 26 et seq. of the Securities Market Act.

There is no exemption of requirements for the purposes of article 10 of Royal Decree 926/1998.

Incorporation.

After the Comisión Nacional del Mercado de Valores has verified and registered the present Prospectus and within the following twenty (20) Business Days, with the Bond Subscription Period not yet open, the Management Company shall, along with BANCO DE CRÉDITO LOCAL, as Originator of the Securitised Loans to be acquired by the Fund, proceed to execute a public deed organising BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS, acquiring Loans and issuing the Asset-Backed Bonds (the **‘Incorporation Deed’**), on the terms for which provision is made in Royal Decree 926/1998.

The contents of the Incorporation Deed will essentially be as follows:

- (i) It shall specify the time limit for the Fund’s existence and the its maximum amount.

- (ii) It shall name the Originator of the Loans acquired or to be acquired by the Fund.
- (iii) It shall identify the Initial Loans pooled upon its incorporation, determine the Election Requirements for the Additional Loans to be subsequently pooled and the rules of replacement of the Securitised Loans, and the system provided for the administration and management thereof.
- (iv) It shall provide the mechanism whereby the investors' rights will be safeguarded in the event of latent defects, misrepresentations or negligence affecting the Fund's Securitised Loans.
- (v) It shall accurately define the financial characteristics of each of the Bond Series to be issued, and of the credits or loans.
- (vi) It shall lay down all other rules to be observed by the Fund and shall determine the transactions to be arranged by the Management Company on behalf of the Fund, in order to enhance the safety of or regularity in payment of the Bonds, neutralise interest rate differences between the Loans incorporated to the Fund and the Bonds issued by the same, cover the timing differences between the schedule of principal and interest flows for the Securitised Loans and the Bonds, or, in general, transform the financial characteristics of those assets.
- (vii) It shall determine the rules governing the liquidation and winding up of the Fund.

The Incorporation Deed shall have the effects provided by article 6 of the Securities Market Act and shall therefore be the Bond issue deed and the deed recording the representation of the Bonds by means of book entries.

Companies Register

For the record, neither the incorporation of the Fund nor the securities issued backed by its assets shall be entered in the Companies Register.

III.2 Legal nature of the Fund.

In accordance with article 1 of Royal Decree 926/1998, the Fund is a separate estate, devoid of legal personality, and shall have open-end assets, in accordance with article 4.1.b) of Royal Decree 926/1998, comprising the Initial Loans pooled upon being incorporated, which shall be renewed upon the partial or total redemption of the assets, the Additional Loans acquired in due course, both of which are collectively designated Securitised Loans; its liabilities shall consist of the Bonds issued on the same, the Subordinated Loan and the Subordinated Credit, thereby for the net worth of the Fund to be nil.

Because the Fund has exclusively open-end assets that are renewed, as the case may be, upon the partial or full redemption of the Securitised Loans, the maximum amount of the Outstanding Balance of the Securitised Loans acquired by the Fund, excluding those rated Very Doubtful Securitised Loans, shall at no time be in excess of the Principal Balance Outstanding on the Bonds issued by the Fund, the initial amount being one billion two hundred and five million (1,205,000,000) euros (200,495,130,000 pesetas) equivalent to the face value of the issue. The partial or full redemption of any of the Bond Series shall not result in new series being issued or new credits being arranged.

The total capital or principal of the Initial Loans acquired by the Fund upon its incorporation may nevertheless be slightly in excess of the maximum amount, given the difficulty in exactly adjusting this amount, because each of said Loans will be acquired for the entire capital or principal outstanding on each of them at the time of assignment.

In accordance with section four of additional provision five of Act 3/1994, 14 April, adapting Spanish law in regard to credit institutions to the Second Banking Co-ordination Directive and introducing other changes relating to the financial system, in the event of bankruptcy or insolvency of the Originator, the business of assigning the Securitised Loans to the Fund may only be contested in the event of fraud, whereas the Fund shall have an absolute right of separation on the terms established in articles 908 and 909 of the Commercial Code.

The Fund shall be in existence until 26 July 2030, the Final Maturity Date of the Bond issue.

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

III.2.1. Assets of the Fund.

The assets of the Fund shall consist of:

- (i) The loans acquired from BANCO DE CRÉDITO LOCAL, comprising the loans acquired upon its being incorporated to be pooled in the Fund (“**Initial Loans**”), and the loans acquired subsequently in due course (“**Additional Loans**”), all of which are collectively designated “**Securitised Loans**”.

Each Securitised Loan shall refer to a 100% interest in the principal, ordinary and late-payment interest, and fees of the loan assigned to the Fund (see Chapter IV of this Prospectus)

The characteristics of the loans selected from the portfolio of BANCO DE CRÉDITO LOCAL, which shall mostly be assigned to the Fund upon being incorporated, Initial Loans, are detailed in section IV.4 of this Prospectus.

Each of the Securitised Loans shall have to meet all the Election Requirements established in section IV.1.1.2.2.6 of this Prospectus

After being incorporated, the Management Company may, on behalf of the Fund on each Payment Date during the Restitution Period, make successive acquisitions of Additional Loans from BANCO DE CRÉDITO LOCAL, in order to restore the decrease of the Outstanding Balance of the Securitised Loans following the redemptions made by the same, whether full or partial ordinary and prepayments.

The Loan Restitution Period shall be comprised between 26 October 2000 and 26 July 2010, both inclusive. Nevertheless, upon the Restitution Period concluding, the same may be extended yearly for annual periods, as the case may be, if the Rating Agency so expressly authorises, as it shall see fit, following a request by the Management Company.

Subsequent acquisitions of Additional Loans during the Restitution Period shall be made by the Management Company, for and on behalf of the Fund, in accordance with the terms established in the Restitution Rules established in section IV.1.1.2.2 of this Prospectus.

In each new acquisition of Additional Loans for the Fund, the Management Company shall send the CNMV a document, also subscribed by BANCO DE CRÉDITO LOCAL, containing the following:

- (i) Details of the main characteristics of the Additional Loans acquired..
- (ii) A statement by the Management Company to the effect that said Additional Loans meet all the set Election Requirements to be incorporated to the Fund.

The Outstanding Balance of the Securitised Loans shall be itemised in the accounts, either in equity accounts or in memorandum accounts, in order to allow at least the amounts of the following items to be identified:

- (i) Outstanding Balance of the Doubtful Securitised Loans.
 - (ii) Outstanding Balance of the Very Doubtful Securitised Loans.
- (ii) The existing balance in the Reinvestment Account under the Guaranteed Interest Rate Deposit Agreement, comprising the items detailed in section V.3.1 of this Prospectus.

The Reinvestment Account balance shall be itemised in memorandum accounts, allowing at least the amounts for the following items to be identified:

- (i) The Reserve Fund, if it should be set up.
 - (ii) The Swap Guarantee Deposit, if it should be set up.
 - (iii) The principals collected as redemption of principal on the Securitised Loans during the ongoing Interest Accrual Period.
 - (iv) The remaining principals collected in the Interest Accrual Period preceding the ongoing Interest Accrual Period.
- (iii) The initial expenses of organising the Fund and the Bond issue, not amortised.
- (iv) The balances over time of income accrued not overdue.

III.2.2. Liabilities of the Fund.

The liabilities of the Fund shall comprise:

- (i) The Bond issue amounting to a face value of one billion two hundred and five million (1,205,000,000) euros (200,495,130,000 Ptas.), represented by means of book entries and consisting of two Classes:

Class A, consisting of two Series for a total face amount of one billion one hundred and forty-five million (1,145,000,000) euros (190,511,970,000 Ptas.):

- Series A1 for a total face amount of two hundred and forty-five million (245,000,000) euros (40,764,570,000 Ptas.), comprising two thousand four hundred and fifty (2,450) Bonds with a unit face value of one hundred thousand (100,000) euros (16,638,600 Ptas.).
- Series A2 for a total face amount of nine hundred million (900,000,000) euros (149,747,400,000 Ptas.), comprising nine thousand (9,000) Bonds with a unit face value of one hundred thousand (100,000) euros (16,638,600 Ptas.).

Class B, consisting of an only Series B for a total face amount of sixty-one million (61,000,000) euros (9,983,160,000 Ptas.), comprising six hundred (600) Bonds with a unit face value of one hundred thousand (100,000) euros (16,638,600 Ptas.).

The characteristics of the Bond issue are established in Chapter II of this Prospectus.

- (ii) The Subordinated Loan established in section V.3.2 of this Prospectus, designed to finance the initial expenses of organising the Fund and the Bond issue and to partially finance the acquisition of the Initial Loans.
- (iii) The amounts drawn on the Subordinated Credit established in section V.3.3 of this Prospectus, designed to meet the settlement of certain payment or withholding obligations of the Fund in the event of a shortage of Available Funds.
- (iv) The balances over time of fees and financial and other expenses accrued and not overdue, established in the terms of the Bond issue and in the various agreements of the transactions, and any other which the Fund might incur

III.2.3. Reserve Fund.

The Management Company, for and on behalf of the Fund, shall in due course set up a Reserve Fund backed by a full drawdown of the Subordinated Credit, in the event of a drop in the rating of the non-subordinated and unsecured long-term debt of BANCO DE CRÉDITO LOCAL below A2 in Moody's rating scale, and will subsequently keep its capital at the Minimum Level, unless BANCO DE CRÉDITO LOCAL should provide for the benefit of the Fund and backed by the same a first demand security or guarantee of an institution whose long-term debt has a rating of at least A2, guaranteeing for the Fund, simply upon the Management Company so requesting, the amount of the drawings requested from BANCO DE CRÉDITO LOCAL up to the Maximum Amount of the Credit available on the relevant drawing date.

If it should be set up, the characteristics of the Reserve Fund would be as follows:

- (i) Amount:

Subsequently to being set up, on each Payment Date, it will be funded up to the amount established hereinafter with the Available Funds in the Payment Priority Order .

The amount of the Reserve Fund (the “**Minimum Level**”) during the Restitution Period shall be the higher of the following amounts: (i) thirty million one hundred and twenty-five thousand (30,125,000) euros (5,012,378,250 Ptas.), or (ii) 4.50% of the Principal Balance Outstanding on the Bonds.

When the Restitution Period is over, the Minimum Level shall remain constant in an amount of thirty million one hundred and twenty-five thousand (30,125,000) euros. This Minimum Level of the Reserve Fund may nevertheless be revised and lowered by the Rating Agency, as it shall see fit, at any time throughout the life of the Fund, moreover establishing, as the case may be, the terms in which it may be reduced.

(ii) Yield:

The amount of said Reserve Fund shall remain deposited in the Reinvestment Account, and will be the subject of the Guaranteed Interest Rate Deposit Agreement.

(iii) Application:

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

III.2.4. Risk hedge and service transactions.

In order to consolidate the financial structure of the Fund, the safety of or regularity in payment of the Bonds, neutralise interest rate differences between the Loans incorporated to the Fund and the Bonds issued by the same, cover the timing differences between the schedule of principal and interest flows of the Securitised Loans and of the Bonds, or, in general, transform the financial characteristics of those assets, and complement the administration of the Fund, the Management Company shall, on behalf of the Fund, proceed upon the execution of the Incorporation Deed, to formally enter into the agreements established hereinafter.

The Management Company may, in order for the operation of the Fund to be satisfied on the terms set in the Incorporation Deed and in the regulations in force from time to time, acting for and on behalf of the Fund, extend or amend the agreements entered into on behalf of the Fund, substitute each of the Fund service providers under those agreements and indeed, if necessary, enter into additional agreements; the foregoing shall be subject to the laws in force from time to time, to the prior authorisation, if necessary, of the Comisión Nacional del Mercado de Valores or competent administrative body, and notifying this to the relevant Rating Agency, provided that such actions do not detract from the interests of Bondholders.

The following transactions are to be arranged on behalf of the Fund for hedging financial risks and provision of services:

- (i) Guaranteed Interest Rate Deposit Agreement and Reinvestment Account.
- (ii) Subordinated Loan Agreement.
- (iii) Subordinated Credit Agreement.
- (iv) Interest Flow Swap Agreement.
- (v) Swap Guarantee Agreement.
- (vi) Loan Assignment Agreement.

- (vii) Securitised Loan Servicing and Management Agreement.
- (viii) Bond Management, Underwriting and Placement Agreement.
- (ix) Bond Payment Agency Agreement.
- (x) Broking Agreement.

The individualised description of the most relevant terms of each of said agreements is made in section V.3 of the present Prospectus, in addition to the more thorough description of the Loan Assignment Agreement and of the Securitised Loan Servicing and Management Agreement respectively made in sections IV.1.1.3 and IV.2.

III.3 Management and representation of the Fund and of the holders of the securities issued on the same.

III.3.1 Description of the duties and responsibilities taken on by the Management Company in managing and legally representing the Fund and the holders of securities issued on the same.

The incorporation, management and legal representation of the Fund lies with the Management Company, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, on the terms set in Royal Decree 926/1998, in Act 19/1992 and other applicable laws, without prejudice to the provisions of the Incorporation Deed. The incorporation of the Management Company as a Mortgage Securitisation Fund Management Company and its re-registration as a Securitisation Fund Management Company have been authorised by the Economy and Finance Ministry in two Ministerial Orders respectively dated 17 December 1992 and 4 October 1999. It is moreover entered in the special register purposefully opened by the Comisión Nacional del Mercado de Valores, under number 2. The information on the Management Company is contained in Chapter VI of this Prospectus.

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

It is the Management Company's duty, as the manager of third-party business, to represent and defend the interests of the holders of the Bonds issued on the Fund and of all the other ordinary creditors thereof. Consequently, the Management Company shall safeguard at all times the interests of the Bondholders and all other creditors of the Fund, making its actions conditional on their defence and observing the provisions statutorily prescribed for that purpose.

The Bondholders shall have no right of action against the Fund Management Company, other than for a breach of its duties or failure to observe the provisions of the Incorporation Deed. The Management Company will moreover be liable in connection with the penalties applicable thereto pursuant to Act 19/1992.

The Management Company shall notify the Bondholders of all and any circumstances they may be interested in by publishing the appropriate notices on the terms established in sections III.5.2 and III.5.3 of this Chapter.

III.3.1.1 Administration and representation of the Fund.

The principles and actions of the Management Company 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 the Incorporation Deed and in the present Prospectus:

General principles and obligations of the Management Company.

1. Fund Management.

- (i) To manage the Fund in order that its net asset value is nil at all times.
- (ii) To keep the Fund's accounts duly separate from the Management Company's own, render accounts and satisfy tax and any other statutory obligations of the Fund.
- (iii) Not to do things that might impair the Aaa rating assigned to Class A Bonds, and the A2 rating assigned to Class B Bonds, and endeavour to take such steps as may reasonably be in its hand for said ratings not to be adversely affected at any time.
- (iv) To enter into such agreements as are provided in the Incorporation Deed, or as may be necessary in the future, on behalf of the Fund, in relation to its assets and liabilities, bearing in mind, however, that the execution on behalf of the Fund of any agreement not provided in the Incorporation Deed shall require a change of the Fund Payment Priority Order, with the prior consent of the Rating Agency, and a prior notice to the CNMV in order to be made publicly available, as the case may be, as a relevant fact, or by means of a verification and registration of a supplement to the Prospectus.
- (v) To comply with its formal, documentary and reporting duties to the CNMV, the Rating Agency and any other supervisory body.
- (vi) To appoint and, as the case may be, replace and dismiss the auditor who is to review and audit the Fund's annual accounts.
- (vii) To determine for each Payment Date whether the distribution of the Funds Available for Principals is to be made under the Loan Restitution or Bond Redemption System.
- (viii) To prepare and submit to the Comisión Nacional del Mercado de Valores and any other competent administrative body all documents and information to be submitted as established in the laws in force for the time being, in the Incorporation Deed and in this Prospectus, or which may be required of it, and to prepare and submit to the Rating Agency such information as may reasonably be required of it.
- (ix) To provide the holders of Bonds issued by the Fund, the Comisión Nacional del Mercado de Valores and the public in general 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 Incorporation Deed and in the present Prospectus.

- (x) To make all appropriate decisions concerning the liquidation of the Fund, including the decision to proceed to an early liquidation of the Fund and early maturity of the Bond issue, as provided in the Incorporation Deed and in this Prospectus.
- (xi) To comply with its calculation duties laid down in the Incorporation Deed and in the present Prospectus, and in the various Fund transaction agreements described in section V.3 of the Prospectus, or in such others as the Management Company may enter into in due course for and on behalf of the Fund.

2. Due diligence.

The Management Company shall perform its activity due diligently, as prescribed by Royal Decree 926/1998, representing the Fund and defending the interests of the Bondholders and of the other ordinary creditors of the Fund as if they were its own interests, stepping up the standards of diligence, reporting and defence of their interests and avoiding situations that might result in conflicts of interest, giving the interests of the Bondholders and all other ordinary creditors of the Fund priority over third-party and its own interests.

3. Availability of means.

The Management Company shall have the necessary means, including suitable information systems, to discharge the management functions of the Fund prescribed by Royal Decree 926/1998.

4. Code of Conduct.

The Management Company shall comply with the code of conduct applicable to it. The Management Company has established an Internal Code of Conduct in pursuance of the provisions of Chapter II of Royal Decree 629/1993, 3 May, regarding the rules of conduct in securities markets and mandatory registrations, which has been communicated to the CNMV.

Obligations and activities of the Management Company for managing the Fund.

1. In relation to the Securitised Loans.

- (i) On each Offer Date, to determine whether on the next immediate Payment Date, Additional Loans need to be acquired and, consequently, the Loan Restitution System needs to be applied for distributing the Funds Available for Principals.
- (ii) On each Offer Date, if the Loan Restitution System should apply, to calculate the amount which may be allocated on the next immediate Payment Date to a new acquisition of Additional Loans.
- (iii) To send BANCO DE CRÉDITO LOCAL, if the Loan Restitution System applies, the written notice of a Purchase Offer of Additional Loans for the Fund, specifying the maximum amount available and the Purchase Date on which the assignment should be made to the Fund and acquisition payment should be made.
- (iv) To check that the loans comprising the Additional Loan Sale Offer issued by BANCO DE CRÉDITO LOCAL meet the Individual and Global Election Requirements established for the acquisition of

Additional Loans and notify BANCO DE CRÉDITO LOCAL on the Acceptance Date the list of Additional Loans accepted to be incorporated to the Fund on the relevant Purchase Date, by issuing the Additional Loan Purchase Acceptance letter, along with the relevant data file with details on the Additional Loans and their characteristics.

- (v) To send to the CNMV, through Cifradoc, details on the Additional Loans subject of a Purchase and of the relevant statement that those Loans meet the Election Requirements established for the acquisition of Additional Loans.
- (vi) To exercise the rights attaching to the ownership of the Securitised Loans acquired by the Fund and, in general, to carry out all such acts of administration and disposition as may be required for properly managing and legally representing the Fund.
- (vii) To check that the amount of income actually received by the Fund matches the amounts that must be received by the Fund, in accordance with the terms of assignment of each Securitised Loan and the terms of their respective agreements.
- (viii) To validate and control the information received from the Servicer on the Securitised Loans, both as regards collection of ordinary instalments, early redemptions of principal, payments received on unpaid instalments and delinquency status and control.
- (ix) To supervise that the Servicer renegotiates, as the case may be, the terms of the Securitised Loans in accordance with the broad or specific instructions communicated by the Management Company.
- (x) To closely monitor actions agreed with the Servicer to recover defaults, issuing instructions, where appropriate, for the recovery action established in accordance with the Servicing Agreement to be brought.

2. In relation to the Bond issue.

- (i) To determine the interest rate applicable to each of the Bond Series and the interest amounts on each of them.
- (ii) To determine for every Payment Date the principal redemption amounts to be amortised for each of the Series, in accordance with the terms established for each of them and under the Loan Restitution or Bond Redemption System applicable for the distribution of the Funds Available for Principals.
- (iii) To prepare and generically notify the Bondholders of the information established in the present Prospectus, and all other statutorily required information.

3. In relation to the remaining financial or service transactions.

- (i) In order to allow the Fund to operate on the terms established in the Incorporation Deed, in the present Prospectus and in the laws in force from time to time, to extend or amend the agreements entered into on behalf of the Fund, replace, as the case may be, each of the Fund service providers under those agreements and indeed, if necessary, enter into additional agreements, the foregoing subject to the laws in force from time to time, to the prior authorisation, if necessary, of the Comisión Nacional del Mercado de Valores or competent administrative body, and to notice thereof being given on the Rating Agency, provided that those actions do not detract from the interests of Bondholders.
- (ii) To determine the interest rate applicable to each of the financial asset, liability and hedge transactions, calculate and settle the interest amounts and fees to be received and paid by the Fund on each of them, and the fees payable for the various financial services arranged.
- (iii) To watch that the amounts paid into the Reinvestment Account return the yield set in the Guaranteed Interest Rate Deposit Agreement.

4. In relation to the management of the Fund's collections and payments.

- (i) To calculate the Available Funds and the Funds Available for Principals, and the payment or withholding obligations to be complied with, and to apply the same in the Payment Priority Order and under the Loan Restitution or Bond Redemption System applicable for the distribution of the Funds Available for Principals.
- (ii) To pay into the Reinvestment Account the amounts received from the Servicer of the Securitised Loans, as both principal and interest and otherwise howsoever owing to the Fund on account of the same.
- (iii) To instruct transfers of funds between the various asset and liability accounts, and issue all relevant payment instructions, including those assigned for servicing the Bonds.

III.3.1.2 Resignation and substitution of the Management Company.

Resignation from office.

The Management Company may resign from management and legal representation in accordance with the requirements established in articles 18 and 19 of Royal Decree 926/1998, in a letter addressed to the CNMV giving the name of the substitute management company. The Management Company may at no time tender its resignation unless and until the requirements and procedures for its substitute to take its stead have been fulfilled. Substitution expenses shall be borne by the Management Company and may under no circumstances be charged to the Fund.

Insolvency of the Management Company. Substitute management company

In the event that the Management Company should be adjudged a bankrupt or insolvent, the Management Company shall find a substitute management company, in accordance with the provisions of articles 18 and 19 of Royal Decree 926/1998, within not more than four months from the occurrence determining the substitution, and the failure to have found a new management company by then shall prompt the early liquidation of the Fund as prescribed in the Incorporation Deed.

III.3.1.3 Subcontracting.

The Management Company shall be entitled to subcontract or delegate to solvent and reputable third parties the provision of any of the services it has to provide as the manager and authorised representative of the Fund, as provided in the Incorporation Deed, provided that the subcontractor or delegated party waives the right to hold 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 given to each of the Bond Series being adversely revised, and (iv) shall be notified to the Comisión Nacional del Mercado de Valores, and will, if legally necessary, secure its prior authorisation. Notwithstanding any subcontracting or delegation, the Management Company shall not be exonerated nor released, under that subcontract or delegation, from any of the liabilities undertaken in the Incorporation Deed which may legally be attributed or ascribed to it.

III.3.2 Remuneration to the Management Company for discharging its functions.

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

- (i) An initial fee amounting to one hundred and twenty thousand two hundred (120,200) euros (19,999,597 Ptas.) payable on the Closing Date.
- (ii) A periodic fee: equal to 0.0235% per annum, accruing on the days actually elapsed in each Interest Accrual Period, from the Date of Incorporation of the Fund until it terminates, and payable quarterly on each of the Payment Dates, calculated on the Principal Balance Outstanding on the Bonds on the Payment Date preceding the ongoing Payment Date. The fee for the first Interest Accrual Period shall accrue from the Date of Incorporation of the Fund to the first Payment Date, and shall be adjusted in proportion to the days elapsed between both dates, calculated on the face amount of the Bonds issued.

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

$$C = B \times \frac{0,0235}{100} \times \frac{d}{360}$$

where:

C = Fee payable on a given Payment Date.

B = Principal Balance Outstanding on the Bonds, on the preceding Payment Date.

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

In any event, the annual amount of this periodic fee may not be less than forty-two thousand and seventy (42,070) euros (6,999,859 Ptas.), or its equivalent in proportion to the days actually comprised in each of the Interest Accrual Periods. In the event that, during the period of validity 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 would be reviewed cumulatively in the same proportion, from the year 2002, inclusive, and effective as of 1 January 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 a general interest equal to the Bond Benchmark Interest Rate determined for the next immediate Interest Accrual Period, payable on the next Payment Date, in the Payment Priority Order.

III.4 Income and expenditure of the Fund.

III.4.1 Income of the Fund.

The Fund shall have the following income, which shall be paid into the Reinvestment Account.

- a) The amount of the Subordinated Loan.
- b) The amounts received as redemption of the principal of the Securitised Loans.
- c) Ordinary and late-payment interest on the Securitised Loans.
- d) The yield obtained by reinvesting the amounts paid into the Reinvestment Account.
- e) Any other amounts received by the Fund.
- f) Drawings on the Subordinated Credit.
- g) Receivables, as the case may be, under the terms of the Interest Flow Swap Agreement, and, as the case may be, under the Swap Guarantee Deposit Agreement.

III.4.2 Expenses payable by the Fund.

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

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

Initial expenses.

The estimated initial Fund incorporation and Bond issue expenses are itemised in section II.14 of the Prospectus. Payment of the initial expenses shall be made with the amount drawn on the Subordinated Loan and shall not be subject to the Fund Payment Priority Order.

Expenses throughout the life of the Fund.

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

- a) If necessary, the remaining initial Fund incorporation and Bond issue expenses in excess of the amount of the Subordinated Loan.
- b) Expenses arising from the verifications, registrations and administrative authorisations that must be obtained.
- c) If necessary, expenses derived from preparing and executing the Incorporation Deed and the Agreements, and from entering into additional agreements.
- d) Financial expenses relating to the Bond issue and each of the by financial liability and hedge transactions.
- e) Rating Agency fees for monitoring and maintaining the Bond rating.
- f) Expenses derived from Bond redemption.
- g) Expenses relating to the keeping of the Bond accounting record, for the Bonds to be represented by means of book entries, listing the Bonds on organised secondary markets and maintenance of all of the foregoing.
- h) Expenses derived from the sale of the Securitised Loans and the remaining assets of the Fund to liquidate the same, including those derived from obtaining a credit facility.
- i) Expenses derived from actions to recover the Securitised Loans.
- j) Expenses derived from managing the Fund and the Securitised Loans.
- k) Fees and expenses payable by the Fund for the service and financial transaction agreements executed.
- l) Amounts payable, as the case may be, under the Interest Flow Swap Agreement.

- m) Expenses derived from inserts and notices relating to the Fund and/or the Bonds.
- n) Expenses of audits and legal advice.
- o) In general, any other expenses borne by the Fund or the Management Company for and on behalf of the Fund.

III.5 Drawing up, verifying and approving annual accounts and other accounting documents of the Fund.

III.5.1 Obligations and deadlines for drawing up, verifying and approving annual accounts and management reports.

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

The Management Company shall submit to the Comisión Nacional del Mercado de Valores the Fund's annual accounts, along with an audit report of the accounts, within four (4) months of the close of the business year of the Fund, which shall be match the calendar year.

The Management Company shall proceed to designate, for periods of not more than three (3) years, the Auditor who is for that time to audit the Fund's annual accounts, and the Additional Loans acquired during the business year that remain outstanding at the close of that year, reporting that appointment to the Comisión Nacional del Mercado de Valores.

The Management Company agrees that the management report on the annual accounts shall contain comprehensive information on the Securitised Loans outstanding at 31 December of the year at issue, at least with an extent of detail equal to the information provided in section IV.4 of this Prospectus in relation to the loans selected from the portfolio of BANCO DE CRÉDITO LOCAL to be assigned to the Fund upon being incorporated.

III.5.2 Obligations and deadlines set to make publicly available and submit to the Comisión Nacional del Mercado de Valores the regular 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 to the Comisión Nacional del Mercado de Valores, as promptly as possible, quarterly after each Payment Date, the information described hereinafter, with the exception of that contained in sections e) and f) which shall be annual, in relation to each of the Bond Series, the performance of the Securitised Loans, prepayments, and economic and financial status of the Fund, moreover advising it of all ordinary periodic or extraordinary notices contained in section III.5.3 of the present Prospectus, and of such additional information as may be required of it.

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

1. Principal Balance Outstanding and percentages represented by each of them on the initial face amount of each Series.
2. Interest accrued and paid.
3. Interest accrued and not paid.
4. Redemption accrued and paid.
5. Estimated average life of the Bonds in each of the Series if the Early-Redemption Rate of the Securitised Loans is maintained, as determined in section b) below.

b) In relation to the Securitised Loans:

1. Outstanding Balance.
2. Amount of the acquisition of Additional Loans.
3. Interest, both accrued and collected.
4. Amount of the instalments in arrears on the Securitised Loans on the reporting date.
5. Demonstrative list of the actual collective Early-Redemption Rate corresponding to the three calendar months preceding each Payment Date.

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

Report on the source and subsequent application of the Available Funds and of the Funds Available for Principals in the respective Payment Priority Order.

d) Quarterly, in relation to the acquisitions of Additional Loans:

On each Purchase Date, as the case may be, details of the Additional Loans subject of a Purchase, by data file through the Cifradoc system, and an appropriate statement that such Loans meet the Individual and Global Election Requirements established for the acquisition of Additional Loans.

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

Balance Sheet, Profit and Loss Account, Management report and Audit Report within four (4) months of the close of each business year.

f) Annually, in relation to Additional Loans:

Audit report prepared using sampling techniques relating to the Additional Loans acquired during the business year, which are outstanding at the close of that year. The verification shall deal with a number of both quantitative and qualitative attributes on the loans in the sample and, specifically, on: lender identification, loan authorisation, arrangement date, maturity date, initial amount, redemption system, current balance, interest rate or benchmark index, spread or differential, interest rate applied and late payment.

III.5.3 Other ordinary, extraordinary and relevant event notice obligations.

The Management Company agrees to give the notices detailed below, observing the recurrence provided in each case.

a) Ordinary periodic notices:

1. Within the period comprised between the Interest Rate Fixing Date and not more than two (2) Business Days after each Payment Date, it shall proceed to notify Bondholders of the nominal interest rates resulting for each of the Bond Series, for the next Interest Accrual Period.
2. Quarterly, at least one (1) calendar day in advance of each Payment Date, the Fund shall, through its Management Company, proceed to notify the Bondholders of the interest resulting from the Bonds in each of the Series, along with the redemption thereof, as appropriate, and moreover:
 - i) The Principal Outstanding Balances, after the redemption to be settled on each Payment Date, for each Bond in each Series, and the percentages such Principal Outstanding Balances represent on the initial face amount of each Bond.
 - ii) Furthermore, and if appropriate, the Bondholders shall be advised of the interest and redemption amounts accrued thereby and not settled due to a shortage of Available Funds, in accordance with the rules of the Fund Payment Priority Order.
3. Quarterly, within two (2) Business Days of each Payment Date, it shall proceed to advise Bondholders:
 - i) Of the actual collective early-redemption rates of the Securitised Loans in the three calendar months preceding each Payment Date.
 - ii) The average and total residual life of the Bonds in each Series estimated assuming that such an actual collective early-redemption rate is maintained and that the Loan Restitution System is maintained during the restitution Period where appropriate, assuming the exercise of the early-redemption option when the Outstanding Balance of the Securitised Loans is less than 10% of their initial amount, as provided in sections II.11.3.3 and III.8.1, (i).

The foregoing notices shall be made in accordance with the provisions of section c).1 below and will also be notified to the Comisión Nacional del Mercado de Valores, the Servicio de Compensación y Liquidación de Valores, S.A., and the Payment Agent. The notices of sections 1 and 2 above shall be given within not more than one (1) Business Day before each Payment Date.

b) Extraordinary notices:

1. Upon the incorporation of the Fund and the Bond issue, once the Incorporation Deed is executed, the Management Company shall, for and on behalf of the Fund, proceed to give notice by means of the procedure specified in section c).2 below, of the incorporation of the Fund and of the Bond issue, and of the nominal interest rates determined in each of the Bond Series for the first Interest Accrual Period, any Business or other calendar day being suitable for that publication.

2. Other notices:

The Fund shall, through its Management Company, inform Bondholders of any relevant event occurring in relation to the Securitised Loans, the Bonds, the Fund and the actual Management Company, which may materially influence trading of the Bonds and, in general, of any relevant change in the Fund's assets or liabilities. The Management Company will also inform Bondholders of a decision in due course to proceed to an prepayment of the Bonds in any of the events provided in the present Prospectus, in which case the Comisión Nacional del Mercado de Valores will be sent the Notarial Certificate of Liquidation and the procedure followed will be as referred to in section III.8.2 of this Prospectus.

c) Procedure to notify Bondholders:

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

1. Ordinary notices.

Ordinary notices shall be given by a publication in the official journal of the AIAF Mercado de Renta Fija or any other taking its stead or similarly characterised. The Management Company or the Payment Agent may nevertheless disseminate that information through dissemination channels and systems typical of financial markets, such as Reuters, Bridge Telerate, Bloomberg or any other with similar characteristics.

2. Extraordinary notices.

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

d) Information to the Comisión Nacional del Mercado de Valores:

The Management Company shall proceed to advise the Comisión Nacional del Mercado de Valores of both ordinary periodic and extraordinary publications made in accordance with the provisions of the preceding sections, and of such other information as may be required of it, irrespective of the above.

III.5.4 Transitional period in using the euro as the single currency in the European Union.

During the transitional period in which the peseta and the euro will coexist as units of account and payment means between 1 January 1999 and 31 December 2001, the provisions of Act 46/1998, 17 December, on the changeover to the Euro shall apply.

III.6 Tax system of the Fund.

In accordance with the provisions of article 5.10 of Act 19/1992, article 7.1.g) of Corporation Tax Act 43/1995, 27 December, and Royal Decree 537/1997, 14 April, amended by Royal Decree 2717/1998, 18 December, approving the Regulations of that Tax, the following are the characteristics peculiar to the tax system of the Fund:

- (i) The incorporation of the Fund is exempt from the item “corporate transactions” of the Capital Transfer and Documents Under Seal Tax.
- (ii) The Fund is liable to pay Corporation Tax at the general rate in force from time to time and which currently stands at 35%.
- (iii) As for the return on the Securitised Loans, loans or other credit rights constituting Fund income, there shall be no tax withholding or prepayment obligation.
- (iv) The management of the Fund by the Management Company shall be exempt from Value Added Tax.
- (v) Considerations paid to the holders of the securities issued by the Fund are considered as return on investments.

III.7 Amendment of the Incorporation Deed of the Fund.

Because the Fund has exclusively open-end assets that are renewed upon the partial or total redemption of the Securitised Loans, and given its estimated existence, the Incorporation Deed shall not be amended as a result of the incorporation to the Fund of the Additional Loans acquired thereby.

The Incorporation Deed may not be howsoever amended other than in exceptional events, and, as the case may be, in accordance with the terms established by the laws in force for the time being, and provided that the amendment does not impair the rating given to the Bonds by the Rating Agency, and has previously been notified to the relevant Rating Agency and the Comisión Nacional del Mercado de Valores or competent administrative body. The Incorporation Deed can also be corrected as requested by the Comisión Nacional del Mercado de Valores.

III.8 Termination and Liquidation of the Fund.

III.8.1 Termination of the Fund.

The Fund shall terminate for the reasons prescribed by Royal Decree 926/1998 and Act 19/1992, and for the reasons expressly provided in the Incorporation Deed.

The Fund shall terminate at all events as a result of the following ordinary events:

- (i) Upon the lapse of the time for which it was incorporated.
- (ii) Upon the full redemption of the Securitised Loans acquired by the Fund.

The Fund may nevertheless be subject to early termination upon the Management Company resolving to proceed to its early termination in the following extraordinary circumstances (“**Early-Liquidation Events**”):

- (i) Optionally, when the amount of the Outstanding Balance of the Securitised Loans pending redemption is less than 10 per 100 of the initial Outstanding Balance.
- (ii) Optionally, following a non-binding request by the holders of all the Bonds, who shall have properly established their ownership by means of the Certificate of Title issued by the relevant Clearing member or by the Servicio de Compensación y Liquidación de Valores, S.A., referred to in section II.4.1 of the Prospectus.
- (iii) Mandatorily, in the event that BANCO DE CRÉDITO LOCAL should have become insolvent, bankruptcy proceedings should have commenced, or the Shareholders' Meeting should have resolved to liquidate the same and no other one or several institutions may be found to taking over from its functions and undertakings to the Fund, to the Rating Agency's full satisfaction.
- (iv) Mandatorily, where, in the opinion of the Management Company, exceptional circumstances concur that make it impossible or extremely difficult to maintain the Fund in financial balance. This event includes such circumstances as the existence of a change in laws or complementary enactments, or the establishment of withholding obligations that might permanently affect the financial balance of the Fund.
- (v) Mandatorily, in the event that the Management Company should be forcefully substituted and the fourth months' time established to that end should elapse without a new management company being found to take its stead.
- (vi) Mandatorily, when the Bonds issued are subject to repeated delinquency, pointing in the opinion of the Management Company to a material and permanent imbalance of the Fund.
- (vii) Mandatorily, where the counterparty in any of the agreements entered into on behalf of the Fund needs to be substituted or other services or financial transactions need to be arranged and it is not possible to find a suitable counterparty, thereby for the operation of the Fund to be unviable, in the opinion of the Management Company.
- (viii) Mandatorily, if the Originator should exercise the Acquisition Right in respect of all the Securitised Loans remaining held by the Fund, as provided in the Loan Assignment Agreement referred to in section IV.1.1.3.g) of this Prospectus.

Before proceeding to liquidate the Fund, the Management Company shall notify the Comisión Nacional del Mercado de Valores of this in a written letter containing a certification of the Management Company's resolution and a description (i) of the reason or reasons for liquidating the Fund, (ii) the liquidation procedure to be followed to carry this out, and (iii) the manner in which the payment obligations derived from the Bonds and the other creditors to the Fund are to be met and settled.

III.8.2 Liquidation of the Fund.

In the event that any of the set Early-Liquidation Events should occur, the Management Company shall be authorised to proceed to terminate the Fund, shall advise the Comisión Nacional del Mercado de Valores of that resolution and shall put in place the necessary actions for the Early Liquidation of the Fund and thereby the prepayment of the Bond issue. The following requirements shall nevertheless have to be met in order to

proceed to such an Early Liquidation of the Fund in the event of a resolution passed by the Management Company as it shall see fit (“**Optional Early Liquidation Requirements**”):

- (i) That all the payment obligations derived from the Bonds issued by the Fund may be met and settled in the Liquidation Payment Priority Order, or otherwise that, before proceeding to an Early Liquidation of the Fund, the Management Company convene the Bondholders purely for informative purposes.

Payment obligations derived from the Bonds on the date of Early Liquidation of the Fund shall at all events be deemed to be the Principal Balance Outstanding on that date plus interest accrued and not paid since the last Payment Date until the date of prepayment, deducting the tax withholding, as the case may be, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

- (ii) That the Bondholders are notified, as prescribed in section III.5.3.c).2 of the present Prospectus and thirty (30) Business Days in advance, of the resolution by the Management Company to proceed to an early liquidation of the Fund.

In order for the Fund, through its Management Company, to proceed to an Early Liquidation of the Fund and an prepayment of the Bond issue, the Management Company, for and on behalf of the Fund, shall proceed to:

- (i) Sell the Securitised Loans for a price not below the sum of the value of the principal plus the interest accrued and not paid on the Securitised Loans pending redemption.

Nevertheless, in the event of the Acquisition Right being exercised by the Originator, the sale of the remaining Securitised Loans held by the Fund shall be carried out on the terms established for the exercise of the Acquisition Right.

- (ii) Terminate such agreements as are not necessary for the Fund liquidation procedure.
- (iii) It will be able to arrange for a credit facility to be fully and forthwith allotted to the prepayment of the Bond issue. Repayment of that credit facility shall be guaranteed solely with the interest and principal flows derived from the Securitised Loans pending redemption and the product of the sale of the other assets remaining on the assets of the Fund.
- (iv) Finally, both due to an insufficiency of the preceding actions and the existence of remaining assets, it shall proceed to sell the assets and property remaining on the assets of the Fund. The Management Company shall be authorised to accept such offers as shall in its opinion cover the market value of the property at issue and are paid spot in cash. In order for the market value to be fixed, the Management Company may commission such valuation reports as it shall see fit.

In events (i) and (iv) above, the Originator of the Securitised Loans shall have a pre-emptive right and shall therefore have priority over third parties to acquire the Securitised Loans it issued or other property underlying the same and remaining on the assets of the Fund. The Management Company shall therefore send the Originator a list of the assets and offers received from third parties, and the Originator may use that right for all the assets offered by the Management Company for the Securitised Loans it assigned to the Fund, within ten days of receiving said notice, and provided that its offer is at least equal to the best of the third party offers.

Upon making an appropriate provision for meeting the final termination expenses, the Management Company shall immediately apply all the amounts obtained from the sale of the assets of the Fund to paying the various items, in such manner, amount and order as shall be requisite in the Liquidation Payment Priority Order, other than the amounts drawn, as the case may be, on the credit facility arranged, which shall be fully allotted to the prepayment of the Bond issue.

In the event that there should be a remainder upon the Fund being liquidated and all payments being made by distributing the Available Funds in the set Liquidation Payment Priority Order, that remainder shall be paid to the Originator. In the event that the remainder should not be cash amounts since deriving from Securitised Loans pending resolution in recovery proceedings commenced following a delinquency by the Assigned Debtor, both their continuation and the product of their resolution 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 remaining assets have been liquidated and the Fund's Available Funds have been distributed, in the Liquidation Payment Priority Order, with the exception of the appropriate reserve to meet final termination expenses.

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

In the event that the Management Company, acting for and on behalf of the Fund, should be unable to make payment of the Securitised Loans subscribed with a deferred price due to the termination of the Bond Management, Underwriting and Placement Agreement, the Fund will also be liquidated by returning the Securitised Loans to the Originator, settling all relevant incorporation and issue expenses and repaying the Subordinated Loan with the remaining funds which the Fund may have.

CHAPTER IV

INFORMATION ON THE CHARACTERISTICS OF THE ASSETS SECURITISED THROUGH THE FUND

IV.1 Description of assets pooled in the Fund.

The purpose for which the Fund is incorporated is to securitise the credit rights that shall be assigned by BANCO DE CRÉDITO LOCAL and acquired by the Fund, defined as Securitised Loans.

The credit rights to be securitised and be part of the assets of the Fund shall be loans acquired by the Management Company, for and on behalf of the Fund, upon the Fund being incorporated (Initial Loans) and in subsequent loan acquisitions (Additional Loans), made in accordance with the Loan Assignment Agreement described in this section. Pursuant to this agreement, the Management Company agrees to acquire, with the liquidity the Fund may have for such purpose, the Additional Loans firmly offered to it by BANCO DE CRÉDITO LOCAL, provided that they meet the Election Requirements; provision is also made for the terms on which the Securitised Loans are sold to the Fund.

IV.1.1 Assets pooled in the Fund.

IV.1.1.1 Maximum amount of the assets pooled in the Fund.

Because the Fund has exclusively open-end assets that are renewed, as the case may be, upon the partial or full redemption of the Securitised Loans, the maximum amount of the Outstanding Balance of the Securitised Loans acquired by the Fund, excluding those rated Very Doubtful Securitised Loans, shall at no time be in excess of the Principal Balance Outstanding on the Bonds issued by the Fund, the initial amount being one billion two hundred and five million (1,205,000,000) euros (200,495,130,000 pesetas) equivalent to the face value of the issue. The partial or full redemption of any of the Bond Series shall not result in new series being issued or new credits being arranged.

Nevertheless, the aggregate capital or principal of the Initial Loans acquired by the Fund upon being incorporated may be slightly in excess of the maximum amount, given the difficulty of accurately adjusting this amount because each of said Loans will be acquired for the total capital or principal outstanding at the time of the assignment.

IV.1.1.2 Class of assets: Securitised Loans.

The credit rights to be assigned by BANCO DE CRÉDITO LOCAL to the Fund, on the terms and subject to the requirements detailed hereinafter, are the only assets which may be acquired by the Fund to be pooled and securitised, and will comprise the loans acquired upon the incorporation of the Fund to be pooled therein

(“**Initial Loans**”), and by the loans acquired subsequently in due course (“**Additional Loans**”), all of which are collectively designated **Securitised Loans**.

Each of the Securitised Loans shall have to meet all the Election Requirements established in this section.

IV.1.1.2.1 Initial Loans.

Each Initial Loan shall be assigned by BANCO DE CRÉDITO LOCAL upon the incorporation of the Fund for 100% of the principal outstanding pending redemption on the loan being assigned.

The Initial Loans acquired by the Fund from BANCO DE CRÉDITO LOCAL shall be identified by name in the Fund Incorporation Deed, recording the main characteristics of each of the loans in order that the loan and the assignment made may be identified.

The characteristics of the loans selected from the portfolio of BANCO DE CRÉDITO LOCAL, which shall mostly be assigned to the Fund upon being incorporated, Initial Loans, are itemised in section IV.4 of this Chapter.

IV.1.1.2.2 Additional Loans.

After being incorporated, the Management Company may, on behalf of the Fund, on each Payment Date during the Restitution Period, make successive acquisitions of loans from BANCO DE CRÉDITO LOCAL, Additional Loans, in order to restore the decrease of the Outstanding Balance of the Securitised Loans as a result of both ordinary and early full or partial redemptions experienced by the same.

The Additional Loans acquired by the Fund from BANCO DE CRÉDITO LOCAL shall be identified by name in a letter submitted by the Management Company to the Comisión Nacional del Mercado de Valores. In each new acquisition of Additional Loans for the Fund, the Management Company shall send the CNMV a document, also subscribed by BANCO DE CRÉDITO LOCAL, containing the following:

- (i) Details of the Additional Loans acquired and their main characteristics.
- (ii) A statement by the Management Company to the effect that said Additional Loans meet all the Election set Requirements to be incorporated to the Fund.

For the above purposes, the Management Company has subscribed for membership of the CNMV’s Cifradoc system to electronically communicate the details of the Additional Loans referred to in section (i) above, by submitting data files in the form of the document attached as Annex 8 hereto, in which details are given of the fields that must be completed in each case, and the statement by the Management Company relating to fulfilment by the respective Additional Loans of the requirements established in the Incorporation Deed.

Restitution Period.

The Management Company may make quarterly acquisitions of the Additional Loans on each of the Payment Dates in the period comprised between 26 October 2000 and 26 July 2010, both inclusive (the “**Restitution Period**”).

Nevertheless, when the Restitution Period is over, the same may be extended annually, as the case may be, for yearly periods upon the Rating Agency so expressly authorising, as it shall see fit, upon a request by the Management Company.

The Restitution Period shall be deemed to be over on the Payment Date falling on 26 July 2010, unless the same shall have been extended by the Rating Agency as established in the preceding paragraph, which shall expire on the maturity date of the last of the extension, or whenever the event described in section 1.b) below takes place, where appropriate.

Offer Dates.

These will be the dates falling on the eighth Business Day preceding each of the Payment Dates in the Restitution Period.

Maximum Offer Amount.

These shall be the Available Principals on the Offer Date, after deducting the amount that should be amortised, as the case may be, of the principal of the Series A1 Bonds on the next Payment Date, in accordance with the redemption schedule established for this Series.

Restitution Rules.

Subsequent acquisitions of Additional Loans during the Restitution Period shall be made by the Management Company, for and on behalf of the Fund, in accordance with the terms established in the following rules (the “**Restitution Rules**”):

1. Exceptionally, on each of the Payment Dates in the Restitution Period, the acquisition of Additional Loans shall be stopped if any of the following events occurs in relation to a Payment Date:
 - a) That the Credit Cover Ratio calculated on the Offer Date immediately preceding the Payment Date is less than the Benchmark Cover Ratio.
 - b) That BANCO DE CRÉDITO LOCAL should have become insolvent, bankruptcy proceedings should have commenced, or the Shareholders’ Meeting should have resolved to liquidate the same.
 - c) That the rating of the non-subordinated and unsecured short-term debt of BANCO DE CRÉDITO LOCAL should drop below P-2, in Moody’s rating scale.

Suspension of the acquisition of Additional Loans as a result of any of these events shall result in the distribution of the Funds Available for Principals in accordance with the Bond Redemption System, in the Fund Payment Priority Order.

2. The Bond Redemption System shall be reversible, returning to the Loan Restitution System and the acquisition of Additional Loans on the next Payment Dates, subject to the provisions of section 1 above, unless this shall have been caused by event b) of said section, which shall result in the early termination of the Restitution Period.
3. **Credit Cover Ratio** is the ratio calculated on each Offer Date, expressed as a percentage, between amounts 1 and 2 corresponding to the accounting records of the Fund at the close of the second day immediately preceding the relevant Offer Date, as defined hereinafter:
 1. It is equal to the sum of:
 - i) The Outstanding Balance of Non-Doubtful Securitised Loans.
 - ii) The Available Principals.
 - iii) The amount available up to the Maximum Amount of the Subordinated Credit or, if it should have been fully drawn down for the Reserve Fund to be set up, the balance of the Reserve Fund.
 2. It is equal to the Principal Balance Outstanding on the Bonds.

Outstanding Balance of Non-Doubtful Securitised Loans.

Non-Doubtful Securitised Loans will be Securitised Loans other than Doubtful or Very Doubtful Securitised Loans.

Doubtful Securitised Loans are deemed to be loans which on account of their arrears have overdue amounts without there having been a substitution or extension, when more than three months have elapsed from the oldest overdue payment, without twenty-four (24) months being exceeded.

Very Doubtful Securitised Loans will be deemed to be Securitised Loans which on account of their arrears have overdue amounts without there having been a substitution or extension, when more than twenty-four (24) months have elapsed from the oldest overdue payment.

The extension or rearrangement of the Doubtful or Very Doubtful Securitised Loans shall not result in their being reclassified as Non-Doubtful Securitised Loans unless new effective guarantees are provided or at least interest pending collection is received.

The Outstanding Balance of each Doubtful or non-Doubtful Securitised Loan shall comprise the amount of the capital pending maturity and the capital due and not paid into the Fund.

4. **Benchmark Credit Cover Ratio** is 102.50%.
5. On each Payment Date in the Restitution Period on which Additional Loans are to be acquired by applying the Loan Restitution System for distributing Funds Available for Principals, the amount that the Management Company shall allocate on behalf of the Fund to the acquisition of Additional Loans shall be the remaining Funds Available for Principals, after applying the amount which should be amortised, as the case may be, of the principal of Series A1 Bonds on that Payment Date.

6. Election Requirements.

In order to be acquired and incorporated to the Fund, each of the Securitised Loans, both Initial Loans and Additional Loans, shall have to meet on the respective Purchase Date all the election requirements established in this section (the “**Election Requirements**”).

The requirements each of the Securitised Loans must individually meet to be assigned to the Fund (the “**Individual Election Requirements**”) are the following:

1. That they are credits arranged under loan agreements shown on the balance sheet of Banco de Crédito Local.
2. That the debtor or borrower under the loan agreement is a Spanish Town Hall (the “**Assigned Debtor**”).
3. That the loan has been granted in the ordinary course of business of Banco de Crédito Local with its customers.
4. That the loan upon being authorised and granted satisfied the credit standards of Banco de Crédito Local attached as Annex 9 hereto (the “**Credit Policy**”) and was assessed by Banco de Crédito Local in accordance with the Credit Policy.
5. That the loan belongs to Banco de Crédito Local clear of any liens and claims.
6. That the loan is governed by Spanish Law.
7. That the loan is denominated and payable only in pesetas or in euros.
8. That, in accordance with the terms of the relevant agreement, the loan may be conveyed to the Fund in accordance with all applicable rules and without the Assigned Debtor’s consent being required, or if that consent should be necessary, that such a requirement was met.

9. That it is a loan in relation to which Banco de Crédito Local has received no notice of claim or set-off whatsoever before the Purchase Date.
10. That the loan is not subject to a tax deduction or withholding in relation to the Assigned Debtor's payments derived from the loan.
11. That it is a credit right standing as a valid and binding payment obligation for the Assigned Debtor, and may be enforceable on its own terms, other than where that enforceability is limited as a result of insolvency proceedings.
12. That the loan does not infringe Spanish Law on the Purchase Date.
13. That the loan is not due before the Purchase Date, nor does its maturity fall on that date.
14. That it is loan in connection with which Banco de Crédito Local has received no firm instructions from the Assigned Debtor for it to be fully or partially amortised, and that the latter is pending application to the loan.
15. That on the Purchase Date the loan has already been fully drawn down.
16. That the capital or principal of the loan assigned to the Fund is so assigned for all the capital or principal outstanding pending redemption on the Purchase Date.
17. That the date of final maturity of the loan is not after 31 July 2028.
18. That the period remaining of exclusion of redemption of the loan, as the case may be, from the Purchase Date is not in excess of three (3) years.
19. That the loan redemption instalment periodicity after the period of exclusion of redemption, as the case may be, is not in excess of twelve (12) months.
20. That the loan interest instalment periodicity is not in excess of twelve (12) months.
21. That, on the Purchase Date, the loan is a floating interest rate loan for the entire period remaining until it is finally amortised, without prejudice to the existence, as the case may be, of clauses establishing minimum or maximum interest rates or both at the same time, limiting the quantity of the interest rate applicable to the loan and, therefore, the extent of variability.
22. That determination of the floating interest rate of the loan is benchmarked to MIBOR or EURIBOR rate, with a maturity between 1 and 12 months.
23. That on the Purchase Date the spread or differential applicable for determining the floating interest rate is not below +10 basic percentage points.
24. That on the Purchase Date, the loan has no overdue payment.

25. That, for two (2) years before the Purchase Date, Banco de Crédito Local should not have booked any balance of the loan or any other credit of the Assigned Debtor as doubtful or very doubtful.

In addition to meeting the Individual Election Requirements, the requirements to be globally met by each of the Additional Loans to be assigned to the Fund (the **“Global Election Requirements”**) are the following:

1. That the sum (i) of the aggregate capital or principal of the Additional Loans of a same Assigned Debtor and (ii) of the aggregate Outstanding Balance of the Securitised Loans of the same Assigned Debtor is not in excess of 3.00% of the result of adding (i) the aggregate Outstanding Balance of the Securitised Loans and (ii) the aggregate capital or principal of the Additional Loans, both balances being those of the day immediately preceding the Acceptance Date.
2. That the percentage represented by the sum (i) of the aggregate capital or principal of the Additional Loans and (ii) of the aggregate Outstanding Balance of the Securitised Loans, both corresponding to all the Assigned Debtors domiciled in a same Autonomous Community, in relation to the result of adding (i) the aggregate Outstanding Balance of the Securitised Loans and (ii) the aggregate capital or principal of the Additional Loans, both balances being those of the day immediately preceding the Acceptance Date, is not in excess of the percentage established hereinafter for the relevant Autonomous Community:

Autonomous Community	Maximum percentage
• Andalusia	21.52%
• Aragón	3.50%
• Asturias	3.25%
• Balearic Isles	4.45%
• Canaries	3.98%
• Cantabria	2.64%
• Castile-La Mancha	8.08%
• Castile and León	6.24%
• Catalonia	18.56%
• Extremadura	4.23%
• Galicia	8.56%
• La Rioja	1.99%
• Madrid	9.41%
• Murcia	4.34%
• Navarre	2.31%
• Basque Country	5.85%
• Valencia	21.01%

3. That the average period remaining from the Acceptance Date to each of the final maturity dates of the Additional Loans and of the Securitised Loans, weighted by the capital or principal of each of them, is not in excess of fifteen (15) years from the Acceptance Date.

7. Partial Cover of the Purchase Offer

A Partial Cover of the Purchase Offer shall be deemed to have occurred where the difference between the maximum amount available subject of the Purchase Offer and the total amount of the Additional Loans accepted, is greater than the higher of the following amounts:

- (i) One million (1,000,000) euros.
- (ii) 2.00% of the maximum amount available subject of the Purchase Offer.

IV.1.1.3 Loan Assignment Agreement.

The Management Company shall, for and on behalf of the Fund, enter into a sale agreement of the Securitised Loans with BANCO DE CRÉDITO LOCAL (the “**Loan Assignment Agreement**”) with the following characteristics:

a) Object.

Subject to the terms and conditions of this Loan Assignment Agreement:

- (i) Assignment to the Fund by BANCO DE CRÉDITO LOCAL, upon the incorporation of the Fund, of the Initial Loans listed in the Incorporation Deed.
- (ii) Undertaking by the Management Company to acquire, with the liquidity the Fund may have for such purpose, the Additional Loans firmly offered to it by BANCO DE CRÉDITO LOCAL, provided that they meet the Election Requirements.
- (iii) Establishment of the authority by BANCO DE CRÉDITO LOCAL to offer and sell Additional Loans to the Fund in the future, provided that it has loans in its portfolio meeting the Election Requirements.

Initial Loans.

Upon the incorporation of the Fund (“**Purchase Date**”), the Management Company shall, on behalf of the Fund, acquire the Initial Loans from BANCO DE CRÉDITO LOCAL to be pooled in the Fund, in an as yet indeterminate number, the total capital or principal of which shall amount to a value at least equal to the total face value of the Bond issue on the Fund.

Each and every one of the Initial Loans shall meet the Election Requirements.

The characteristics of the loans selected from the portfolio of BANCO DE CRÉDITO LOCAL, which shall mostly be assigned to the Fund upon being incorporated, are itemised in section IV.4 of this Prospectus.

Additional Loans.

After being incorporated, the Management Company may, on behalf of the Fund, on the Payment Dates in the Restitution Period on which the Loan Restitution System should be applied for distributing Funds Available for Principals (the “**Purchase Dates**”), make successive acquisitions of Additional Loans of BANCO DE CRÉDITO LOCAL with the liquidity it shall have for such purpose, and on the terms contained in section IV.1.1.2.2 of this Chapter.

On each Offer Date, the Management Company shall calculate the amount that may be allocated on the next immediate Payment Date to a new acquisition of Additional Loans.

b) Procedure for acquiring Additional Loans.

1. On the Offer Date, the Management Company shall send BANCO DE CRÉDITO LOCAL a written notice regarding the Purchase Offer of Additional Loans for the Fund, specifying the maximum amount available for acquiring Additional Loans and the Purchase Date on which the assignment is to be made to the Fund and acquisition payment made.

Said “**Offer Dates**” shall fall on the eighth Business Day preceding the Payment Dates on which the Loan Restitution System should be applied for distributing the Funds Available for Principals

2. Within two (2) Business Days of receiving the relevant Purchase Offer of Additional Loans, BANCO DE CRÉDITO LOCAL shall hand to the Management Company a written notice of Additional Loan Sale Offer, along with a data file with details of the characteristics of the loans selected comprising the Sale Offer.
3. On the fourth Business Day after the Offer Date (the “**Acceptance Date**”), the Management Company shall hand to BANCO DE CRÉDITO LOCAL a written notice of Purchase Acceptance of Additional Loans, along with a data file with details of the Additional Loans accepted and of their characteristics, as communicated by BANCO DE CRÉDITO LOCAL.

In order to determine the Additional Loans that are to be included in the Purchase Acceptance, the Management Company:

- a) Shall check that the loans comprised in the Sale Offer meet the Individual and Global Election Requirements established for the acquisition of Additional Loans.
 - b) Shall determine the Additional Loans that are accepted and suitable to be acquired by the Fund for an amount equal to or less than the amount available for the acquisition of Additional Loans subject of the Purchase Offer.
4. Upon the assignment to the Fund of the Additional Loans on the Purchase Date, the Management Company shall send the CNMV a document, also subscribed by BANCO DE CRÉDITO LOCAL, containing the following:
 - (i) A statement by the Management Company to the effect that said Additional Loans meet the set Election Requirements to be incorporated to the Fund.

- (ii) Details of the Additional Loans acquired and their main characteristics, submitting a data file in the form of the document attached as Annex 8 hereto through the Cifradoc system.

c) Representations and warranties of the Originator.

As Originator of the Securitised Loans until acquired by the Fund, BANCO DE CRÉDITO LOCAL shall warrant to the Management Company and the Fund both in relation to the Initial Loans and to the Additional Loans:

- (1) That it is a credit institution duly incorporated in accordance with the laws in force for the time being and entered in the Companies Register.
- (2) That neither at today's date nor at any time since it was incorporated has it been insolvent, under receivership or bankrupt.
- (3) That the Securitised Loans are assigned to the Fund in accordance with Royal Decree 926/1998, Act 19/1992, Bank of Spain Circular 4/1991, 14 June, and other applicable laws, and meet all the requirements established therein.
- (4) That it has sufficient capacity to proceed to assign to the Fund the credit rights under the Securitised Loan agreements shown on the balance sheet of BANCO DE CRÉDITO LOCAL and to validly execute the Incorporation Deed, the agreements and give the ancillary undertakings made.
- (5) That upon being assigned, the Securitised Loans will all meet the Individual Election Requirements purposefully established.
- (6) That the information relating to the Initial Loans included in Annex 5 to the Incorporation Deed accurately reflects the current status of those Loans and is truthful and complete.
- (7) That the Securitised Loans will be taken from its own assets on the relevant assignment date, for the amount at which they are assigned, in accordance with the provisions of Bank of Spain Circular 4/91.
- (8) That the information on the characteristics of the provisional portfolio of loans to be initially pooled in the Fund contained in the Prospectus concerning the incorporation of the Fund and the Bond issue, is accurate and strictly true.

d) Sale or assignment price of the various transfers of the Securitised Loans.

The sale or assignment price of the Securitised Loans shall be at par with the capital or principal sold of each of the Securitised Loans. The full price payable by the Fund for acquiring the Securitised Loans shall be an amount equal to the sum of (i) the sale price for the face value of the capital or principal sold of each of the Securitised Loans, and (ii) the ordinary interest accrued on the capital or principal sold of each

of the Securitised Loans from the last interest settlement date of each of the loans before the Purchase Date, inclusive, until the Purchase Date, exclusive (the “**accrued interest**”).

Payment of the sale price of the Securitised Loans.

1. Payment of the sale price of the Initial Loans shall be made on the Bond Closing Date, same day value.
2. Payment of the sale price of the Additional Loans shall be made on the relevant Purchase Date, same day value.

Payment of the accrued interest of the Securitised Loans.

Payment of the accrued interest for each of the Securitised Loans, both Initial and Additional, shall be made on the Collection Date falling on the first interest settlement date of each of the loans, subsequent to the relevant Purchase Date, and shall not be subject to the Fund Payment Priority Order.

e) Terms of the assignment of the Securitised Loans and description of the rights they confer on the Fund.

Transfer of the Securitised Loans to the Fund shall be made on the following terms:

1. The assignment shall be made for all the capital or principal outstanding pending redemption on the relevant Purchase Date and for all the interest on each of the loans being assigned.

Specifically, and merely for illustrative purposes, without limitation, the Securitised Loans confer the following rights in relation to each of the loans being assigned:

- a) To receive all the amounts accrued as redemption of the capital or principal sold of the Securitised Loans.
- b) To receive all the amounts accrued as ordinary interest on the capital or principal sold of the Securitised Loans.
- c) To receive all the amounts accrued as late-payment interest on the Securitised Loans on payments overdue by the relevant Assigned Debtors.
- d) To receive any other amounts, assets or rights received as payment of principal, interest or expenses of the Securitised Loans.

- e) To receive all possible rights attaching to the Securitised Loans or compensations eventually payable to the Originator derived therefrom, including fees that may be established for each of the Securitised Loans.

The above-mentioned rights will all accrue for the Fund from the Purchase Date of each of the Securitised Loans, with the exception of the ordinary interest, which will accrue from the last interest settlement date of each of the Loans, before or on the Purchase Date of the Securitised Loans.

Payments to the Fund, for both interest and other return on the Securitised Loans, shall not be subject to withholding tax as established in Royal Decree 537/1997, 14 April, approving the Corporation Tax Regulations.

- 2. The assignment of the Securitised Loans will be full and unconditional, and for the entire period remaining until their maturity.

In accordance with article 348 of the Commercial Code, the Originator will be liable to the Fund for the existence and lawfulness of the Securitised Loans, and for the personality with which the assignment is made, but shall not be liable for the solvency of the Assigned Debtor. The Originator shall not bear the risk of delinquency on the Securitised Loans and shall have no liability whatsoever for delinquency of the Assigned Debtors, whether of principal, interest or any other amount they may owe under the Securitised Loans, and is not answerable for the enforceability of the guarantees collateral thereto. It will not take on any other responsibility whatsoever to directly or indirectly guarantee that the assignment will be successful, nor give any guarantees or securities, nor indeed agree to repurchase the Securitised Loans, irrespective of the provisions of section IV.1.1.3.f) to the extent that any of the Securitised Loans might not conform to the Individual Election Requirements contained in section IV.1.1.2 of the present Prospectus, or their specific characteristics notified to the Management Company.

- 3. In the event of prepayment of the Securitised Loans by full or partial early redemption of the capital, there shall be no direct substitution of the affected Securitised Loans.
- 4. The rights of the Fund resulting from the Securitised Loans shall be linked to the payments made by the Assigned Debtors and are therefore directly affected by the evolution, late payments, prepayments or any other incident in connection therewith.
- 5. The Fund shall bear with all conceivable expenses or costs resulting for the Originator of the Securitised Loans derived from recovery actions in the event of a breach by Assigned Debtors of their obligations.
- 6. In the event of renegotiation consented to by the Management Company, for and on behalf of the Fund, of the Securitised Loans, or their due dates, the change in the terms shall affect the Fund in accordance with rule fifteen, section 2d) of Bank of Spain Circular 4/91, 16 June.

f) Set rules for the substitution of Securitised Loans in the event of latent defects therein.

In the event that latent defects should appear in any of the Securitised Loans because it is found during their life that any of them fail to conform to the Election Requirements or their specific characteristics communicated by the Originator to the Management Company on the relevant Purchase Date, the Originator agrees, following the Management Company's consent, to proceed forthwith to substitute the Securitised Loan in that situation, subject to the following rules:

1. 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 5 Business Days from said notice to remedy that circumstance if it may be so remedied or proceed to a partial or full substitution of the affected Securitised Loans, notifying the Management Company of that intention and, in a data file, of the characteristics of the loans intended to be assigned to take their stead, which shall at all events meet the Individual Election Requirements. Once the Management Company has checked that the Individual and Global Election Requirements are met, and after advising the Originator expressly of the loans suitable to be substituted, the Originator shall proceed to terminate the sale of the affected Securitised Loans and to assign the new substitute Securitised Loans.

Substitution shall take place subject to the same formalities established for every acquisition of Additional Loans as concerns submitting to the CNMV a statement that the substitute Securitised Loans meet the requirements established in the Incorporation Deed to be incorporated to the Fund and the data file with details of the characteristics through the Cifradoc system.

2. Subsidiarily to the obligation undertaken under rule 1 above, and in the event that there is no total substitution of the affected Securitised Loans by an assignment of other loans on the terms established in that rule, upon terminating the sale of the affected Securitised Loans, the Originator shall redeem in cash to the Fund the difference between the capital pending redemption of the affected Securitised Loans and the capital assigned by the new substitute Securitised Loans, and the interest accrued and not paid calculated on said capital difference until that date, as well as any other amount receivable by the Fund under the affected Securitised Loans.

g) Acquisition Right.

The Fund shall grant the Originator an Acquisition Right (the "**Acquisition Right**") in all of the remaining Securitised Loans held by the Fund in the following events:

- (i) At any time as of the Outstanding Balance of the Securitised Loans being less than 10 per 100 of the Outstanding Balance of the Initial Loans when they are assigned upon the Fund being incorporated.

- (ii) In the event that the rating of the Originator's non-subordinated and unsecured long- or short-term debt should drop respectively below Aa3 and P-1, in accordance with Moody's rating scale.
- (iii) In the event that there should be a change in the law applicable to the Originator which might materially and adversely affect the effectiveness of the present transaction in relation to the own resources required of the Originator with reference to its commitments, obligations or rights with respect to the Fund.

Exercise of the Acquisition Right shall be subject to the following terms:

- (i) Acquisition shall take place on a Payment Date and refer to all the remaining Securitised Loans held by the Fund, and there may therefore be no partial exercise of that right.
- (ii) The Originator shall give the Management Company and the Comisión Nacional del Mercado de Valores notice of its decision to exercise the Acquisition Right at least 30 days in advance of the Payment Date on which the acquisition is to take place. Such a notice will be given by the Originator in writing, satisfactorily, and signed by a person or persons duly authorised to do so.
- (iii) The Originator first securing all such administrative and internal permissions and authorisations as may be necessary for that purpose.

The price the Originator shall pay the Fund upon exercising the Acquisition Right shall be equal to the sum of the price of each of the remaining Securitised Loans on the following terms:

- (i) For each of the Non-Doubtful and Doubtful Securitised Loans, an amount equal to a sum of (i) the face value of the capital or principal, (ii) the interest accrued not paid on the Payment Date, exclusive, and (iii) the overdue interest.
- (ii) For each of the Very Doubtful Securitised Loans, the price specified by a third party, appointed with one accord by the Originator and the Management Company, and approved by the Rating Agency, bearing in mind the prospects of recovering the same.

Upon exercising the Acquisition Right and paying the exercise price, the Originator shall become the holder of the Securitised Loans, whereupon the Fund shall have made a full and unconditional assignment.

The exercise of the Acquisition Right by the Originator shall result in the termination and early liquidation of the Fund in accordance with the provisions of section III.8 of the Prospectus.

h) Actions in the event of delinquency of the Securitised Loans.

The Fund shall have a declaratory action, through the Management Company, against Assigned Debtors fail to meet their payment obligations derived from the Securitised Loans. Such an action shall be brought as an appropriate ordinary declaratory lawsuit depending on the amount of the claim.

If article 1435 of the Civil Procedure Act should apply, the Fund shall through the Management Company have an executive action against the Assigned Debtors, in accordance with the provisions of article 1429.1 and 1429.6 of the Civil Procedure Act, in the event of delinquency on the Securitised Loans arranged before a Notary Public or in the presence of an Official Broker.

Bondholders shall have no direct right of action against Assigned Debtors who shall have failed to meet their payment obligations; that action shall rest with the Management Company, as the representative of the Fund holding the Securitised Loans.

Bondholders shall have no more actions against the Management Company than as derived from the breach of the latter's obligation and therefore at no event as a result of the existence of arrears or prepayments of the Securitised Loans.

The Management Company may, in exceptional circumstances, to avoid the costs and uncertainties attached to any recovery procedure and to limit the possible downturn in the financial balance of the Fund, and in any event safeguarding the interests of Bondholders, as manager of third-party business, assign to third parties Securitised Loans in a Doubtful or Very Doubtful status, notifying the Originator of this. In that event, the Originator shall have a pre-emptive right and may therefore pre-emptively over third parties acquire the Doubtful or Very Doubtful Securitised Loans, which the Management Company puts up for sale. The Management Company may in that connection seek an offer from a third party and submit to the Originator a list of the assets and offers received from third parties, in which case the Originator may use said pre-emptive right for all the assets offered by the Management Company, within five Business Days of receiving said notice and provided that its offer is at least equal to the best offer made by third parties. The Management Company shall nevertheless not seek third-party offers when the Originator expresses its willingness to acquire the assets offered by the Management Company and the price to be paid would cover (i) the face value of the capital or principal, (ii) the interest accrued not due on the assignment date, exclusive, and (iii) overdue interest.

IV.2 Succinct and short description of the ordinary Securitised Loan servicing and custody system and procedures, focusing particularly on the set procedures relating to late payment and delinquency on principal or interest, prepayments, execution and amendment or renegotiation, as the case may be, of the loans.

BANCO DE CRÉDITO LOCAL, Originator of the Securitised Loans to be acquired by the Fund, as established in article 2.2.b) of Royal Decree 926/1998, shall continue, as attorney for the Management Company, to service and manage the Securitised Loans, and the relations between BANCO DE CRÉDITO LOCAL and the Fund, represented by the Management Company, shall be governed by the Securitised Loan Servicing and Management Agreement (the “**Servicing Agreement**”).

BANCO DE CRÉDITO LOCAL (in that agreement the “**Servicer**”) shall accept the appointment received from the Management Company and thereby agrees as follows:

- (i) To service and manage the Securitised Loans acquired by the Fund subject to the terms and ordinary servicing and management procedures established in the Servicing Agreement.
- (ii) To continue servicing the Securitised Loans, devoting the same time and effort to them and the same degree of skill, care and diligence in servicing the same as it would devote and use to service its own loans and in any event to exercise a suitable degree of skill, care and diligence in providing the services for which provision is made in the Servicing Agreement.
- (iii) That the procedures it applies and will apply to service and manage the Securitised 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.

In any event, the Servicer waives the privileges and authorities conferred on it by law as the manager of collections for the Fund, as Servicer of the Securitised 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.

IV.2.1 Ordinary system and procedures for servicing and managing the Securitised Loans.

The succinct and short description of the ordinary system and procedures (hereinafter the “services”) for servicing and managing the Securitised Loans governed by said Servicing Agreement are as follows:

1. Term.

The services shall be provided by the Servicer until all the obligations undertaken by the Servicer as Originator of the Securitised Loans terminate, once all the Securitised Loans acquired by the Fund have been amortised, without prejudice to the possible early revocation of its appointment in accordance with the Servicing Agreement.

Both in the event of breach by the Servicer of the obligations established in the Servicing Agreement and upon a drop of its credit rating resulting in an impairment or risk for the financial structure of the Fund or the rights and interests of the Bondholders, the Management Company may do any of the following, if legally possible:

- (i) Demand the Servicer to subcontract or delegate or have the performance of those obligations secured by another institution that, in the opinion of the Management Company and the Rating Agency, has suitable legal and technical qualifications, and an acceptable credit rating and quality.

- (ii) Previously appoint a new Servicer having a credit rating and quality acceptable to the Rating Agency.
- (iii) If neither of actions (i) and (ii) above are possible, the Management Company shall directly take on the performance of the services provided in the Servicing Agreement.

The Management Company shall bear in mind the proposal submitted to it by the Servicer both as to subcontracting, delegation or designation of a substitute to perform its obligations and to the institution that may guarantee its performance of those obligations.

2. Custody of deeds, documents and files.

The Servicer shall keep all deeds, agreements, documents and data files relating to the Securitised Loans and shall not give up possession, custody or control thereof other than with the prior written consent of the Management Company for such purpose, unless a document should be required to institute proceedings to claim a Securitised Loan, or it should be required to do so by any other competent authority.

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 Business Days of that request and clear of expenses, a copy or photocopy of any of such deeds, agreements and documents.

3. Collection management.

The Servicer shall continue managing collection of all amounts payable by the Assigned Debtors derived from the Securitised Loans. The Servicer shall act due diligently for payments to be made by the Assigned Debtors to be collected in accordance with the contractual terms and conditions of those Securitised Loans.

Provided that those payments are received by the Servicer, the latter shall proceed to pay them fully to the Fund, within the relevant time periods and on the Collection Dates, in accordance with the set terms and conditions. Notwithstanding the above, the Management Company may, if this is deemed necessary to best defend the interests of Bondholders, demand the Servicer to pay the amounts of the Securitised Loans directly into the Reinvestment Account opened in the name of the Fund.

4. Fixing the interest rate.

In connection with Securitised Loans having a floating interest rate, the Servicer shall continue fixing those interest rates in accordance with the provisions of the relevant Securitised Loans, submitting such communications and notices as may be established in the respective agreements for that purpose.

5. Information.

The Servicer shall regularly communicate to the Management Company the information relating to the individual characteristics of each of the Securitised Loans, with the fulfilment by the Assigned Debtors of the obligations derived for them from the Securitised Loans, with the status of arrears and the changes in the characteristics of the Securitised Loans, and actions in the event of late payment.

The Servicer shall prepare and hand to the Management Company such additional information relating to the Securitised Loans or the rights attaching thereto as the Management Company may reasonably request.

6. Authorities and actions in relation to procedures for renegotiating the Securitised Loans.

The Servicer may not voluntarily cancel the Securitised Loans for a reason other than payment of the Assigned Debtor, relinquish or settle in regard thereto, forgive them 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 Securitised Loans, without prejudice to its proceeding to heed requests by the Assigned Debtors with the same diligence and procedure as if they were own loans.

Notwithstanding the above, the Management Company may in exceptional circumstances, to avoid the costs and uncertainties attaching to any recovery action and maintain the economic balance of the Fund, and in any safeguarding the interests of Bondholders, as manager of third-party business, issue instructions to or authorise the Servicer previously to agree with the Assigned Debtor, on such terms and conditions as may be deemed fit, a renewal(s) modifying the Securitised Loan at issue.

Renegotiating the interest rate.

The terms relating to interest rate of the Securitised Loans may be changed (hereinafter “renegotiation”) subject to the following rules and limitations:

(i) The Servicer may under no circumstance entertain on his own account and without there being a request from an Assigned Debtor interest rate renegotiations which might result in a decrease of the interest rate applicable to a Securitised Loan.

(ii) Without prejudice to the provisions hereinafter, any renegotiation subscribed by the Servicer shall be made exclusively with the prior written consent of the Management Company, on behalf of the Fund, and the Servicer agrees to seek such consent from the Management Company as soon as it is aware that an Assigned Debtor has requested a renegotiation. The Management Company will nevertheless initially authorise the Servicer to accept renegotiations of the interest rate applicable to the Securitised Loans, requested by the debtors, without requiring the prior consent of the Management Company, subject to a number of generic entitlement requirements established in the Servicing Agreement or, as the case may be, such others as the Management Company may determine in their stead.

(iii) The Management Company may at any time during the term of the Agreement, on behalf of the Fund, cancel, suspend or change the requirements for the Servicer’s authorisation to renegotiate which it may previously have given the Servicer. In any event, any Loan interest rate renegotiation, whether or not it is generically authorised, shall be taken on and settled bearing in mind the interests of the Fund.

Extending the period of maturity and redemption.

The final maturity or final redemption date of the Securitised Loans may be extended (“extending the term”) and the system of redemption may be changed subject to the following rules and limitations:

(i) The Servicer may in no case entertain on its own account, i.e. without there being a request by the Assigned Debtor, a change in the final maturity date of the Securitised Loan that may result in an extension of that date, or a change in the redemption system. The Servicer, without encouraging an extension of the term or change in the redemption system, shall act in relation to such extension bearing in mind at all times the interests of the Fund.

(ii) The term of a specific Securitised Loan may be extended provided that the following requirements are met:

- a) That, if necessary, the period of exclusion of redemption of the capital or principal of the Securitised Loan is not in excess of three (3) years.
- b) That the redemption instalment periodicity for the Securitised Loan, when the period of exclusion of redemption is over, as the case may be, is not in excess of twelve (12) months.
- c) That the new final maturity or final redemption date is not beyond 31 July 2028.
- d) That the Securitised Loan is up to date in payment of amounts due on the effective date of the extension of the term.

(iii) Without prejudice to the following provisions, any extension of the term or change in the system of redemption subscribed by the Servicer shall take place exclusively with the prior written consent of the Management Company, on behalf of the Fund, and the Servicer agrees to seek that consent from the Management Company as soon as it is aware that an Assigned Debtor has asked for a renegotiation. The Management Company will nevertheless initially authorise the Servicer to accept an extension of the term of maturity or change in the system of redemption of the Securitised Loans, requested by the debtors, without requiring the prior consent of the Management Company, subject to a number of generic entitlement requirements established in the Servicing Agreement or, as the case may be, such others as the Management Company may determine in their stead.

(iv) The Management Company may at any time during the term of the present agreement, on behalf of the Fund, cancel, suspend or change the Servicer’s authorisation to extend the term or change the system of redemption. In any event, any extension of the term of the Securitised Loans, whether or not it is generically authorised, shall be taken on and settled bearing in mind the interests of the Fund

If there should be any renegotiation of the Loan(s), or their due dates, the Servicer shall forthwith notify the Management Company of the terms resulting from each renegotiation. Such a notice shall be made through the software or data file provided for the terms of the Securitised Loans to be updated. Both the public deeds and the private agreements pertaining to the renewal of the terms of the Loans will be custodied by the Servicer, in accordance with the provisions of section IV.2.1.2 of the present Prospectus.

In the event of a renegotiation consented to by the Management Company, for and on behalf of the Fund, of the Securitised Loans, or their due date, the change in the terms shall affect the Fund in accordance with rule fifteen, section 2d) of Bank of Spain Circular 4/91, 16 June.

7. Action against the debtors in the event of delinquency on the Securitised Loans.

Actions in the event of Late Payment.

The Servicer shall apply an identical diligence and procedure for claiming overdue amounts on the Securitised Loans as with the rest of the loans in its portfolio.

In the event of delinquency by the borrowers of the Securitised Loans, the Servicer shall take the actions described in the Servicing Agreement, taking for that purposes the steps it would ordinarily take if they were loans in its portfolio and in accordance with 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 carried out, without prejudice to its right to be reimbursed by the Fund. Needless to say, these actions include all such legal actions as the Servicer may deem necessary to claim and collect the amounts due by the borrowers.

Legal actions.

The Fund shall, either directly or through the Servicer, using the power of attorney referred to in the following paragraph, have a declaratory or executive action, as the case may be, against Assigned Debtors failing to meet their payment obligations derived from the Securitised Loans. Such an action shall be brought as an appropriate ordinary declaratory lawsuit depending on the amount of the claim or, as the case may be, as an executive legal action.

For the above purposes, the Management Company grants in the Incorporation Deed as full and extensive a power of attorney as may be necessary at Law to BANCO DE CRÉDITO LOCAL in order that the latter may, acting through any of its attorneys properly empowered to that effect, for and on behalf of the Management Company demand the debtor of any of the Securitised Loans to pay his debt and take legal action against the same, in addition to other authorities required to discharge its duties as Servicer. These authorities may also be granted in a document separate from the Incorporation Deed, or extended in the event that this should be necessary for those functions to be discharged.

Nevertheless, if 12 months should elapse from the oldest delinquency and there should be no redemption or restructuring, and the Servicer should fail to bring the legal action within thirty (30) calendar days 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, on behalf of the Fund, take over from the latter and continue with the legal proceedings.

The Servicer agrees to promptly advise of payment demands, legal actions and any other circumstances affecting collection of overdue amounts on the Securitised 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. Set-off.

In the event that any of the Assigned Debtors should have a liquid credit right, due and payable vis-à-vis the Servicer, and any of the Securitised Loans should be fully or partially set-off against that credit right in spite of the Fund being the holder of those loans, the Servicer shall remedy that circumstance or, if it could not be so remedied, the Servicer shall proceed to pay into the Fund the amount set-off plus the accrued interest which would have been payable to the Fund until the date on which the payment is made, calculated on the terms applicable to the relevant Securitised Loan.

IV.2.2 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 Servicer of the Fund and manager of the interests of the Bondholders, nor in relation to the obligations of the Assigned Debtors derived from the Securitised Loans, without prejudice to the liabilities undertaken thereby in the Incorporation Deed as Originator of the Securitised 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 administer, manage and report on the Securitised Loans.

The Management Company shall, for and on behalf of the Fund, have an executive action against the Servicer to enforce the principal and interest maturities of the Securitised Loans, where the breach of the payment obligation in that connection does not result from a delinquency by the Assigned Debtors.

Upon the Securitised Loans terminating, the Fund shall, through its Management Company, retain a right of action against the Servicer until fulfilment of its obligations.

IV.2.3 Remuneration of the Servicer for servicing and managing the Securitised Loans.

In consideration of the servicing and management of the Securitised Loans, the Servicer shall be entitled to receive in arrears on each of the Payment Dates and during the term of the Servicing Agreement, a subordinated management fee equal to 0.01% per annum, inclusive of VAT if there is no exemption, which shall accrue on the days actually elapsed and on the mean daily Outstanding Balance of the Securitised Loans serviced during each Interest Accrual Period. If the Servicer should be replaced in that servicing task, because that is appropriate in view of circumstances of the Servicer which might prevent or make it difficult for that servicing to be properly carried out, the Management Company will be entitled to change the above percentage fee in favour of the substitute institution by up to not more than 0.10% per annum.

If the Fund should, through its Management Company, due to a shortage of liquidity in the Payment Priority Order, fail to pay on a Payment Date all the fee due, the amounts overdue shall accumulate without any penalty whatsoever on the fee payable on the next Payment Dates, whereupon it shall be paid.

Furthermore, on each Payment Date, the Servicer shall be entitled to a reimbursement of all expenses of an exceptional nature incurred, such as in connection with recovery actions, and after first justifying the same in relation to the servicing of the Securitised Loans. Those expenses will be paid whenever the Fund has sufficient liquidity and in the Payment Priority Order.

IV.3 Succinct and short description of the general policies for granting and terms for arrangement established in regard to the assets pooled in the Fund by their Originator.

IV.3.1 Succinct description of the procedures established by the Originator of the Securitised Loans for analysing risks and granting the loans.

The Originator's standards for analysing and assessing the credit risk in granting loans to Local Administrations are described in Annex 9 to this Prospectus entitled "Credit Policy of Banco de Crédito Local".

IV.3.2 Statistical information on the evolution of the Originator's credit activity relating to the assets pooled in the Fund.

The following table shows the evolution over the last 5 years of the credit investment of BANCO DE CRÉDITO LOCAL as Originator of the Securitised Loans, granted for financing Spanish Town Halls, itemised by year.

Business year	Credit investment			Doubtful Asset Balance	Gross Credit Investment	Delinquenc y Ratio	Assets suspended (balance)
	New Arrangements		Total Balance				
	No. of Transactions	Amount					
1	2	3	4	5	6	7	8
1999	2,408	126,759	719,041	9,080	728,121	1.25%	-
1998	2,199	104,020	609,951	6,889	616,840	1.12%	-
1997	2,077	118,563	624,123	8,004	632,127	1.27%	-
1996	2,617	109,636	649,295	8,152	657,447	1.24%	-
1995	2,619	173,724	684,553	8,525	693,078	1.23%	-
Amounts in millions of pesetas							
Only Town Hall credit investment							
(1) at 31 December							
(2) during the year							
(3) Non-Doubtful Balances							

The following table shows the historical figures over the last 4 years with the monthly early-redemption rate, expressed as an annual percentage rate, of the floating interest rate loans granted by BANCO DE CRÉDITO LOCAL to Spanish Town Halls.

Historical early-redemption rate figures				
Month	Year			
	2000	1999	1998	1997
December		2.20%	2.05%	0.32%
November		0.66%	0.58%	0.26%
October		0.13%	3.55%	5.33%
September		0.10%	1.19%	3.27%
August		0.07%	0.21%	1.20%
July		0.64%	0.70%	1.90%
June		0.36%	11.16%	1.39%
May	0.60%	0.40%	0.16%	2.53%
April	0.12%	0.12%	1.98%	0.82%
March	0.65%	2.35%	0.45%	0.22%
February	1.37%	0.11%	0.45%	0.27%
January	0.00%	3.66%	0.80%	
Average:			1.36%	

IV.4 Description of the portfolio loans selected to be pooled in the Fund upon being incorporated.

a) Number of loans and amount or balance pending maturity thereon at present.

The provisional loan portfolio to be used as the basis for the assignment to the Fund upon being incorporated (“Initial Loans”) comprises 2,043 loans, the capital value of which at 3 May 2000 amounted to 213,533,080,737 pesetas (1,283,359,662.09 euros).

All the loans in the provisional portfolio are loans granted by Banco de Crédito Local to Spanish Town Halls.

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

The following table shows the distribution of the outstanding principal balance of the loans in 20 million peseta intervals, and their average, minimum and maximum amount.

Loan portfolio at 3 May 2000					
Classification by outstanding principal balance					
Principal interval (in pesetas)		Loans		Principal Outstanding (in pesetas)	
		N.	%		%
0	19,999,999	589	28.80	8,551,301,666	3.98
20,000,000	39,999,999	510	24.94	14,480,959,065	6.74
40,000,000	59,999,999	232	11.34	11,288,075,036	5.26
60,000,000	79,999,999	142	6.94	9,853,160,412	4.59
80,000,000	99,999,999	100	4.89	8,991,472,432	4.19
100,000,000	119,999,999	80	3.91	8,647,039,266	4.03
120,000,000	139,999,999	47	2.30	6,184,088,099	2.88
140,000,000	159,999,999	43	2.10	6,352,994,053	2.96
160,000,000	179,999,999	37	1.81	6,237,369,684	2.90
180,000,000	199,999,999	22	1.08	4,149,103,868	1.93
200,000,000	219,999,999	21	1.03	4,346,407,892	2.02
220,000,000	239,999,999	22	1.08	5,070,218,255	2.36
240,000,000	259,999,999	20	0.98	4,989,465,022	2.32
260,000,000	279,999,999	17	0.83	4,634,517,267	2.16
280,000,000	299,999,999	12	0.59	3,464,492,311	1.61
300,000,000	319,999,999	14	0.68	4,289,078,062	2.00
320,000,000	339,999,999	9	0.44	2,988,625,691	1.39
340,000,000	359,999,999	7	0.34	2,416,101,491	1.13
360,000,000	379,999,999	5	0.24	1,853,203,364	0.86
380,000,000	399,999,999	6	0.29	2,331,686,807	1.09
400,000,000	419,999,999	11	0.54	4,503,182,867	2.10
420,000,000	439,999,999	6	0.29	2,579,167,698	1.20
440,000,000	459,999,999	3	0.15	1,343,704,403	0.63
460,000,000	479,999,999	6	0.29	2,818,168,661	1.31
480,000,000	499,999,999	3	0.15	1,472,424,641	0.69
500,000,000	519,999,999	4	0.20	2,048,667,515	0.95
520,000,000	539,999,999	4	0.20	2,100,024,416	0.98
540,000,000	559,999,999	2	0.10	1,095,402,908	0.51
560,000,000	579,999,999	2	0.10	1,138,031,411	0.53
600,000,000	619,999,999	7	0.34	4,236,242,516	1.97

Loan portfolio at 3 May 2000					
Classification by outstanding principal balance					
Principal interval (in pesetas)		Loans N. %		Principal Outstanding (in pesetas) %	
620,000,000	639,999,999	3	0.15	1,889,151,328	0.88
640,000,000	659,999,999	2	0.10	1,299,781,142	0.61
660,000,000	679,999,999	2	0.10	1,331,970,820	0.62
700,000,000	719,999,999	3	0.15	2,100,000,000	0.98
720,000,000	739,999,999	3	0.15	2,188,022,376	1.02
740,000,000	759,999,999	3	0.15	2,235,882,697	1.04
760,000,000	779,999,999	2	0.10	1,551,924,583	0.72
780,000,000	799,999,999	2	0.10	1,597,193,220	0.74
800,000,000	819,999,999	1	0.05	807,413,414	0.38
820,000,000	839,999,999	2	0.10	1,645,845,793	0.77
860,000,000	879,999,999	2	0.10	1,746,150,835	0.81
900,000,000	919,999,999	1	0.05	909,933,528	0.42
920,000,000	939,999,999	1	0.05	927,991,099	0.43
940,000,000	959,999,999	3	0.15	2,858,599,024	1.33
980,000,000	999,999,999	1	0.05	999,746,338	0.47
1,000,000,000	1,019,999,999	1	0.05	1,018,750,000	0.47
1,040,000,000	1,059,999,999	1	0.05	1,055,555,560	0.49
1,060,000,000	1,079,999,999	2	0.10	2,141,725,750	1.00
1,120,000,000	1,139,999,999	3	0.15	3,384,912,610	1.58
1,160,000,000	1,179,999,999	1	0.05	1,170,000,000	0.54
1,200,000,000	1,219,999,999	1	0.05	1,200,000,000	0.56
1,240,000,000	1,259,999,999	1	0.05	1,246,340,712	0.58
1,280,000,000	1,299,999,999	2	0.10	2,582,886,572	1.20
1,300,000,000	1,319,999,999	1	0.05	1,312,804,124	0.61
1,340,000,000	1,359,999,999	1	0.05	1,347,787,694	0.63
1,360,000,000	1,379,999,999	2	0.10	2,743,060,438	1.28
1,380,000,000	1,399,999,999	2	0.10	2,784,770,560	1.30
1,420,000,000	1,439,999,999	1	0.05	1,437,500,001	0.67
1,500,000,000	1,519,999,999	1	0.05	1,500,569,623	0.70
1,580,000,000	1,599,999,999	1	0.05	1,582,007,641	0.74
1,600,000,000	1,619,999,999	1	0.05	1,600,156,553	0.75
1,680,000,000	1,699,999,999	1	0.05	1,683,219,315	0.78
1,740,000,000	1,759,999,999	1	0.05	1,742,858,704	0.81
1,840,000,000	1,859,999,999	1	0.05	1,845,388,141	0.86
1,980,000,000	1,999,999,999	1	0.05	1,998,273,875	0.93
2,000,000,000	2,019,999,999	1	0.05	2,005,882,395	0.93
2,060,000,000	2,079,999,999	1	0.05	2,071,295,782	0.96
2,160,000,000	2,179,999,999	1	0.05	2,166,000,000	1.01
2,220,000,000	2,239,999,999	1	0.05	2,225,554,539	1.04
2,320,000,000	2,339,999,999	1	0.05	2,333,333,336	1.09
Total Portfolio		2,043	100.00	213,533,080,737	100.00

Loan portfolio at 3 May 2000		
Classification by outstanding principal balance		
Principal interval (in pesetas)	Loans N. %	Principal Outstanding (in pesetas) %
Average principal:		104,999,813
Minimum principal:		10,009,764
Maximum principal:		2,333,333,336

c) **Actual interest rate applicable at present: maximum, minimum and average rates of the loans.**

The loans in the provisional portfolio all have a floating interest rate.

The following table shows the distribution of the loans in nominal interest rate intervals of 0.25%, and their average, minimum and maximum values.

Loan portfolio at 3 May 2000					
Classification by Nominal Interest Rates					
Interest Rate % Interval	Loans		Principal outstanding (in pesetas)		%Interest* rate
		%		%	
2.75 - 2.99	4	0.20	358,667,664	0.17	2.88
3.00 - 3.24	14	0.68	1,211,496,564	0.56	3.02
3.25 - 3.49	23	1.12	1,917,922,023	0.89	3.30
3.50 - 3.74	32	1.56	2,113,496,307	0.98	3.58
3.75 - 3.99	166	8.12	16,761,379,288	7.81	3.85
4.00 - 4.24	546	26.70	54,832,773,347	25.54	4.09
4.25 - 4.49	614	30.02	56,986,314,017	26.54	4.31
4.50 - 4.74	313	15.31	31,188,236,916	14.52	4.55
4.75 - 4.99	164	8.02	26,665,345,017	12.42	4.81
5.00 - 5.24	101	4.94	14,409,411,956	6.71	5.01
5.25 - 5.49	48	2.35	6,131,006,226	2.86	5.27
5.50 - 5.74	14	0.68	1,959,461,887	0.91	5.58
5.75 - 5.99	3	0.15	104,129,788	0.05	5.81
6.00 - 6.24	2	0.10	38,760,793	0.02	6.05
6.25 - 6.49	1	0.05	46,215,108	0.02	6.25
Total Portfolio	2,043	100.00	213,533,080,737	100.00	
Weighted Average:					4,38
Simple Average:					4,32
Minimum:					2,86
Maximum:					6,25
*Average nominal interest rate of the interval weighted by the principal outstanding.					

d) **Benchmark indexes applicable at present for determining the floating interest rates applicable to the loans.**

The following table shows the distribution of the loans according to the benchmark index applicable to them.

Loan portfolio at 3 May 2000					
Classification by Benchmark interest rate index					
Benchmark index	Loans		Principal Outstanding (in pesetas)		%Spread * a/index
		%		%	
3-month EURIBOR	44	2.15	3,049,799,631	1.42	0.41
1-year EURIBOR	3	0.15	226,200,000	0.11	0.20
1-month MIBOR	26	1.27	3,593,952,380	1.67	0.67
3-month MIBOR	1,707	83.47	183,365,822,702	85.40	0.47
6-month MIBOR	55	2.69	5,016,734,984	2.34	0.36
1-year MIBOR	210	10.27	19,472,107,204	9.07	0.44
Total Portfolio	2,043	100.00	213,533,080,737	100.00	
*Spread above the average benchmark index weighted by the principal outstanding.					

e) **Loan arrangement and final maturity dates.**

Arrangement date

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

Loan portfolio at 3 May 2000				
Classification by date of arrangement of the loan				
Date interval	Loans		Principal Outstanding (in pesetas)	
		%		%
From 01/01/1990 to 30/06/1990	1	0.05	27,451,363	0.01
From 01/07/1990 to 31/12/1990	6	0.29	556,389,566	0.26
From 01/01/1991 to 30/06/1991	12	0.59	336,619,635	0.16
From 01/07/1991 to 31/12/1991	9	0.44	484,774,554	0.23
From 01/01/1992 to 30/06/1992	3	0.15	137,240,674	0.06
From 01/07/1992 to 31/12/1992	9	0.44	272,809,072	0.13
From 01/01/1993 to 30/06/1993	7	0.34	839,021,118	0.39
From 01/07/1993 to 31/12/1993	14	0.68	1,645,868,091	0.77
From 01/01/1994 to 30/06/1994	54	2.64	8,126,813,456	3.78
From 01/07/1994 to 31/12/1994	179	8.75	21,099,786,864	9.83
From 01/01/1995 to 30/06/1995	171	8.36	13,088,710,530	6.10
From 01/07/1995 to 31/12/1995	89	4.35	7,211,881,769	3.36
From 01/01/1996 to 30/06/1996	91	4.45	12,062,657,729	5.62
From 01/07/1996 to 31/12/1996	166	8.12	18,426,620,013	8.58

Loan portfolio at 3 May 2000 Classification by date of arrangement of the loan				
Date interval	Loans		Principal Outstanding (in pesetas)	
		%		%
From 01/01/1997 to 30/06/1997	182	8.90	31,708,895,949	14.77
From 01/07/1997 to 31/12/1997	336	16.43	35,272,313,449	16.43
From 01/01/1998 to 30/06/1998	185	9.05	24,435,785,063	11.38
From 01/07/1998 to 31/12/1998	202	9.88	14,106,177,326	6.57
From 01/01/1999 to 30/06/1999	154	7.53	11,768,999,916	5.48
From 01/07/1999 to 31/12/1999	117	5.72	8,794,992,023	4.10
From 01/01/2000 to 30/06/2000	58	2.84	4,320,808,741	2.01
Total Portfolio	2,043	100.00	213,533,080,737	100.00
	38.53	months	Weighted average seniority	
25/06/1990	118.36	months	Maximum seniority	
26/04/2000	0.23	months	Minimum seniority	

Final maturity date and residual life.

The redemption of the loans takes place throughout the life remaining until full redemption, during which period the debtors must pay monthly instalments comprising capital redemption and interest. Some loans nevertheless include an initial period of exclusion of redemption.

At any time during the life of the loans, the debtors may prepay all or part of the capital pending redemption, in which the accrual of interest on the part prepaid will cease as of the date on which the redemption occurs.

The following table shows the distribution of the loans according to the final maturity date in annual intervals, and the weighted average residual life and the minimum and maximum final maturity dates.

Loan portfolio at 3 May 2000						
Classification by Final Maturity Date						
Date interval	Loans		Principal Outstanding (in pesetas)		Residual Life*	
		%		%	Months	Date
From 01/01/2001 to 31/12/2001	30	1.47	1,241,071,892	0.58	15.73	25/08/2001
From 01/01/2002 to 31/12/2002	35	1.71	3,255,044,487	1.52	29.14	7/10/2002
From 01/01/2003 to 31/12/2003	42	2.05	2,556,427,516	1.19	40.19	8/09/2003
From 01/01/2004 to 31/12/2004	91	4.45	9,825,442,203	4.58	52.32	11/09/2004
From 01/01/2005 to 31/12/2005	92	4.50	9,700,101,594	4.52	62.89	30/07/2005
From 01/01/2006 to 31/12/2006	149	7.29	18,170,578,489	8.46	75.27	11/08/2006
From 01/01/2007 to 31/12/2007	191	9.34	24,923,455,558	11.61	86.45	17/07/2007
From 01/01/2008 to 31/12/2008	201	9.83	17,531,327,185	8.16	99.21	9/08/2008
From 01/01/2009 to 31/12/2009	240	11.74	22,304,462,317	10.39	111.16	7/08/2009
From 01/01/2010 to 31/12/2010	209	10.22	15,448,043,056	7.19	122.37	15/07/2010
From 01/01/2011 to 31/12/2011	180	8.80	14,652,059,335	6.82	135.00	3/08/2011
From 01/01/2012 to 31/12/2012	134	6.55	19,100,919,647	8.90	145.97	2/07/2012
From 01/01/2013 to 31/12/2013	113	5.53	12,278,060,869	5.72	158.50	18/07/2013
From 01/01/2014 to 31/12/2014	73	3.57	4,144,565,385	1.93	171.24	10/08/2014
From 01/01/2015 to 31/12/2015	64	3.13	5,544,629,233	2.58	182.06	5/07/2015
From 01/01/2016 to 31/12/2016	46	2.25	4,158,411,502	1.94	197.39	14/10/2016
From 01/01/2017 to 31/12/2017	40	1.96	9,062,041,286	4.22	206.51	19/07/2017
From 01/01/2018 to 31/12/2018	33	1.61	7,198,297,437	3.35	218.79	28/07/2018
From 01/01/2019 to 31/12/2019	38	1.86	8,442,441,021	3.93	230.88	30/07/2019
From 01/01/2020 to 31/12/2020	12	0.59	2,594,256,030	1.21	241.87	29/06/2020
From 01/01/2021 to 31/12/2021	14	0.68	911,398,245	0.42	254.63	22/07/2021
From 01/01/2022 to 31/12/2022	9	0.44	742,900,516	0.35	262.30	13/03/2022
From 01/01/2023 to 31/12/2023	3	0.15	184,266,230	0.09	279.49	18/08/2023
From 01/01/2024 to 31/12/2024	5	0.24	703,926,301	0.33	288.96	1/06/2024
From 01/01/2026 to 31/12/2026	1	0.05	50,489,567	0.02	316.48	17/09/2026
Total portfolio	2,043	100.00	213,533,080,737	100.00		
Weighted Average:					125.49	
Simple Average:					119.41	
Minimum:					9.07	
Maximum:					316.48	
*Residual life (months and date) are averages weighted by the principal outstanding.						

f) Information on the number of inhabitants for each of the loan debtor Town Halls.

The following table shows the distribution of the loans by number of inhabitants of the debtor Town Halls in accordance with the 1998 census, in intervals of 7,000 inhabitants.

Loan portfolio at 3 May 2000						
Classification by inhabitants of each Town Hall						
Inhabitant number intervals			Loans		Principal Outstanding (in pesetas)	
			%		%	
From	0 to	6,999	1.009	49.34	36,312,577,147	16.91
From	7,000 to	13,999	472	23.08	34,963,167,110	16.28
From	14,000 to	20,999	213	10.42	30,110,473,976	14.02
From	21,000 to	27,999	116	5.67	23,411,194,593	10.90
From	28,000 to	34,999	56	2.74	12,611,192,691	5.87
From	35,000 to	41,999	27	1.32	3,951,736,619	1.84
From	42,000 to	48,999	26	1.27	7,176,516,817	3.34
From	49,000 to	55,999	24	1.17	8,036,325,091	3.74
From	56,000 to	62,999	7	0.34	4,202,700,151	1.96
From	63,000 to	69,999	22	1.08	6,549,142,497	3.05
From	70,000 to	76,999	1	0.05	50,627,298	0.02
From	77,000 to	83,999	3	0.15	2,011,839,031	0.94
From	84,000 to	90,999	3	0.15	1,114,428,848	0.52
From	98,000 to	104,999	7	0.34	2,344,988,716	1.09
From	105,000 to	111,999	5	0.24	4,630,177,888	2.16
From	112,000 to	118,999	2	0.10	820,000,000	0.38
From	119,000 to	125,999	2	0.10	1,447,072,079	0.67
From	126,000 to	132,999	2	0.10	130,657,819	0.06
From	133,000 to	139,999	6	0.29	2,087,407,523	0.97
From	140,000 to	146,999	2	0.10	492,196,561	0.23
From	154,000 to	160,999	3	0.15	1,985,114,240	0.92
From	161,000 to	167,999	2	0.10	1,682,397,896	0.78
From	168,000 to	174,999	6	0.29	3,922,848,918	1.83
From	189,000 to	195,999	15	0.73	8,761,711,721	4.08
From	245,000 to	251,999	1	0.05	2,071,295,782	0.96
From	259,000 to	265,999	2	0.10	1,421,850,106	0.66
From	301,000 to	307,999	4	0.20	3,460,734,650	1.61
From	322,000 to	328,999	2	0.10	1,744,102,236	0.81
From	679,000 to	685,999	3	0.15	4,826,388,897	2.25
From	763,000 to	769,999	2	0.10	2,393,750,000	1.11
Total Portfolio			2,043	100,00	213,533,080,737	100,00

g) Information on the geographical distribution by Autonomous Communities.

The following table shows the geographical distribution of the loans, according to the Autonomous Communities in which the loan debtor Town Halls are located.

Loan portfolio at 3 May 2000				
Geographical Classification by Autonomous Communities				
	Loans		Principal Outstanding (in pesetas)	
		%		%
Andalusia	399	19.53	42,204,507,142	19.76
Aragón	66	3.23	3,717,857,337	1.74
Asturies	26	1.27	3,181,845,934	1.49
Balearic Isles	29	1.42	5,747,979,644	2.69
Canaries	27	1.32	4,738,690,849	2.22
Cantabria	21	1.03	1,879,708,142	0.88
Castile-La Mancha	146	7.15	13,505,966,542	6.32
Castile and León	126	6.17	9,556,753,431	4.48
Catalonia	328	16.05	35,868,750,398	16.80
Extremadura	79	3.87	5,266,974,751	2.47
Galicia	245	11.99	14,530,726,734	6.80
La Rioja	19	0.93	489,591,755	0.23
Madrid	85	4.16	16,331,619,804	7.65
Murcia	34	1.66	5,509,733,019	2.58
Navarre	26	1.27	1,170,925,948	0.55
Basque Country	63	3.03	8,735,550,079	4.09
Valencia	326	15.91	41,095,899,228	19.25
Total Portfolio	2,043	100.00	213,533,080,737	100.00

- h) Information as to the existence of delays in the collection of loan principal or interest instalments and, as the case may be, amount of the current principal of the delayed loans in excess of 30, 60 and 90 days.**

The loans in the provisional portfolio at 3 May 2000 were all up to date in payment of the amounts due for each of them.

In order for the Individual Election Requirements to be met, none of the Additional Loans finally assigned for the incorporation of the Fund shall have overdue payments on the date of assignment.

- i) Information on the current amount of loans considered by the Originator of the Securitised Loans to be assets with a 20% weighting, for the purposes provided in the Order dated 30 December 1992 on Credit Institution solvency rules.**

The loans in the provisional portfolio are all considered by BANCO DE CRÉDITO LOCAL to be risk assets with a 20% weighting in the solvency ratio it must maintain as a Credit Institution, for the purposes provided in the Order dated 30 December 1992.

CHAPTER V

INFORMATION ON THE ECONOMIC AND FINANCIAL OPERATION OF THE ASSET SECURITISATION FUND

V.1 Synoptic chart describing the various assumptions and most likely estimated performance of the economic and financial flows of the Fund:

Initial balance sheet of the Fund.

The balance sheet of the Fund on the Closing Date will be as follows, assuming that all Incorporation and Bond issue expenses are met that day:

ASSETS		LIABILITIES	
Fixed Assets	1,205,600,000.00	Bond issue	1,205,000,000.00
Securitised Loans	1,205,117,484.60	Series A1 Bonds	245,000,000.00
(adjustment excess to 117,484.60)		Series A2 Bonds	900,000,000.00
		Series B Bonds	60,000,000.00
Incorporation and issue expenses	482,515.40		
Current Assets	To be determined	Long-term liabilities	600,000.00
		Subordinated Loan	600,000.00
Reinvestment Account	0.00		
Accrued interest receivable	To be determined	Short-term creditors	to be determined
		Loan interest accrued payable	to be determined
Total assets	1,205,600,000.00	Total liabilities	1,205,600,000.00
	0		0
MEMORANDUM ACCOUNTS			
Subordinated Credit Available	54,225,000.00		
Payment Interest Flow Swap	To be determined		
Collection Interest Flow Swap	To be determined		

V.1.1 Assumptions made in relation to the main or most likely rates of such factors as early-redemption, late payments, delinquencies and defaults, with respect to the Securitised Loans to be pooled in the Fund.

The tables shown in section V.1.3 below relate to one of the possible scenarios that could, in relation to the income and payments made and received by the Fund, arise during the term of the Fund and the present Bond issue.

The following assumptions have been made in preparing said Bond servicing and Fund cash flow tables:

a) Securitised Loans.

Initial Loans

- (i) Amount of the portfolio at 3 May 2000 from which the loans subject of the originated Securitised Loans will be taken: 213,533,080,737 pesetas (1,283,359,662.09 euros).
- (ii) Interest rate: 4.912% (4.448% 3-month Euribor rate at 24 May 2000 plus a 0.464% mean weighted spread of the portfolio of loans selected at 3 May 2000)
- (iii) CPR: 4% per annum.
- (iv) Delinquency rate: 0% per annum.
- (v) Defaults: 0%.

Additional Loans.

New acquisitions of Additional Loans during the entire Restitution Period:

- (i) 100% Offer Cover.
- (ii) Redemption of the principal calculated with the same redemption schedule resulting from the Initial Loans, adjusted to the acquisition principal.
- (iii) Interest: calculated with the same interest rate applicable to the Initial Loans.

b) Bonds.

- (i) Amount: 245,000,000 euros (40,764,570,000 Ptas.) in Series A1, 900,000,000 euros (149,747,400,000 Ptas.) in Series A2 and 60,000,000 euros (9,983,160,000 Ptas.) in Series B.
- (ii) Interest rate: floating interest rate for the outstanding balances of each of the Bond Series A1, A2 and B, assuming that the interest rates in each Series are kept constant respectively at 4.498%, 4.548% and 4.948%.
- (iii) Exercise by the issuer of the Early-redemption option of the Bonds in both Series when the Outstanding Balance of the Securitised Loans is less than 10% of their initial amount.

c) Ancillary agreements.

- (i) *Guaranteed Interest Rate Deposit Agreement. Reinvestment Account.*

It is assumed that the rating of the short-term debt of BANCO DE CRÉDITO LOCAL will at no time drop below P-1 in Moody's scale and, therefore, the Reinvestment Account shall remain at BANCO DE CRÉDITO LOCAL.

Interest rate: 4.448%, for all amounts deposited in the Reinvestment Account.

(ii) Subordinated Loan Agreement.

- Amount: 600,000 euros (99,831,600 Ptas.), which shall be allocated to financing the Fund incorporation and Bond issue expenses (approximately 482,515.40 euros -80,283,807 Ptas.-) and to partially finance the subscription for the Securitised Loans.
- Interest rate: 5.448%.
- Redemption: quarterly redemption on each of the Payment Dates during the first five (5) years after the incorporation of the Fund.

(iii) Interest Flow Swap Agreement.

- Payments: the sum of the interest due between every two monthly Settlement Dates of the Non-Doubtful Securitised Loans, in each Interest Accrual Period.
- Collections: the result of applying the weighted floating interest rate of both Bond Series A and B plus 0.10% on the Principal Balance Outstanding in both Classes of Bonds.

(iv) Subordinated Credit Agreement.

- It is assumed that the rating of the long-term debt of BANCO DE CRÉDITO LOCAL will at no time drop below A2 in Moody's scale and, therefore, that the Maximum Amount of the Subordinated Credit will not be drawn down as a result of this for a Reserve Fund to be set up.
- Interest rate: 5.448%.

e) Reserve Fund.

It is assumed that the rating of the long-term debt of BANCO DE CRÉDITO LOCAL will at no time drop below A2 in Moody's scale and, therefore, that the Reserve Fund will not be set up upon the Maximum Amount of the Subordinated Credit being drawn down.

f) Fees and spread.

- (i) Loan Management fee: 0.01% per annum on the mean daily Outstanding Balance of the Securitised Loans during each Interest Accrual Period corresponding to the ongoing Payment Date, inclusive of VAT.
- (ii) Brokerage: variable amount to be settled quarterly on each Payment Date, and which shall accrue every year in an amount equal to the positive difference, if any, between the Fund's income and expenditure before its official accounts are closed.

g) Current expenses, including:

- (i) Management Company Fee: 0.0235% per annum on the Principal Balance Outstanding on the Bonds, with a minimum annual amount of 42,070 euros (6,999,859 Ptas.).
- (ii) Expenses of the annual audits of the Fund, monitoring and maintenance of the Bond rating and publication of notices.
- (iii) Bond Payment Agency Fees.

V.1.2 Analysis and comments on the impact the potential changes in the assumptions described in the preceding point would have on the financial balance of the Fund.

First of all, in order to cover the possible interest rate risk which would derive from the existing difference between the benchmark interest rates applicable to the Securitised Loans, on the one hand, and the Bonds on the other, and to cover the potential risk derived from renegotiating down the nominal interest rate applicable to the Securitised Loans, the Fund has been provided with an excess spread through the Interest Financial Swap.

Otherwise, the quality of the Securitised Loans and the mechanisms guaranteeing the aforesaid financial balance of the Fund are such that no extreme early-redemption, nor delinquency and default ratios should reasonably be considered resulting, upon both the early-redemption risk and the risk of delinquency on the loans being properly transferred, in the financial structure of the Fund being imbalanced.

As for the incidence that the early redemption of the Securitised Loans might have on the Bonds, section II.12.b) of the present Prospectus contains a table showing the performance of the average life and duration of the Bonds for different effective constant annual early redemption or prepayment rates (CPR).

V.1.3 Number outline of the cash flow of the Fund.

The number outline set forth hereinafter relates to collections and payments derived from the application of a cash policy, for ease of understanding of the investor, though in accordance with the provisions of section V.2 of the present Prospectus, the Fund will make apportion income and expenditure in time in accordance with the accruals principle.

Said outline is based not only on the assumptions referred to in section V.1.1 above but also on said assumptions remaining constant throughout the life of the Fund, whereas it is well-known that the relevant variables, particularly the interest rates of the Bonds in all the Series, and the actual Early-Redemption Rates of the Securitised Loans are subject to continual changes.

Now, therefore, the value of that number outline is merely illustrative.

CASH FLOWS OF THE FUND

(AMOUNTS IN EUROS)

CPR = 4%

23 Jun 2000

1,205,000,000
600.000

Bond issue
Subordinated Loan

			COLLECT				Total
Subord. Credit Limit (0)	Outs. Bal. of Securitized Loans (1)	Date (2)	Funds Available for Principals (3)	Net Int. Swap (4)	Reinvest. Interest (5)	Subord. Credit Drawn (6)	
54,225,000.00	1,205,000,000.00	26-Oct-2000	69,560,741.41	19,530,694.44	536,533.49	0.00	89,627,969.34
54,225,000.00	1,205,000,000.00	26-Jan-2001	51,415,719.14	14,374,591.11	243,912.46	0.00	66,034,222.71
54,225,000.00	1,205,000,000.00	26-Apr-2001	50,638,328.14	14,062,100.00	246,683.30	0.00	64,947,111.44
54,225,000.00	1,205,000,000.00	26-Jul-2001	52,284,014.66	14,218,345.56	251,721.03	0.00	66,754,081.24
54,225,000.00	1,205,000,000.00	26-Oct-2001	53,637,922.33	14,374,591.11	262,271.05	0.00	68,274,784.49
54,225,000.00	1,205,000,000.00	28-Jan-2002	59,056,797.05	14,687,082.22	290,233.11	0.00	74,034,112.38
54,225,000.00	1,205,000,000.00	26-Apr-2002	56,917,903.76	13,749,608.89	273,526.36	0.00	70,941,039.01
54,225,000.00	1,205,000,000.00	26-Jul-2002	59,351,389.25	14,218,345.56	279,804.55	0.00	73,849,539.36
54,225,000.00	1,205,000,000.00	28-Oct-2002	59,999,463.19	14,687,082.22	308,432.20	0.00	74,994,977.62
54,225,000.00	1,205,000,000.00	27-Jan-2003	66,020,339.56	14,218,345.56	310,797.12	0.00	80,549,482.23
54,225,000.00	1,205,000,000.00	28-Apr-2003	62,654,109.76	14,218,345.56	315,070.16	0.00	77,187,525.48
54,225,000.00	1,205,000,000.00	28-Jul-2003	66,184,954.53	14,218,345.56	322,901.52	0.00	80,726,201.61
54,225,000.00	1,205,000,000.00	27-Oct-2003	66,672,653.98	14,218,345.56	321,893.89	0.00	81,212,893.43
54,225,000.00	1,205,000,000.00	26-Jan-2004	73,583,568.66	14,218,345.56	323,526.31	0.00	88,125,440.53
54,225,000.00	1,205,000,000.00	26-Apr-2004	70,086,773.84	14,218,345.56	324,593.88	0.00	84,629,713.28
54,225,000.00	1,205,000,000.00	26-Jul-2004	71,975,852.44	14,218,345.56	324,271.46	0.00	86,518,469.45
54,225,000.00	1,205,000,000.00	26-Oct-2004	72,181,011.47	14,374,591.11	336,455.23	0.00	86,892,057.82
54,225,000.00	1,205,000,000.00	26-Jan-2005	80,146,659.96	14,374,591.11	349,671.12	0.00	94,870,922.19
54,225,000.00	1,205,000,000.00	26-Apr-2005	75,866,891.24	14,062,100.00	350,590.14	0.00	90,279,581.38
54,225,000.00	1,205,000,000.00	26-Jul-2005	78,383,278.06	14,218,345.56	348,752.57	0.00	92,950,376.18
53,172,112.50	1,181,602,500.00	26-Oct-2005	79,189,441.93	14,374,591.11	364,166.49	0.00	93,928,199.53
52,167,735.00	1,159,283,000.00	26-Jan-2006	82,603,130.66	14,096,670.41	365,068.75	0.00	97,064,869.82
51,228,405.00	1,138,409,000.00	26-Apr-2006	82,402,173.65	13,530,868.46	367,657.75	0.00	96,300,699.86
50,362,942.50	1,119,176,500.00	26-Jul-2006	82,715,705.39	13,435,960.50	363,063.19	0.00	96,514,729.08
49,560,322.50	1,101,340,500.00	26-Oct-2006	80,758,126.47	13,355,160.51	370,734.03	0.00	94,484,021.01
48,815,032.50	1,084,778,500.00	26-Jan-2007	82,522,892.23	13,143,300.53	369,965.73	0.00	96,036,158.49
48,135,892.50	1,069,686,500.00	26-Apr-2007	80,609,891.86	12,665,126.17	371,242.74	0.00	93,646,260.77
47,515,185.00	1,055,893,000.00	26-Jul-2007	79,636,651.89	12,628,532.21	359,114.12	0.00	92,624,298.22
46,947,397.50	1,043,275,500.00	26-Oct-2007	76,586,226.23	12,603,465.03	359,709.63	0.00	89,549,400.90
46,440,247.50	1,032,005,500.00	28-Jan-2008	77,490,343.42	12,724,321.81	369,465.52	0.00	90,584,130.75
45,966,172.50	1,021,470,500.00	28-Apr-2008	77,116,010.95	12,185,813.95	374,033.59	0.00	89,675,858.50
45,539,505.00	1,011,989,000.00	28-Jul-2008	77,303,752.85	12,062,037.07	364,645.85	0.00	89,730,435.77
45,142,605.00	1,003,169,000.00	27-Oct-2008	75,481,697.04	11,950,637.87	348,324.44	0.00	87,780,659.35
44,779,882.50	995,108,500.00	26-Jan-2009	78,457,796.94	11,847,010.71	343,604.44	0.00	90,648,412.10
44,439,210.00	987,538,000.00	27-Apr-2009	78,825,474.86	11,752,307.00	363,550.18	0.00	90,941,332.04
44,144,842.50	980,996,500.00	27-Jul-2009	76,165,316.63	11,663,360.36	347,254.62	0.00	88,175,931.61
43,872,525.00	974,945,000.00	26-Oct-2009	74,191,864.49	11,586,503.54	329,679.59	0.00	86,108,047.62
43,631,077.50	969,579,500.00	26-Jan-2010	74,249,384.67	11,641,946.70	318,315.05	0.00	86,209,646.42
43,400,655.00	964,459,000.00	26-Apr-2010	75,608,127.64	11,326,513.79	330,847.64	0.00	87,265,489.07
43,200,000.00	960,000,000.00	26-Jul-2010	73,669,782.03	11,392,202.62	314,893.73	0.00	85,376,878.38
22,268,106.94	890,724,277.74	26-Oct-2010	69,275,722.26	11,464,426.67	308,285.78	0.00	81,048,434.71
20,609,875.56	824,395,022.42	26-Jan-2011	66,329,255.32	10,641,554.24	291,422.72	0.00	77,262,232.29
19,014,983.37	760,599,334.78	26-Apr-2011	63,795,687.64	9,639,470.16	289,804.87	0.00	73,724,962.67
17,552,839.85	702,113,593.95	26-Jul-2011	58,485,740.82	8,997,032.76	249,923.53	0.00	67,732,697.12
16,218,380.19	648,735,207.53	26-Oct-2011	53,378,386.42	8,401,194.63	235,519.02	0.00	62,015,100.06
14,882,488.73	595,299,549.16	26-Jan-2012	53,435,658.38	7,767,154.29	229,139.16	0.00	61,431,951.83
13,571,620.00	542,864,800.00	26-Apr-2012	52,434,749.16	7,054,907.21	233,272.61	0.00	59,722,928.98
12,373,566.68	494,942,667.04	26-Jul-2012	47,922,132.95	6,438,845.52	200,318.29	0.00	54,561,296.76
11,389,180.39	455,567,215.45	26-Oct-2012	39,375,451.59	5,940,372.32	168,301.36	0.00	45,484,125.28
10,495,613.10	419,824,523.80	28-Jan-2013	35,742,691.65	5,591,632.87	167,289.94	0.00	41,501,614.45
9,606,375.97	384,255,038.97	26-Apr-2013	35,569,484.83	4,828,619.61	161,885.21	0.00	40,559,989.65
8,836,852.92	353,474,116.61	26-Jul-2013	30,780,922.37	4,575,321.81	134,779.05	0.00	35,491,023.24
8,092,750.67	323,710,026.63	28-Oct-2013	29,764,089.98	4,352,585.65	142,343.40	0.00	34,259,019.02
7,404,067.42	296,162,696.92	27-Jan-2014	27,547,329.71	3,863,971.74	122,175.82	0.00	31,533,477.27
6,769,220.80	270,768,831.84	28-Apr-2014	25,393,865.08	3,540,315.10	116,102.19	0.00	29,050,282.37
6,150,222.18	246,008,887.15	28-Jul-2014	24,759,944.69	3,241,959.76	112,558.12	0.00	28,114,462.57
5,560,252.61	222,410,104.31	27-Oct-2014	23,598,782.84	2,951,052.42	102,359.28	0.00	26,652,194.53
5,006,361.13	200,254,445.06	26-Jan-2015	22,155,659.24	2,673,787.69	94,323.60	0.00	24,923,770.54
4,489,171.92	179,566,876.94	27-Apr-2015	20,687,568.12	2,413,478.39	90,031.66	0.00	23,191,078.17
4,046,434.82	161,857,392.64	27-Jul-2015	17,709,484.30	2,170,417.86	80,286.47	0.00	19,960,188.63
3,652,578.84	146,103,153.43	26-Oct-2015	15,754,239.21	1,962,347.16	69,719.34	0.00	17,786,305.70
3,288,590.18	131,543,607.04	26-Jan-2016	14,559,546.39	1,796,779.06	65,841.54	0.00	16,422,166.98
0.00	0.00	26-Apr-2016	131,543,607.04	1,606,187.12	63,223.10	0.00	133,213,017.26
			3,822,202,164.30	662,340,232.16	17,145,884.10	0.00	4,501,688,280.56

CASH FLOWS OF THE FUND

(AMOUNTS IN EUROS)

CPR = 4%

1,205,000,000 Initial Loan Acquisition Payment

482,515.40 Organisation expenses

PAYM.								
Acquisition Securitized Loans (8)	Current Expenses (9)	Bond Int. (10)	Bond Principal Amort. (11)	Subord. Loan & Credit Interest (12)	Subord. Loan & Credit Amortisation (13)	Admin. Fee (14)	Brokerage (15)	Total (16)
69,560,741.41	121,113.07	19,069,756.94	0.00	9,273.62	24,125.77	41,212.20	801,746.33	89,627,969.34
51,415,719.14	72,666.94	14,035,341.11	0.00	6,382.01	24,125.77	30,104.01	449,883.73	66,034,222.71
50,638,328.14	71,093.75	13,730,225.00	0.00	5,914.67	24,125.77	29,435.64	447,988.47	64,947,111.44
52,284,014.66	71,880.35	13,882,783.06	0.00	5,648.15	24,125.77	29,758.28	455,870.98	66,754,081.24
53,637,922.33	93,972.58	14,035,341.11	0.00	5,374.32	24,125.77	30,064.96	447,983.42	68,274,784.49
59,056,797.05	75,718.94	14,340,457.22	0.00	5,147.96	24,125.77	30,720.12	501,145.31	74,034,112.38
56,917,903.76	69,520.56	13,425,108.89	0.00	4,498.07	24,125.77	28,744.01	471,137.95	70,941,039.01
59,351,389.25	71,880.35	13,882,783.06	0.00	4,319.17	24,125.77	29,718.03	485,323.74	73,849,539.36
59,999,463.19	95,971.89	14,340,457.22	0.00	4,118.37	24,125.77	30,675.39	500,165.78	74,994,977.62
66,020,339.56	73,311.95	13,882,783.06	0.00	3,654.68	24,125.77	29,697.26	515,569.95	80,549,482.23
62,654,109.76	71,880.35	13,882,783.06	0.00	3,322.44	24,125.77	29,691.93	521,612.17	77,187,525.48
66,184,954.53	71,880.35	13,882,783.06	0.00	2,990.20	24,125.77	29,687.86	529,779.85	80,726,201.61
66,672,653.98	94,046.73	13,882,783.06	0.00	2,657.95	24,125.77	29,668.64	506,957.30	81,212,893.43
73,583,568.66	73,311.95	13,882,783.06	0.00	2,325.71	24,125.77	29,670.18	529,655.19	88,125,440.53
70,086,773.84	71,880.35	13,882,783.06	0.00	1,993.46	24,125.77	29,656.81	532,499.99	84,629,713.28
71,975,852.44	71,880.35	13,882,783.06	0.00	1,661.22	24,125.77	29,658.86	532,507.76	86,518,469.45
72,181,011.47	95,276.66	14,035,341.11	0.00	1,343.58	24,125.77	29,957.29	525,001.93	86,892,057.82
80,146,659.96	74,114.28	14,035,341.11	0.00	1,007.69	24,125.77	29,958.44	559,714.94	94,870,922.19
75,866,891.24	71,093.75	13,730,225.00	0.00	657.19	24,125.77	29,287.02	557,301.41	90,279,581.38
78,383,278.06	71,880.35	13,882,783.06	0.00	332.24	24,125.77	29,624.55	558,352.16	92,950,376.18
55,791,941.93	95,728.85	14,035,341.11	23,397,500.00	0.00	0.00	29,720.63	577,967.01	93,928,199.53
60,283,630.66	72,681.03	13,766,389.45	22,319,500.00	0.00	0.00	29,152.18	593,516.50	97,064,869.82
61,528,173.65	68,407.88	13,216,137.34	20,874,000.00	0.00	0.00	27,966.68	586,014.32	96,300,699.86
63,483,205.39	67,924.66	13,125,647.09	19,232,500.00	0.00	0.00	27,779.79	577,672.16	96,514,729.08
62,922,126.47	91,035.91	13,048,809.51	17,836,000.00	0.00	0.00	27,586.20	558,462.91	94,484,021.01
65,960,892.23	67,764.45	12,843,786.68	16,562,000.00	0.00	0.00	27,158.72	574,556.42	96,036,158.49
65,517,891.86	64,030.74	12,378,334.23	15,092,000.00	0.00	0.00	26,157.03	567,846.91	93,646,260.77
65,843,151.89	63,842.35	12,344,276.08	13,793,500.00	0.00	0.00	26,104.04	553,423.86	92,624,298.22
63,968,726.23	87,705.85	12,321,372.71	12,617,500.00	0.00	0.00	26,040.20	528,055.90	89,549,400.90
66,220,343.42	65,596.87	12,441,038.91	11,270,000.00	0.00	0.00	26,328.63	560,822.92	90,584,130.75
66,581,010.95	61,603.99	11,915,845.20	10,535,000.00	0.00	0.00	25,203.53	557,194.82	89,675,858.50
67,822,252.85	60,978.19	11,796,062.84	9,481,500.00	0.00	0.00	24,962.10	544,679.79	89,730,435.77
66,661,697.04	84,888.44	11,688,258.71	8,820,000.00	0.00	0.00	24,735.03	501,080.13	87,780,659.35
70,397,296.94	61,082.85	11,587,975.80	8,060,500.00	0.00	0.00	24,521.67	517,034.84	90,648,412.10
71,254,974.86	59,412.21	11,496,328.36	7,570,500.00	0.00	0.00	24,303.90	535,812.71	90,941,332.04
69,623,816.63	58,962.50	11,410,252.20	6,541,500.00	0.00	0.00	24,147.40	517,252.88	88,175,931.61
68,140,364.49	83,536.87	11,335,875.71	6,051,500.00	0.00	0.00	23,996.03	472,774.54	86,108,047.62
68,883,884.67	60,021.88	11,390,884.45	5,365,500.00	0.00	0.00	24,143.02	485,212.40	86,209,646.42
70,487,627.64	57,262.80	11,082,921.48	5,120,500.00	0.00	0.00	23,463.45	493,713.71	87,265,489.07
69,210,782.03	57,591.54	11,147,845.25	4,459,000.00	0.00	0.00	23,627.97	478,031.59	85,376,878.38
0.00	83,415.54	11,219,093.33	69,275,722.26	0.00	0.00	23,231.70	446,971.87	81,048,434.71
0.00	54,862.80	10,413,924.71	66,329,255.32	0.00	0.00	21,536.55	442,652.91	77,262,232.29
0.00	48,733.21	9,433,371.40	63,795,687.64	0.00	0.00	19,442.63	427,727.79	73,724,962.67
0.00	45,481.71	8,804,770.15	58,485,740.82	0.00	0.00	18,175.37	378,529.06	67,732,697.12
0.00	68,437.28	8,221,765.60	53,378,386.42	0.00	0.00	16,955.05	329,555.72	62,015,100.06
0.00	40,039.36	7,601,366.41	53,435,658.38	0.00	0.00	15,621.30	339,266.39	61,431,951.83
0.00	35,662.45	6,904,428.72	52,434,749.16	0.00	0.00	14,112.26	333,976.40	59,722,928.98
0.00	32,547.68	6,301,621.36	47,922,132.95	0.00	0.00	12,892.09	292,102.68	54,561,296.76
0.00	56,514.94	5,813,886.97	39,375,451.59	0.00	0.00	11,939.02	226,332.76	45,484,125.28
0.00	28,813.19	5,472,679.21	35,742,091.65	0.00	0.00	11,228.11	246,202.30	41,501,614.45
0.00	24,416.59	4,725,995.84	35,569,484.83	0.00	0.00	9,635.50	230,456.89	40,559,989.65
0.00	23,125.82	4,478,190.68	30,780,922.37	0.00	0.00	9,158.70	199,625.68	35,491,023.24
0.00	49,010.26	4,260,289.63	29,764,089.98	0.00	0.00	8,672.77	176,956.38	34,259,019.02
0.00	19,913.86	3,782,145.04	27,547,329.71	0.00	0.00	7,698.53	176,390.13	31,533,477.27
0.00	17,892.89	3,465,451.75	25,393,865.08	0.00	0.00	7,038.13	166,034.53	29,050,282.37
0.00	16,384.42	3,173,515.41	24,759,944.69	0.00	0.00	6,414.50	158,203.55	28,114,462.57
0.00	42,474.73	2,888,866.84	23,598,782.84	0.00	0.00	5,815.81	116,254.32	26,652,194.53
0.00	14,455.17	2,617,567.36	22,155,659.24	0.00	0.00	5,244.49	130,844.27	24,923,770.54
0.00	14,455.17	2,362,858.52	20,687,568.12	0.00	0.00	4,711.17	121,485.19	23,191,078.17
0.00	14,455.17	2,125,027.34	17,709,484.30	0.00	0.00	4,230.71	106,991.10	19,960,188.63
0.00	42,567.51	1,921,433.20	15,754,239.21	0.00	0.00	3,816.05	64,249.73	17,786,305.70
0.00	14,738.27	1,759,441.58	14,559,546.39	0.00	0.00	3,475.17	84,965.56	16,422,166.98
0.00	21,906.92	1,572,935.82	131,543,607.04	0.00	0.00	3,080.96	71,486.52	133,213,017.26
2,617,202,164.30	3,784,740.26	647,299,435.23	1,205,000,000.00	72,622.70	482,515.40	1,368,216.25	26,478,586.43	4,501,688,280.56

Key to the number outline.

- (0) Limit or Maximum Amount of the Subordinated Credit.
- (1) Outstanding Balance of the portfolio of Securitised Loans on each quarterly Payment Date, upon payment being made.
- (2) Quarterly payment dates for the various transactions and services arranged by the Fund until final maturity.

a) Collections.

- (3) Amount of capital amortised in the portfolio of Securitised Loans from the immediately preceding quarterly date until the date given.
- (4) Net interest collected by the Fund from the immediately preceding quarterly date until the date given. Such is the interest received on the Securitised Loans to which the Swap Agreement applies.
- (5) Return on the Fund's Reinvestment Account, under the Guaranteed Interest Rate Deposit Agreement.
- (6) Drawing on the Subordinated Credit
- (7) Total income on each Payment Date, being the sum of amounts (3), (4), (5) and (6).

b) Payments.

- (8) Amount of the Acquisition of Additional Loans
- (9) Amounts for the Fund's current expenses.
- (10) Amount of interest payable to the Bondholders.
- (11) Amount of principal amortised on the Bonds.
- (12) Interest payment amounts on the Subordinated Loan and Credit.
- (13) Periodic redemption of the principal of the Loan and the Subordinated Credit.
- (14) Securitised Loan management fee.
- (15) Variable Brokerage in relation to the Fund's other income and expenditure.
- (16) Total payments on each Payment Date, being the sum of amounts (8), (9), (10), (11), (12), (13), (14) and (15).

V.2 Accounting policies used by the Fund.

The income and expenditure will be booked by the Fund in accordance with the accruals principal, i.e. according to the actual flow of such income and expenditure, irrespective of the time when they are collected and paid.

The Fund incorporation and Bond issue expenses will be amortised during the first five (5) years after the Fund is incorporated.

The Fund's business year shall match a calendar year. However, the first business year will exceptionally begin on the Date of Incorporation of the Fund, and the last business year will end on the date on which the Fund is terminated.

V.3 Description of the purpose or object of the financial transactions and services arranged by the Management Company on behalf of the Fund, in order to enhance the risk, increase payment regularity, neutralise interest rate differences on the Securitised Loans, or, in general, transform the financial characteristics of all or part of said securities.

In order to consolidate its financial structure and secure as extensive a cover as possible for the risks inherent in the issue, and to supplement the management of the Fund, the Management Company will, on behalf of the Fund, proceed upon the execution of the Incorporation Deed to enter into the agreements referred to hereinafter.

The Management Company may, in order for the Fund to operate on the terms provided in the Incorporation Deed and in the laws in force from time to time, acting for and on behalf of the Fund, extend or amend the agreements entered into on the Fund's behalf, substitute each of the service providers to the Fund under those agreements and indeed, if necessary, enter into additional agreements; the foregoing shall be subject to the laws in force from time to time, to the prior authorisation, if necessary, of the Comisión Nacional del Mercado de Valores, or competent administrative body and to notice thereof being given on the relevant Rating Agency, provided that those actions do not detract from the Bondholders' interests

V.3.1 Guaranteed Interest Rate Deposit Agreement and Reinvestment Account:

The Management Company, for and on behalf of the Fund, and BANCO DE CRÉDITO LOCAL will enter into a Guaranteed Interest Rate Deposit Agreement whereby BANCO DE CRÉDITO LOCAL will guarantee a variable yield on the amounts deposited by the Fund through its Management Company in a financial account. Specifically, the Guaranteed Interest Rate Deposit Agreement shall determine that all amounts received by the Fund will be paid into a financial account in euros, the "Reinvestment Account", opened at BANCO DE CRÉDITO LOCAL, in the name of the Fund by the Management Company, which amounts shall mostly consist of the following items:

- (i) principal and interest on the Securitised Loans;
- (ii) the amounts making up the Reserve Fund from time to time, if it is ever set up;

- (iii) any other amounts, assets or rights received as payment of principal, interest or expenses on the Securitised Loans, on the disposition or beneficial use of any other assets or rights received as payment, and on all possible rights or indemnities accruing for BANCO DE CRÉDITO LOCAL derived from any right attached to the Securitised Loans;
- (iv) amounts, as the case may be, paid to the Fund under the Interest Flow Swap Agreement;
- (v) amounts constituting the Swap Guarantee Deposit from time to time, if it is ever set up;
- (vi) the amounts of the returns obtained on the balances existing in the actual Reinvestment Account; and
- (vii) the amounts of the withholdings on account of the return on investments to be effected on each relevant Payment Date on the Bond interest paid by the Fund, until they are to be paid to the Tax Administration.

BANCO DE CRÉDITO LOCAL guarantees an annual nominal interest rate, variable quarterly and settled quarterly, applicable on each Interest Accrual Period, equal to the Benchmark Interest Rate determined for the Bonds. The interest accrued to be settled on each Payment Date shall be calculated based on: (i) the days actually existing in each Interest Accrual Period, and (ii) a three-hundred-and-sixty- (360-) day year.

In the event that the non-subordinated and unsecured short-term debt of BANCO DE CRÉDITO LOCAL should, at any time during the life of the Bond issue, drop below P-1 in Moody's rating scale, the Management Company shall, within not more than thirty (30) Business Days from the time of that occurrence, put in place after consulting with the Rating Agency, any of the options required among those described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from this Agreement:

- a) Obtaining from an institution having a credit rating for its non-subordinated and unsecured short-term debt of at least P-1, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BANCO DE CRÉDITO LOCAL of its obligation to redeem the amounts deposited in the Reinvestment Account, during the time over which the loss of the P-1 rating is maintained.
- b) Obtaining from BANCO DE CRÉDITO LOCAL or a third party a mortgage guarantee in favour of the Fund on financial assets with a credit quality of not less than that of Spanish State Government Stock, for an amount sufficient to guarantee the commitments established in the Agreement.
- c) If options a) and b) above are not possible, the Fund's Reinvestment Account will be transferred to an institution whose non-subordinated and unsecured short-term debt has a rating of at least P-1, and the highest possible yield shall be arranged for of its balances, which may differ from that arranged with BANCO DE CRÉDITO LOCAL under the Guaranteed Interest Rate Deposit Agreement.

- d) In that same event and if it should not be possible to transfer the Reinvestment Account on the terms set forth above, the Management Company may invest the balances for not more than quarterly periods, in short-term fixed-income assets in euros or in pesetas issued by institutions having a rating of at least P-1 for short-term debt, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially with BANCO DE CRÉDITO LOCAL, under the Guaranteed Interest Rate Deposit Agreement.
- e) In both events c) and d), the Management Company will subsequently transfer the balances back to BANCO DE CRÉDITO LOCAL under the Guaranteed Interest Rate Deposit Agreement, in the event that its short-term debt should again attain the P-1 rating, in the above-mentioned scale.

The Guaranteed Interest Rate Deposit Agreement mitigates the risk of loss of yield of the Fund due to the timing difference between the Fund's principal and income on the Securitised Loans with different periodicities, and the redemption and payment of interest on the Bonds or acquisition of Additional Loans, with a quarterly periodicity.

V.3.2 Subordinated Loan Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCO DE CRÉDITO LOCAL into a Subordinated Loan Agreement for an amount of six hundred thousand (600,000) euros (99,831,600 Ptas.) which shall be designed (i) to finance the Fund incorporation and Bond issue expenses, and (ii) to finance partially the acquisition of the Initial Loans.

The loan will accrue an annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the result of adding: (i) the Benchmark Interest Rate determined for the Bonds, and (ii) a 1.00% spread. This interest will be payable only if the Fund should have sufficient liquidity in the Payment Priority Order. The interest accrued payable on a given Payment Date shall be calculated based on: (i) the days actually existing in each Interest Accrual Period and (ii) a three-hundred-and-sixty- (360-) day year.

Interest accrued and not paid on a Payment Date will be accumulated and accrue a late-payment interest at the same rate as the loan and will be paid, provided that the Fund has sufficient liquidity, and in the Payment Priority Order, on the next immediate Payment Date.

Redemption will be effected on each of the Payment Dates and will observe the following rules:

- (i) The part of the Subordinated Loan designed to finance the Fund incorporation and Bond issue expenses not used and that designed to partially finance the acquisition of the Initial Loans shall be amortised on the first Payment Date.
- (ii) The part of the Subordinated Loan designed to finance the Fund incorporation and Bond issue expenses described in section II.14 of the Prospectus shall be amortised quarterly as such expenses are amortised monthly, in accordance with the official accounts of the Fund during the first five (5) years after the incorporation of the Fund.

In the event that the Fund should not have sufficient liquidity on a Payment Date to proceed to the relevant redemption of the Subordinated Loan, the part of the principal not amortised shall be amortised on the next immediate Payment Date along with the amount which, as the case may be, should be amortised on that same Payment Date, the foregoing in the Payment Priority Order.

V.3.3 Subordinated Credit Agreement.

The Management Company shall enter, for and on behalf of the Fund, with BANCO DE CRÉDITO LOCAL into a Subordinated Credit Agreement which shall be applied on each Payment Date, along with the other Available Funds, to meet the fulfilment of certain payment or withholding obligations of the Fund, in the Payment Priority Order, due to a shortage of the remaining Available Funds, although the granting of that Credit shall in no event guarantee that the Securitised Loans will be successful.

The Maximum Amount of the Credit during the Restitution Period shall be equal at all times to the higher of the following amounts: (i) thirty million one hundred and twenty-five thousand (30,125,000) euros (5,012,378,250 Ptas.), or (ii) 4.50% of the Principal Balance Outstanding on the Bonds.

When the Restitution Period is over, the Maximum Amount of the Credit shall remain constant at a sum of thirty million one hundred and twenty-five thousand (30,125,000) euros. Nevertheless, this Maximum Amount of the Credit may be revised down, as the Rating Agency shall see fit, at any time throughout the life of the Fund, moreover establishing, as the case may be, the terms on which its reduction would be possible.

The Management Company may, for and on behalf of the Fund, draw on the Credit, limited to the Maximum Amount of the Credit, provided that the Available Funds on a Payment Date do not allow payment of the Fund's obligations numbered from 1 to 5 to be made, in the Payment Priority Order.

In the event that the rating of the non-subordinated and unsecured long-term debt of BANCO DE CRÉDITO LOCAL should drop below A2 in Moody's rating scale, BANCO DE CRÉDITO LOCAL shall be obliged to allow the Management Company, for and on behalf of the Fund, to draw all of the amount available up to the Maximum Amount of the Credit on the date on which this amount is drawn, allotting it to setting up a Reserve Fund, unless BANCO DE CRÉDITO LOCAL contributes in favour of the Fund and at its expense, a first demand guarantee or security from an institution whose long-term debt has a rating of at least A2, securing the Fund, merely upon the Management Company so requesting, the amount of the drawdowns requested of BANCO DE CRÉDITO LOCAL up to the Maximum Amount of the Credit available on the relevant drawing date, the foregoing subject to the terms and conditions approved by Moody's Spain for maintaining Aaa ratings for Series A1 and A2 Bonds, and A2 for Series B Bonds.

The Subordinated Credit shall accrue a nominal annual interest, determined quarterly in each Interest Accrual Period, which shall be the result of adding: (i) the Benchmark Interest Rate determined for the Bonds, and (ii) a 1.00% spread. This interest will be payable only if the Fund should have sufficient liquidity in the Payment Priority Order. The interest accrued payable on a given Payment Date shall be calculated based on: (i) the days actually existing in each Interest Accrual Period and (ii) a three-hundred-and-sixty- (360-) day year.

The interest accrued and not paid on a Payment Date shall be accumulated to the principal of the Credit, earning additional interest at the same interest rate applicable to the Subordinated Credit for the Interest Accrual Period at issue.

The Fund will repay any drawing on the Credit on any Payment Date on which the Available Funds, excluding the amounts available on the Credit, allow payment of the obligations of the Fund on that specific Payment Date numbered from 1 to 5 to be made in the Payment Priority Order.

The amounts which the Management Company shall proceed to repay on behalf of the Fund may be drawn again by the Fund, limited by the Maximum Amount of the Credit on the Payment Date on which a drawing is made, unless it shall already have been fully drawn down as a result of a drop in the rating of the long-term debt of BANCO DE CRÉDITO LOCAL.

In the event that the Maximum Amount of the Credit should be fully drawn down, the amount drawn shall be allotted to setting up a Reserve Fund and the redemption of the balance drawn shall be amortised on each of the Payment Dates for an amount equal to the difference existing between the amount of the Minimum Level required for the Reserve Fund on the preceding Payment Date and the amount of the Minimum Level required on the ongoing Payment Date, and provided that the Fund has sufficient liquidity in the Payment Priority Order.

V.3.4 Interest Flow Swap Agreement.

The Management Company shall enter, for and on behalf of the Fund, with BANCO DE CRÉDITO LOCAL, into an Interest Flow Swap Agreement (the “**Swap Agreement**”) in accordance with the standard Spanish Banking Association’s Master Financial Transaction Agreement, the most relevant characteristics of which are described below.

Under the Swap Agreement, the Fund will make payments to BANCO DE CRÉDITO LOCAL based on interest due on the Non-Doubtful Securitised Loans, and in consideration BANCO DE CRÉDITO LOCAL will make payments to the Fund calculated at the mean weighted nominal interest rate of the Bond Series, the foregoing as described hereinafter.

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

Party B : Banco de Crédito Local.

1. Settlement dates.

Party A:

On the 26th of each month or on the next Business Day, as the case may be.

Party B:

The Redemption Payment Dates, i.e. on 26 January, 26 April, 26 July and 26 October of each year or on the next Business Day, as the case may be.

2. Amounts payable by Party A.

This shall be the interest due on each Collection Date on the Non-Doubtful Securitised Loans during two consecutive settlement dates, excluding the initial and including the final date.

3. Amounts payable by Party B.

These will be the result of applying the mean nominal interest rate of the nominal annual interest rates applicable to each Bond Series in the last Interest Accrual Period, weighted by the Principal Balance Outstanding of each of the Bond Series on the quarterly Payment Date preceding each ongoing Payment Date, plus a 0.10% spread, on the Principal Balance Outstanding on the Bonds of each of the Series on the quarterly Determination Date preceding the ongoing Payment Date.

In the event that BANCO DE CRÉDITO LOCAL should be substituted as Servicer under the Servicing Agreement, the spread to apply will be 0.15%.

BANCO DE CRÉDITO LOCAL shall agree with the Fund, represented by the Management Company, that if the rating of the non-subordinated and unsecured short-term of BANCO DE CRÉDITO LOCAL should drop, at any time during the life of the Bond issue, below P-1 in Moody's rating scale, any of the following options will be taken: (i) a third institution will secure fulfilment of its contractual obligations, or (ii) a third institution will take over its contractual position and substitute it before terminating the Swap Agreement for BANCO DE CRÉDITO LOCAL, both of which options would in any event be subject to the terms and conditions which should first be approved by Moody's, in order to maintain the Aaa rating for Series A1 and A2 Bonds, and the A2 rating for Series B Bonds.

As security for the undertakings by BANCO DE CRÉDITO LOCAL to the Fund under the Swap Agreement, BANCO DE CRÉDITO LOCAL shall agree, in the event that the rating of the non-subordinated and unsecured long-term debt should drop below Aa3, in Moody's rating scale, to set up the Swap Guarantee Deposit, unless it should have security stood or be substituted on the terms described in the Swap Guarantee Agreement

If on a payment date the Fund should not have sufficient liquidity to make payment of all the amounts payable to BANCO DE CRÉDITO LOCAL, the Swap Agreement will be terminated. In that event, the Fund shall take over the obligation to pay the settlement amount established on the terms of the Agreement, the foregoing in the Payment Priority Order. Without prejudice to the foregoing, other than in an extreme event of permanent financial imbalance, the Management Company shall, within not more than thirty (30) Business Days from the time of that occurrence, endeavour to enter into a new Interest Flow Swap Agreement.

The occurrence, as the case may be, of an early termination of the Swap Agreement will not in itself be an early-redemption event of the Bonds and an Early-Liquidation event of the Fund, in accordance with the provisions of sections II.11.3.3 and III.8.1 of the present Prospectus, unless together with other events or circumstances relating to the net worth of the Fund, there should be a material or permanent alteration of the financial balance.

The execution of the Swap Agreement derives from the need to eliminate or mitigate, on the one hand, the interest rate risk occurring in the Fund because the Securitised Loans are subject to floating interest rates with different benchmark indexes and different revision and settlement periods at the floating interest rates established for each of the Bond Series issued on the Fund; and on the other hand, the risk that might derive in the event that the Securitised Loans should be subject to renegotiations decreasing the agreed interest rate and the credit risk in connection with the interest of the Doubtful and Very Doubtful Securitised Loans.

V.3.5 Swap Guarantee Agreement.

The Management Company shall enter, for and on behalf of the Fund, with BANCO DE CRÉDITO LOCAL, into a Swap Guarantee Agreement whereby BANCO DE CRÉDITO LOCAL, as security for the undertakings to the Fund under the Swap Agreement, will agree, in the event that the rating of its non-subordinated and unsecured long-term debt should drop below Aa3, in Moody's rating scale, at any time during the life of the Bond issue, within not more than thirty (30) Business Days of the time of that occurrence, to put in place, after first notifying and consulting with the Management Company and the Rating Agency, any of the options necessary among those described hereinafter, allowing a suitable extent of security to be maintained with respect to the undertakings derived from the Swap Agreement:

- a) Providing a cash deposit as security for the Swap Agreement (the "**Swap Guarantee Deposit**"), which shall be paid into the Reinvestment Account opened in the name of the Fund, to be restated monthly in such a way that the Fund has the necessary amounts to mitigate, in due course, a delinquency by BANCO DE CRÉDITO LOCAL under the Swap Agreement or a drop in the rating of its non-subordinated and unsecured short-term debt below P-1 in Moody's rating scale, which may compensate the potential loss resulting for a third-party guarantor or substitute in the contractual position of BANCO DE CRÉDITO LOCAL.

The balances in the Reinvestment Account for the Swap Guarantee Deposit may only be used by the Management Company, on behalf of the Fund, to satisfy those purposes, excluding any other use, or to be fully returned to BANCO DE CRÉDITO LOCAL in the event that the rating of its long-term debt should again attain an Aa3 rating without it actually having been secured or substituted, or if so secured or substituted, to be returned in the amount not required as compensation from the guarantor or substitute of the contractual position of BANCO DE CRÉDITO LOCAL.

The amounts deposited under the Swap Guarantee Deposit shall have the nature of a subordinated financing granted by BANCO DE CRÉDITO LOCAL to the Fund.

- b) Obtaining from a third-party institution a credit rating of its non-subordinated and unsecured long-term debt of at least Aa3, in Moody's rating scale, a first demand guarantee securing the Fund, upon a simple demand by the Management Company, for the obligations of BANCO DE CRÉDITO LOCAL under the Swap Agreement.

- c) Being substituted by a third-party institution having a credit rating for its non-subordinated and unsecured long-term debt of at least Aa3, in Moody's rating scale, taking over the contractual position of BANCO DE CRÉDITO LOCAL under the Swap Agreement.

In any event, both options b) and c) are subject to the terms and conditions which shall first be approved by Moody's, in order to maintain the Aaa rating for Series A1 and A2 Bonds, and A2 rating for Series B Bonds.

V.3.6 Loan Assignment Agreement.

The Management Company shall, for and on behalf of the Fund, enter into a sale agreement of Securitised Loans with BANCO DE CRÉDITO LOCAL, whereby, subject to the terms and conditions of this Agreement, provision is made for aspects relating to (i) assignment to the Fund by BANCO DE CRÉDITO LOCAL, upon the incorporation of the Fund, of the Initial Loans listed in the Incorporation Deed, (ii) undertaking by the Management Company to acquire, with the liquidity the Fund may have for such purpose, the Additional Loans firmly offered to it by BANCO DE CRÉDITO LOCAL, provided that they meet the Election Requirements, and (iii) establishment of the authority by BANCO DE CRÉDITO LOCAL to offer and sell Additional Loans to the Fund in the future, provided that it has loans in its portfolio meeting the Election Requirements.

The terms of the Loan Assignment Agreement are described in section IV.1.1.2 of the present Prospectus.

V.3.7 Securitised Loan Servicing and Management Agreement.

BANCO DE CRÉDITO LOCAL, Originator of the Securitised Loans to be acquired by the Fund, as established in article 2.2.b) of Royal Decree 926/1998, shall continue, as attorney for the Management Company, to service and manage the Securitised Loans, and the relations between BANCO DE CRÉDITO LOCAL (the "Servicer") and the Fund, represented by the Management Company shall be governed by the Securitised Loan Servicing and Management Agreement (the "Servicing Agreement"). Under this Agreement, the Servicer shall continue to (i) safe-keep and custody the agreements, documents and records of the Securitised Loans, (ii) service and manage the Securitised Loans; and (iii) the manage collection, on behalf of the Fund, of such amounts as may be accrued by the Assigned Debtors under the Securitised Loans, proceeding to pay, on the set Collection Dates, the amounts settled corresponding to the Fund, into the Reinvestment Account.

The terms of the Servicing Agreement are described in section IV.2 of the present Prospectus.

V.3.8 Bond Management, Underwriting and Placement Agreement.

The Management Company shall, for and on behalf of the Fund, enter into a Management, Underwriting and Placement Agreement of the Bond issue with BANCO BILBAO VIZCAYA ARGENTARIA, S.A., BANCO URQUIJO, S.A. and CREDIT AGRICOLE INDOSUEZ, Sucursal en España, whereby said institutions shall proceed to place all of the Bond issue and, upon the Subscription Period being closed, to subscribe in their own name for the amount of Bonds that might be pending subscription pursuant to their respective underwriting commitment.

The Underwriters and Placement Agents of the Bond issue take on the obligations provided in the Management, Underwriting and Placement Agreement, basically as follows: 1) undertaking to subscribe for

Bonds not so taken at the close of the Subscription Period, up to the set amounts; 2) paying to the Payment Agent by 1pm on the Closing Date, same day value, the total amount of the subscription for the issue underwritten by each of them, the Payment Agent in turn proceeding to pay to the Fund by 2pm on that same day, same day value; 3) undertaking to pay late-payment interest covenanted in the agreement in the event of late payment of the amounts due; 4) handing to the subscribers a document certifying the subscription; and 5) other aspects governing the underwriting and placement.

The Underwriters and Placement Agents of the Bond issue shall receive no fee whatsoever for underwriting and placing the Bond issue.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A., as Lead Manager shall receive no fee whatsoever for leading the underwriting and placement of the Bond issue.

V.3.9 Bond Payment Agency Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCO BILBAO VIZCAYA ARGENTARIA, S.A. into a Payment Agency agreement to service the Bond issue on the Fund.

The obligations contained in the Payment Agency Agreement are summarily the following:

- (i) on the Closing Date it shall proceed to pay the Fund by 2pm on that same day the amount paid by the remaining Underwriters and Placement Agents plus the sum of its own underwriting commitment, same day value, by making a payment into the Bank of Spain account of Banco de Crédito Local, in order for the latter to proceed to pay it into the Fund's Reinvestment Account;
- (ii) on each of the Bond Payment Dates, to pay interest and redemption of principal on the Bonds, after deducting the total amount of the tax withholding for return on investments that should be made in accordance with applicable tax laws; and
- (iii) on each of the Interest Rate Fixing Dates, to notify the Management Company of the Benchmark Interest Rate determined that is to be used as the basis for calculating the nominal interest rate applicable to each of the Bond Series.

In consideration of the services to be provided by the Payment Agent, the Fund shall pay it a fee of 300.00 euros (49,916 Ptas.), inclusive of taxes as the case may be, during the term of the agreement, payable on each Bond Payment Date, provided that the Fund has sufficient liquidity and after meeting all payment obligations, in the Payment Priority Order.

V.3.10 Broking Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCO DE CRÉDITO LOCAL into a Broking Agreement designed to remunerate the broking process carried out and which has permitted the financial transformation defining the Fund's activity, the assignment thereby of the Securitised Loans and the satisfactory rating assigned to each of the Bond Series.

The remuneration consists of a variable subordinated amount equal to the difference between the income and expenditure accrued annually in accordance with the Fund's annual accounts, reduced, as the case may be, by the amount of losses carried forward from preceding years, which may be offset to adjust the year's book profit or loss for the purposes of settling the annual Corporation Tax. Payments in this connection, which may be made on each Payment Date in the Payment Priority Order, shall be considered to be payments on account of the annual entitlement.

V.4 Priority rules established in Fund payments.

V.4.1 Source and application of funds on the Bond Closing Date.

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 funds under the following items:
 - a) Paying up the Bond issue.
 - b) Drawing on the Subordinated Loan.
2. **Application:** in turn, the Fund will apply the funds described above to the following payments:
 - a) Purchase of the Initial Loans.
 - b) Payment of the Fund incorporation and Bond issue expenses.

V.4.2 Source and application of funds from the Closing Date until the final liquidation of the Fund.

V.4.2.1 Source: Available Funds.

The funds available on each Payment Date to meet the payment obligations listed below in section 2 (the "**Available Funds**") shall be as follows:

- a) The income received as redemption of principal on the Securitised Loans from the preceding Payment Date until the ongoing Payment Date, inclusive, and the remaining principals collected in the preceding Interest Accrual Period. Said amounts shall have been paid into the Reinvestment Account.
- b) Ordinary and late-payment interest collected on the Securitised Loans from the preceding Payment Date until the ongoing Payment Date, inclusive. Said amounts shall have been paid into the Reinvestment Account.

- c) Any other amounts received by the Fund from the preceding Payment Date until the ongoing Payment Date, inclusive, including those resulting from the disposition of assets or rights allotted thereto, or the beneficial use thereof.
- d) The return received on the amounts paid into the Reinvestment Account.
- e) Drawings on the Subordinated Credit, solely designed to pay the obligations of the Fund ordered from 1 to 5 in the Payment Priority Order established in section 2 below. The Subordinated Credit may nevertheless only be allocated for paying in 5th place if the Restitution Period is over and for a maximum amount on each Payment Date equal to the Variation of the Outstanding Balance of the Very Doubtful Securitised Loans, if it is positive, calculated for determining the Amount Accrued for Principals for the ongoing Payment Date; and without prejudice to its being fully drawn down upon the final liquidation of the Fund.
- f) In the event that the Reserve Fund should be set up, the amount of that fund shall only be allocated to paying the obligations of the Fund ordered from 1 to 5 in the Payment Priority Order established in section 2 below. Nevertheless, the Reserve Fund will only be allocated to pay in 5th place if the Restitution Period is over and for a maximum amount on each Payment Date equal to the Variation of the Outstanding Balance of the Very Doubtful Securitised Loans, if it is positive, calculated for determining the Amount Accrued for Principals for the ongoing Payment Date; and without prejudice to its being fully drawn down upon the final liquidation of the Fund.

The amount of the Reserve Fund shall have been paid into the Reinvestment Account.

- g) The amounts received under the Interest Financial Swap Agreement.
- h) The rest of the amount of the balance of the Reinvestment Account, after deducting, as the case may be, the amount of the Swap Guarantee Deposit which shall only be designed to paying the obligations of the Fund as established in section V.4.2.4

V.4.2.2 Application: Payment Priority Order.

The Available Funds shall be applied on each Payment Date to meeting payment or withholding obligations in the same order of priority in which they are listed (“**Payment Priority Order**”), irrespective of the time of accrual. Exceptionally, the application established in the 1st place may be effected at any time, provided that the relevant expense is due and payable, and that established in the 2nd place shall be effected monthly.

1. Payment of the Fund’s properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the same, and all other expenses and service fees, including those derived from the Payment Agency Agreement. Only expenses prepaid or disbursed on the Fund’s behalf and amounts reimbursable to the Servicer, provided they are all properly supported, shall be made met in favour of the Servicer and in relation to the Servicing Agreement in this order.

2. a) Payment of the Swap Agreement amount, and in the event of termination of that Agreement following a breach by the Fund, payment of the amount payable by the Fund comprising the settlement payment.

This application shall be effected monthly on the 26th of each month or on the next Business Day, as the case may be.

b) Payment for remunerating the balances of the Swap Guarantee Deposit, if it is ever set up.

3. a) Payment of interest accrued on Series A1 Bonds, as they fall due.
b) Payment of interest accrued on Series A2 Bonds, as they fall due.
4. Payment of interest accrued on Series B Bonds, as they fall due.
5. Withholding up to the amount of the Amount Accrued for Principals, which shall constitute the Funds Available for Principals, which shall be allocated, in accordance with their specific application rules established hereinafter, to the acquisition of Additional Loans and/or the redemption of the Series A1, A2 and B Bonds, according to the application system prevailing on the Payment Date.
6. Withholding an amount sufficient for the capital of the Reserve Fund to be kept at the Minimum Level, if the Reserve Fund is ever set up in the event that the Subordinated Credit subject of the application in the 8th and 10th place is fully drawn down.
7. Payment of interest accrued on the Subordinated Credit.
8. Redemption of the principal drawn on the Subordinated Credit.

This application shall not be effected if the Subordinated Credit is fully drawn down as a result of a drop in the rating of the long-term debt of BANCO DE CRÉDITO LOCAL below A2. In that event, this application shall pass to 10th place.

9. Payment of interest accrued on the Subordinated Loan.
10. Redemption of the Principal Drawn on the Subordinated Credit in the amount of the reduction, as the case may be, of the Minimum Level of the Reserve Fund if it is ever set up.

This application shall be effected where appropriate in lieu of the application under item 8 above.

11. Redemption of the Subordinated Loan principal in the appropriate redemption amount.
12. Payment to the Servicer under the Servicing Agreement of the management fee for the Securitised Loans.

In the event that Banco de Crédito Local should be replaced as Servicer by another institution, this application shall take the place of item 3, and the order numbers of the applications under items 3 et seq. will consequently be changed.

13. Payment of the brokerage established as a variable remuneration in the Broking Agreement.

When different items exist in a same priority order number, the applications shall be effected pro rata among the amounts of each item.

V.4.2.3 Funds Available for Principals: determination and application rules.

V.4.2.3.1 Funds Available for Principals

The Funds Available for Principals on each Payment Date shall be the lower of the following amounts:

- a) The Amount Accrued for Principals on that Payment Date.
- b) Depending on the liquidity existing on that Payment Date, the remaining Available Funds after taking away the amounts applied to the items under numbers 1 to 4 in the Payment Priority Order.

V.4.2.3.2 Distribution of Funds Available for Principals.

The amount of the Funds Available for Principals shall be applied in and subject to the following orders and rules under the Loan Restitution System or the Bond Redemption System.

a) Loan Restitution System.

On the Payment Date within the Restitution Period in which Additional Loans are to be acquired, the Funds Available for Principals shall be distributed in the following order of priority (the “**Loan Restitution System**”):

1. Redemption of Series A1 Bonds in the amount of the redemption instalment due on the Payment Date in accordance with the redemption schedule established for this Series.
2. Payment of the sale price for the acquisition of Additional Loans.
3. Redemption of Series A2 Bonds.

This application shall be effected only in the event that there should be a Partial Cover of the Offer, using the remaining Funds Available for Principals after the applications of items 1 and 2 above.

4. Remaining Funds Available for Principals, after the applications in the preceding items, which shall count as remaining principals collected in the next Interest Accrual Period, remaining deposited in the Reinvestment Account.

b) Bond Redemption System.

On the Payment Date within the Restitution Period in which Additional Loans are not to be acquired or when that period is over, the Funds Available for Principals shall be distributed in the following order of priority (the “**Bond Redemption System**”):

1. Redemption of Series A1 Bonds in the amount of the redemption instalment due on the Payment Date in accordance with the redemption schedule established for this Series and until the Bonds in this Series are fully amortised.
2. Redemption of Series A2 Bonds using the remaining Funds Available for Principals, after applying item 1 above and until the Bonds in this Series are fully amortised.
3. Redemption of Series A1 Bonds using the remaining Funds Available for Principals, after applying items 1 and 2 above and until the Bonds in this Series are fully amortised.

This application shall only be effected if the Series A2 Bonds have been fully amortised, and is not subject to the redemption schedule established for this Series.

4. Redemption of Series B Bonds once the Series A1 and A2 Bonds have been fully amortised using the remaining Funds Available for Principals after the applications in the preceding items and until the Bonds in this Series have been fully amortised.

V.4.2.4 Swap Guarantee Deposit: application rules.

The balance of the Swap Guarantee Deposit, which shall have been paid into the Reinvestment Account, may only be used in the first place for payment to a third-party guarantor or substitute of the contractual position of BANCO DE CRÉDITO LOCAL under the Swap Agreement, excluding any other use, or to be fully returned to BANCO DE CRÉDITO LOCAL in the event that the rating of its long-term debt should again attain an Aa3 rating without it actually having been secured or substituted, and secondly, if so secured or substituted, to be returned in the amount not required as compensation from the guarantor or substitute of the contractual position of BANCO DE CRÉDITO LOCAL.

V.4.2.5 Application of the assets and available funds upon the final liquidation of the Fund.

The Management Company shall proceed to liquidate the Fund when it is terminated in accordance with the provisions of section III.8 of the Prospectus, by applying the Available Funds set out in section V.4.2.1 above and the funds obtained as the remaining assets if any are disposed of in accordance with the following payment priority order (“**Liquidation Payment Priority Order**”):

1. Provision to meet the final termination and liquidation tax, administrative or advertising expenses.
2. Payment of ordinary and extraordinary expenses of the Fund, whether or not they were disbursed by the Management Company and duly justified, including the Management Company’s management fee, and all other expenses and service fees, including those derived from the Payment Agency Agreement. In this

place, the Servicer will only be paid in relation to the Servicing Agreement expenses advanced or disbursed on behalf of the Fund and amounts which should be returned to it, all duly justified.

3. Payment of amounts due, as the case may be, for termination of the Swap Agreement.
4.
 - a) Payment of interest accrued and redemption of the principal in Series A1 Bonds.
 - b) Payment of interest accrued and redemption of the principal in Series A2 Bonds.
5. Payment of interest accrued and redemption of the principal in Series B Bonds.
6. Payment of interest accrued and redemption of the principal of the Subordinated Credit.
7. Payment of interest accrued and redemption of the principal of the Subordinated Loan.
8. Payment to the Servicer in relation to the Servicing Agreement of the amounts due.
9. Payment of the brokerage established as a variable remuneration under the Broking Agreement.

In the event that there should be a remainder upon the Fund being liquidated and all payments being made by distributing the Available Funds in the set Liquidation Payment Priority Order, that remainder shall be paid to the Originator. In the event that the remainder should not be cash amounts since deriving from Securitised Loans pending resolution in recovery proceedings commenced following a delinquency by the Assigned Debtor, both their continuation and the product of their resolution shall be for the Originator.

CHAPTER VI

GENERAL INFORMATION ON THE ASSET SECURITISATION FUND MANAGEMENT COMPANY

In accordance with Royal Decree 926/1998 and with Act 19/1992, Asset Securitisation Funds have no own legal personality, and Securitisation Fund Management Companies are entrusted with incorporating, managing and legally representing those Funds, and as managers of third party business, with representing and defending the interests of the holders of the securities issued by the Funds they manage and all its other ordinary creditors.

Accordingly, this Chapter itemises the information relating to EUROPEA DE TITULIZACIÓN S.A., S.G.F.T., as the Management Company organising, managing and representing BCL MUNICIPIOS I FONDO DE TITULIZACIÓN DE ACTIVOS.

VI.1 In relation to the company, other than its share capital.

VI.1.1 Name and registered office.

- **Company name:** EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- **Registered office:** Madrid, Calle Lagasca number 120
- **VAT REG. No.:** A-80514466
- **Business Activity Code No.:** 0074

VI.1.2 Incorporation and registration in the Companies Register, and information relating to administrative authorisations by and registration at the Comisión Nacional del Mercado de Valores.

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN was incorporated in a public deed executed on 19 January 1993 before a Notary Public of Madrid, Mr Roberto Blanquer Uberos, his protocol number 117, with the prior authorisation of the Economy and Finance Ministry, given on 17 December 1992, entered in the Companies Register of Madrid, volume 5,461, book O, folio 49, section 8, sheet M-89355, entry 1, dated 11 March 1993; and re-registered as a Securitisation Fund Management Company in accordance with the provisions of chapter II and in the single transitional provision of Royal Decree 926/1998, 14 May, regulating asset securitisation funds and securitisation fund management companies, pursuant to an authorisation granted by a Ministerial Order dated 4 October 1999 and in a deed executed on 25 October 1999 before a Notary Public of Madrid, Mr Luis Felipe Rivas Recio, his protocol number 3,289, which was entered under number 33 of the sheet opened for the Company in said Companies Register. It is also entered in the special register of the Comisión Nacional del Mercado de Valores, under number 2.

The Management Company has perpetual existence, other than in any of the events of termination provided by the laws and the articles of association.

VI.1.3 Objects.

In accordance with statutory requirements, article two of its Articles of Association establishes that: “The Company’s exclusive objects shall be to organise, manage and legally represent both asset securitisation funds and mortgage securitisation funds. Furthermore, and in accordance with the applicable statutory regulations, the Company shall, as the manager of third party business, be responsible for representing and defending the interests of the holders of securities issued on the Funds it manages and of all their other ordinary creditors.”

VI.1.4 Place where the documents referred to in the Prospectus or the existence of which may be inferred from its contents may be found.

The Articles of Association, accounting, economic and financial statements of the Management Company and any other document referred to in the present Prospectus, including the latter, or the existence of which may be inferred from its contents, may be found at the Management Company’s registered office at Calle Lagasca number 120, Madrid.

The present Prospectus was verified and entered in the Official Registers of the Comisión Nacional del Mercado de Valores on 20 June 2000. It is publicly available, free of charge, at the Management Company’s registered office and at the Underwriting Company. It may also be found at the Comisión Nacional del Mercado de Valores in Madrid, Paseo de la Castellana, 19, and at the AIAF governing body, of Madrid, Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, planta 43.

Upon the Incorporation Deed being executed and before the Bond Subscription Period begins, the Management Company shall deliver to the Comisión Nacional del Mercado de Valores a certified copy of the Incorporation Deed to the Comisión Nacional del Mercado de Valores. Furthermore, the actual Management Company, the Servicio de Compensación y Liquidación de Valores, S.A., or the affiliated undertaking to which the latter delegates its functions, and the AIAF governing body shall at all times make copies of the Incorporation Deed available to the Bondholders and the public at issue in order that they may be examined.

VI.2 In relation to the share capital.

VI.2.1 Face amount subscribed for and paid up.

The wholly subscribed for and paid up share capital amounts to 300,000,000 pesetas, represented by 1,250 registered shares in series A, with a face value of 45,950 pesetas, and 1,250 registered shares in series B, with a face value of 194,050 pesetas.

VI.2.2 Classes of shares.

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

VI.2.3 Evolution of the share capital over the last three years.

During the last three years there has been no change in the share capital of the Management Company.

VI.3 Information relating to shareholdings.**VI.3.1 Existence or not of shareholdings in other companies.**

There are no shareholdings in any other company.

VI.3.2 Group of companies in which the company has membership.

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

VI.3.3 Significant shareholders.

The ownership of shares in the Management Company is distributed among the companies listed below, specifying the percentage holding of each one:

Name of shareholder company	Holding (%)
Banco Bilbao Vizcaya Argentaria, S.A.	82.97
J.P. Morgan España, S.A.	4.00
Caja de Ahorros del Mediterráneo	1.54
Bankinter, S.A	1.53
Barclays Bank, S.A.	1.53
Citibank España, S.A.	1.53
Deutsche Bank Credit, S.A.	0.77
Deutsche Bank, S.A.E	0.77
Banco Atlántico, S.A	0.77
Banco Cooperativo Español, S.A.	0.77
Banco Pastor, S.A.	0.77
Banco de la Pequeña y Mediana Empresa, S.A.	0.77
Banco Urquijo, S.A.	0.77
BNP España, S.A.	0.77
Banca Jover, S.A.	0.38
Credit Lyonnais España, S.A.	0.38
	100.00

VI.4 Corporate bodies.

The government and management of the Management Company are entrusted in the Articles of Association to the General Shareholders' Meeting and the Board of Directors. Its duties and authorities are as prescribed for those bodies in the Public Limited Companies Act and in Act 19/1992, 7 July, in relation to the objects.

Among the other bodies for which provision is made in the Articles of Association, an Executive Committee has been set up with delegated authorities of the Board. There is also a General Manager vested with extensive authorities within the incorporation and vis-à-vis third parties.

VI.4.1 Officers.

Board of Directors

The Board of Directors has the following membership:

Chairman:	Mr José Antonio Álvarez Álvarez
Vice-chairman:	Mr Francisco Fernández de Trocóniz
Directors:	Mr Álvaro Badiola Guerra Mr Ignacio Benlloch Fernández-Cuesta Mr Oscar Cabrera Izquierdo Ms Ana Fernández Manrique Mr Ricardo Laiseca Asla Mr Luis Lombana Larrea Mr Manuel Ontañón Carrera ♦ Mr David Pérez Renovales on behalf of Bankinter, S. A. Mr José Miguel Raboso Díaz on behalf of Citibank España, S.A Mr Marcos Rubio Gribble Mr Jorge Sáenz de Miera, on behalf of Deutsche Bank Credit, S.A. Mr Xavier Tintoré Belil, on behalf of J. P. Morgan España. S.A.

♦ Secretary of the Board of Directors

VI.4.2 General Manager.

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

VI.5 Aggregate interests in the Management Company by the persons referred to in paragraph VI.4.

The persons referred to in section VI.4.1 above are not the direct or indirect holders or representatives of any share or obligation, other than the persons specifically referred to as representing a shareholder company, and only as such.

VI.6 Lenders of the management company in excess of 10 per 100.

The Management Company has received no loan or credit from any person or institution whatsoever.

VI.7 Reference to whether or not the management company has any bankruptcy proceedings under way and the possible existence of significant lawsuits and matters which might affect its economic and financial position or, in the future, its ability to carry out the management and administration functions for which provision is made in this Prospectus.

There are none.

CHAPTER VII

RECENT EVOLUTION AND PROSPECTS OF THE MARKET IN GENERAL AND OF THE LOAN MARKET IN PARTICULAR WHICH MIGHT AFFECT THE FINANCIAL PROSPECTS OF THE ASSET SECURITISATION FUND

VII.1 Financial sufficiency of Local Administrations.

Principle of financial sufficiency of Local Treasuries in the Spanish Constitution.

Pursuant to article 142 of the Spanish Constitution, 27 December 1978:

“Local Treasuries shall have sufficient means to discharge the functions vested by Law in the respective Corporations and shall mainly be funded by own taxes and by sharing in those of the State and Autonomous Communities”.

This article establishes the Constitutional principle of financial sufficiency of the Local Administrations.

Pursuant to article 140:

“The Constitution guarantees the autonomy of municipalities. These shall have full legal personality. Their government and management shall rest with their respective Town Halls ...”.

Financial sufficiency in the Act governing Local Treasuries.

In pursuance of the Constitutional principle, the Preamble to Act 39/1988, 28 December, governing Local Treasuries (hereinafter the “Local Treasuries Act”) lays down that “financial sufficiency is not only institutionally established but is moreover provided (...) with the necessary means to become an actual fact. Now, therefore, and in pursuance of the constituent legislator’s mandate, local Entities are provided, inter alia, with two main independent financing means, to wit their own taxes and sharing in State Taxes, which shall operate altogether for the first time with the aim of providing the volume of economic resources guaranteeing the effectiveness of the principle of financial sufficiency”.

Pursuant to article 2, the Treasury of local Entities shall comprise the following resources:

- a) Revenues on their own assets and other private Law revenues.
- b) Own taxes, comprising duties, special rates and taxes and surcharges levied on the taxes and surcharges levied on the taxes of Autonomous Communities or other local Entities.
- c) Sharing in the Taxes of the State and Autonomous Communities.

- d) Subsidies.
- e) Those received as public prices.
- f) The product of credit transactions.
- g) The product of fines and penalties within their sphere of authority.
- h) All other public Law benefits.

As for own taxes, pursuant to article 60, Town Halls shall levy the following taxes:

- a) Real Estate Tax.
- b) Economic Activity Tax.
- c) Motor Vehicle Tax.

Town Halls may also establish and levy a Tax on Constructions, Installations and Works and Tax on the Increased Value of Land of an Urban Nature.

As for their share in State Taxes, the General State Budgets shall yearly include the credits for the share of Municipalities in State Taxes (article 113).

Pursuant to article 115, the distribution of the share of Municipalities in State Taxes is made annually, after deducting the amounts corresponding to Madrid, Barcelona and La Línea de la Concepción, which have their own allocation rules, is based on the following standards:

- a) 75 per 100 according to the number legal inhabitants in each Municipality, using population figures approved by the Government, contained in the latest valid Municipal Register, weighted by ratios according to population strata.
- b) 14 per 100 according to the number of legal inhabitants, weighted in accordance with the mean tax effort of each Municipality, determined according to the application by Municipalities of their own taxes.
- c) 8.5 per 100 according to the inverse of the collecting capacity defined for every population tranche as determined in the General State Budgets, bearing in mind statistics available to that effect.
- d) The remaining 2.5 per 100 according to the number of school units existing in public centres in which the buildings belong to the municipalities, or having regard to the preservation and maintenance expenses to be borne thereby.

When a Municipality, using the governing rules of the Local Treasuries Act, is unable to properly provide the mandatory public municipal services, the General State Budgets may establish a supplementary allowance, specifying the use to which it is to be put and its distribution, the purpose of which will be to cover manifest financial insufficiencies (article 116).

VII.2 Implications that might derive from the trends remarked in the preceding point VII.1 (early- redemption rate, default rate, et cetera):

The Securitised Loans acquired by the Fund will all be floating interest rate loans, adjusted from time to time to market interest rate variations, other than where specific terms limit the upward or downward variability of the applicable interest rate. Because of this, and generally speaking, a high early-redemption rate of the Securitised Loans is not to be expected. The provisions established for the renegotiation for determining the interest rate of loans that might be in upper ranges in relation to the market level from time to time should also be borne in mind.

As for the creditworthiness of the Assigned Debtors, as contained in section IV.4 h), none of the loans in the provisional portfolio which shall stand as the base for the assignment to the Fund of the Initial Loans were liable at 3 May 2000 for late payment of amounts due, which situation was checked, as explained in section III.12 of the audit report attached as Annex 4 to the present Prospectus. The loans that may finally be assigned as Initial Loans for the Fund to be incorporated shall have no overdue amounts on the date of issue.

Signature: MARIO MASÍÁ VICENTE
General Manager
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.

ANNEX I

DEFINITIONS

ANNEX I

DEFINITIONS

“Acceptance Date” shall mean the fourth Business Day after the Offer Date in which the Management Company shall hand to Banco de Crédito Local the written notice of Purchase Acceptance of Additional Loans.

“Acquisition Right” shall mean the Acquisition Right the Fund shall grant the Originator over all the remaining Securitised Loans held by the Fund in and on certain events and conditions.

“Additional Loans” shall mean the loans eventually acquired by the Fund after it is incorporated.

“AIAF Mercado de Renta Fija” shall mean the secondary market for trading the Bonds.

“AIAF” shall mean AIAF Mercado de Renta Fija.

“Amount Accrued for Principals” shall mean the sum of (i) the difference existing between the Principal Balance Outstanding on the Bonds and the Outstanding Balance of the Securitised Loans at the close of the day immediately preceding the Payment Date and (ii) only if the Restitution Period is over, the variation of the Outstanding Balance of the Very Doubtful Securitised Loans equal to the difference between the Outstanding Balances of the Very Doubtful Securitised Loans at the close of the day immediately preceding the Determination Date and that corresponding to the previous Determination Date.

“Available Funds” shall mean, on each Payment Date, the sum of (i) the balance of the Reinvestment Account, (ii) the drawdowns on the Subordinated Credit, allocated only to meeting payment of the Fund’s obligations ordered from 1 to 5 in the Payment Priority Order, and (iii) as the case may be and when appropriate, the funds obtained from time to time from the disposition of the assets and the assets remaining upon the liquidation of the Fund.

“Benchmark Credit Cover Ratio” shall mean 102.50%.

“Benchmark Interest Rate” shall mean the three- (3-) month Euribor benchmark interest rate fixed at 11am CET, or its substitute interest rate. Determined for each Interest Accrual Period

“Bond Redemption System” shall mean the order of priority in which the Funds Available for Principals on the Payment Date, within the Restitution Period in which Additional Loans are not to be acquired or when that period is over, will be distributed.

“Bond Payment Agency Agreement”, shall mean the agreement entered into between the Management Company, for and on behalf of the Fund, and Banco Bilbao Vizcaya Argentaria, S.A., for the servicing of the Bond issue.

“Bonds” shall mean Series A1 Bonds, Series A2 Bonds and Series B Bonds issued on the Fund.

“Broking Agreement” shall mean the agreement entered into between the Management Company, for and on behalf of the Fund, and Banco de Crédito Local de España, S.A., designed to remunerate the latter for the broking process.

“Business Day” shall mean any day other than a Saturday, Sunday, public holiday in Madrid or non-business day in the TARGET calendar.

“Closing Date” shall mean the date on which the amount of the subscription for the Bonds is paid up and the nominal price of the Initial Loans is paid, i.e. 23 June 2000.

“CPR” shall mean the effective constant annual early redemption or prepayment rate.

“Credit Cover Ratio” shall mean the ratio calculated on each Offer Date, expressed as a percentage, between amounts 1 and 2 corresponding to the accounting records of the Fund at the close of the second day immediately preceding the corresponding Offer Date, as defined hereinafter: 1. It is equal to the sum of (i) the Outstanding Balance of Non-Doubtful Securitised Loans, (ii) the Available Principals, and (iii) the amount available up to the Maximum Amount of the Subordinated Credit or, if it should have been fully drawn down for the Reserve Fund to be set up, the balance of the Reserve Fund. 2. It is equal to the Principal Balance Outstanding on the Bonds.

“Determination Date” shall mean the date on which the Management Company makes calculations for distributing and withholding Available Funds. The Determination Dates shall fall on the fourth Business Day before every Payment Date.

“Doubtful Securitised Loans” shall mean the Securitised Loans that, on account of their arrears, have overdue amounts without there having been a substitution or extension, when more than three months have elapsed from the oldest overdue payment, without twenty-four (24) months being exceeded

“Duration of the Bonds” shall mean the measure of Bond price sensitivity with respect to changes in yield.

“Election Requirements” shall mean the requirements each of the Securitised Loans, both Initial Loans and Additional Loans, shall have to meet on the respective Purchase Date, to be acquired and incorporated to the Fund.

“Final Redemption Date” shall mean 26 July 2030, without prejudice to the possibility of an prepayment, subject to the terms and conditions provided in the Prospectus.

“Fund” shall mean BCL MUNICIPIOS I Fondo de Titulización de Activos.

“Funds Available for Principals” shall mean, on each Payment Date, the lower of the following amounts: (i) the Amount Accrued for Principals on that Payment Date and, (ii) depending on the liquidity existing on that Payment Date, the remaining Available Funds after taking away the amounts applied to the items under numbers 1 to 4 in the Payment Priority Order.

“Global Election Requirements” shall mean the requirements to be globally met by each of the Additional Loans to be assigned to the Fund.

“Guaranteed Interest Rate Deposit Agreement and Reinvestment Account” shall mean the agreement entered into between the Management Company, for and on behalf of the Fund, and Banco de Crédito Local de España, S.A., whereby the latter agrees to guarantee a yield on the amounts deposited by the Fund in a financial account.

“Individual Election Requirements” shall mean the requirements each of the Securitised Loans must individually meet to be assigned to the Fund.

“Initial Loans” shall mean the loans acquired by the Fund upon being incorporated.

“Interest Accrual Period” shall mean the days actually elapsed between each Payment Date (26 January, 26 April, 26 July and 26 October), including the initial Payment Date, and excluding the final Payment Date.

“Interest Flow Swap Agreement” shall mean the agreement entered into between the Management Company, for and on behalf of the Fund, and Banco de Crédito Local de España, S.A., whereby the Fund shall make payments to Banco de Crédito Local based upon overdue interest on Non-Doubtful Securitised Loans, and in consideration Banco de Crédito Local shall make payments to the Fund calculated at the mean weighted nominal interest rate of the Bond Series.

“Interest Rate Fixing Date” shall mean the second Business Day preceding each Payment Date.

“Liquidation Payment Priority Order” shall mean the payment priority order in which the Management Company shall proceed to liquidate the Fund, when the same is terminated in accordance with the provisions of section III.8 of the Prospectus.

“Loan Restitution System” shall mean the order of priority in which the Funds Available for Principals on the Payment Date within the Restitution Period in which Additional Loans are to be acquired.

“Management Company” shall mean Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización. Its functions shall be to manage and represent the Fund.

“Management, Underwriting and Placement Agreement of the Bond issue” shall mean the agreement entered into between the Management Company, for and on behalf of the Fund, and Banco Bilbao Vizcaya Argentaria, S.A., Banco Urquijo, S.A., and Credit Agricole Indosuez, Sucursal en España, whereby the latter shall proceed to place the entire Bond issue, and subscribe in their own name for all such Bonds as should not be so taken.

“Non-Doubtful Securitised Loans” shall mean Securitised Loans not categorised as Doubtful or Very Doubtful.

“Offer Date” shall mean the date on which the Management Company will determine whether the Loan Restitution System should be applied for distributing the Funds Available for Principals, whereupon it will, in that event, calculate the amount that may be allocated on the next immediate Payment Date to a new acquisition of Additional Loans. The Offer Dates will fall on the eighth Business Day preceding each of the Payment Dates in the Restitution Period.

“Incorporation Deed” shall mean the public deed organising the Fund, issue and subscription for the Securitised Loans and Mortgage Securitisation Bond issue.

“Originator” shall mean Banco de Crédito Local.

“Outstanding Balance of the Doubtful Securitised Loans” shall mean the sum of the capital pending maturity and the capital due and not paid into the Fund for each and every one of the Doubtful Securitised Loans.

“Outstanding Balance of the Non-Doubtful Securitised Loans” shall mean the sum of the capital pending maturity and the capital due and not paid into the Fund for each and every one of the Non-Doubtful Securitised Loans.

“Outstanding Balance of the Securitised Loans” shall mean the sum of the capital pending maturity and the capital due and not paid into the Fund for each and every one of the Securitised Loans.

“Outstanding Balance of the Very Doubtful Securitised Loans” shall mean the sum of the capital pending maturity and the capital due and not paid into the Fund for each and every one of the Very Doubtful Securitised Loans.

“Partial Cover of the Purchase Offer” shall mean that the difference between the maximum amount available subject of the Purchase Offer and the total amount of the Additional Loans accepted is greater than the higher of the following amounts: (i) one million (1,000,000) euros, and (ii) 2.00% of the maximum amount available subject of the Purchase Offer.

“Party A” shall mean the Fund represented by the Management Company under the Swap Agreement.

“Party B” shall mean the Originator of the Securitised Loans under the Swap Agreement.

“Payment Agent” shall mean the undertaking servicing the Bonds. The Payment Agent is to be Banco Bilbao Vizcaya Argentaria.

“Payment Date” shall mean 26 January, 26 April, 26 July and 26 October of each year or the next Business Day, as the case may be.

“Payment Priority Order” shall mean the application of the Available Funds on each Payment Date to meeting the payment or withholding obligations, irrespective of their time of accrual, in the same order of priority in which they are listed.

“Principal Balance Outstanding on the Bonds” shall mean for each Series the outstanding balance of principal pending redemption on the Bonds in the Series, such balance including the principal amounts that should, as the case may be, have been amortised and were not so settled due to a shortage of Funds Available for Principals, in the Payment Priority Order.

“Rating Agency” shall mean Moody’s Investors Service España, S.A.

“Reinvestment Account” shall mean the financial account in the name of the Fund into which all amounts received by the Fund shall be paid.

“Reserve Fund” shall mean the reserve fund set up, in the event of the rating of the non-subordinated and unsecured long-term debt BANCO DE CRÉDITO LOCAL dropping below A2 in Moody’s rating scale, by drawing on the full amount available up to the Maximum Amount of the Credit on the date on which that drawdown takes place.

“Restitution Period” shall mean the period comprised between 26 October 2000 and 26 July 2010, both inclusive. Nevertheless, when the Restitution Period is over, the latter may be extended every year for yearly periods, as the case may be, if the Rating Agency so expressly authorises as it shall see fit, following a request by the Management Company.

“Securitised Loan Servicing and Management Agreement”, shall mean the agreement entered into between the Management Company, for and on behalf of the Fund, and Banco de Crédito Local de España, S.A., as Servicer, for the administration and management of the Securitised Loans acquired by the Fund as an attorney for the Management Company.

“Securitised Loans” shall mean the Initial Loans and the Additional Loans collectively.

“Subordinated Loan Agreement” shall mean the agreement entered into between the Management Company, for and on behalf of the Fund, and Banco de Crédito Local de España, S.A., whereby the latter grants a Subordinated Loan for a certain amount which shall be designed to finance the Fund incorporation and Bond issue expenses, and partially the subscription for the Securitised Loans.

“Subscription Period” shall mean the period comprised between 12am on the same day on which notice of incorporation of the Fund and Bond issue is published or on the next Business Day, if the same is not a business day, and 5pm on that same day.

“Swap Agreement” shall mean the Interest Flow Swap Agreement.

“Swap Guarantee Agreement” shall mean the agreement entered into between the Management Company, for and on behalf of the Fund, and Banco de Crédito Local de España, S.A., whereby Banco de Crédito Local de España, S.A., as security for the commitments to the Fund under the Swap Agreement, agrees, in the event that the rating of its non-subordinated and unsecured long-term debt should drop below Aa3, in Moody’s rating scale, at any time during the life of the Bond issue, to take any of the options required allowing a suitable level of assurance to be maintained with respect to the commitments derived from said Agreement.

“Swap Guarantee Deposit” shall mean a cash deposit as security for the Swap Agreement, which shall be paid into the Reinvestment Account opened in the name of the Fund, to be restated monthly in such a way that the Fund has the necessary amounts to mitigate, in due course, a delinquency by Banco de Crédito Local de España, S.A. under the Swap Agreement or a drop in the rating of its non-subordinated and unsecured short-term debt below P-1 in Moody’s rating scale, which may set-off the potential loss resulting for a third-party guarantor or substitute in the contractual position of Banco de Crédito Local de España, S.A..

“Underwriters and Placement Agents” shall mean Banco Bilbao Vizcaya Argentaria, S.A., Banco Urquijo, S.A., and Credit Agricole Indosuez, Sucursal en España.

“Very Doubtful Securitised Loans” shall mean the Securitised Loans which on account of their arrears have overdue amounts without there having been a substitution or extension, when more than twenty-four (24) months have elapsed from the oldest overdue payment. The extension or rearrangement of the Doubtful Securitised Loans shall not result in their being reclassified as Non-Doubtful Securitised Loans unless new effective guarantees are provided or at least interest pending collection is received.