

OFFERING CIRCULAR

June 23, 2005

## MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS

### ISSUE OF ASSET-BACKED BONDS EUR 810,000,000 / 808,400,000

|          |                            |           |
|----------|----------------------------|-----------|
| Series A | EUR 754,400,000            | Aaa/AAA   |
| Series B | EUR 13,200,000             | Aa2/AA    |
| Series C | EUR 10,400,000             | A1/A+     |
| Series D | EUR 8,800,000              | Baa1/BBB+ |
| Series E | EUR 13,200,000             | Ba2/BB+   |
| Series F | EUR 10,000,000 / 8,400,000 | C/CC      |

Backed by mortgage loans assigned by means of the issue of pass-through certificates by



*Lead Managers*



*Underwriters and Placement Agents*

**Bancaja**

**JPMorgan**

**IXIS CIB**

**Fortis Bank**

**Banco Pastor**

*Paying Agent*

**Bancaja**

*Fund constituted and managed by*



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

**Material Event concerning**

**MBS BANCAJA 2 Fondo de Titulización de Activos**

As provided for in the Offering Circular or Prospectus for **MBS BANCAJA 2 Fondo de Titulización de Activos** (the "**Fund**") notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- On November 19, 2015 the Fund's Treasury Account is to be effectively transferred to CITIBANK INTERNATIONAL LTD, Sucursal en España ("**CITI**"), following the signature, on November 12, 2015, of a new Guaranteed Interest Rate Account (Treasury Account) Agreement by the Management Company, for and on behalf of the Fund, CITI and BANKIA, S.A. and the relevant notice to BARCLAYS BANK, PLC Sucursal en España, as the former provider of the Fund's Treasury Account.

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

|                   | <b>Fitch</b> | <b>Moody's</b> |
|-------------------|--------------|----------------|
| <b>Short-term</b> | F1           | P-1            |
| <b>Long-term</b>  | A            | A1             |

- In addition, BNP PARIBAS SECURITIES SERVICES, Sucursal en España ("**BNP Paribas**") has been designated Bond Paying Agent, following the signature of a new Paying Agent Agreement by the Management Company, for and on behalf of the Fund, BNP Paribas and BANKIA, S.A. and the relevant cancellation agreement signed with BARCLAYS BANK, PLC Sucursal en España, as the former Paying Agent, effective as of November 19, 2015.

The ratings for BNP PARIBAS SECURITIES SERVICES' short- and long-term unsecured and unsubordinated debt obligations assigned by the Rating Agencies are currently as follows:

|                   | <b>Fitch</b> | <b>Moody's</b> |
|-------------------|--------------|----------------|
| <b>Short-term</b> | F1           | P-1            |
| <b>Long-term</b>  | A+           | A1             |

- As a result of the new Agreements referred to above, the following sections of the Fund Prospectus shall henceforth read as follows:

| <b>Section</b>                                                   | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>V.3.1<br/>Paragraphs 2 et<br/>seq. (Treasury<br/>Account)</b> | CITIBANK INTERNATIONAL LTD, Sucursal en España (" <b>CITI</b> "), guarantees for the Fund, through its Management Company and in relation to amounts credited to the Treasury Account, an annual nominal interest rate, floating quarterly and settled quarterly, other than for the first interest accrual period, the duration of and the interest settlement for which based on the duration of that period, applicable for each interest accrual period, shall be as defined in 5.2 below, on the positive final daily balances in each period in the Treasury Account. The nominal interest rate applicable to each interest accrual period shall be the higher of (i) zero percent (0.00%); and (ii) the Euribor rate currently calculated and |

| Section | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | <p>distributed by the financial information system Global Rate Set Systems Ltd (GRSS) under a European Money Markets Institute (EMMI) mandate and three- (3-) month EURIBOR ACI, set at 11am (CET) on the second Business Day preceding the first day of each interest accrual period (the "Guaranteed Interest Rate"). Interest shall be settled on February 19, May 19, August 19 and November 19 of each year and be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty (360-) day year. The first interest accrual period shall comprise the days elapsed between November 19, 2015 and February 19, 2016.</p> <p>CITI agrees with the Management Company to keep the Guaranteed Interest Rate for a period of three (3) years from November 19, 2015. However, after three (3) months have elapsed from that date, CITI may on each interest settlement and payment date establish a new Guaranteed Interest Rate, (the "New Guaranteed Interest Rate") which shall replace the rate theretofore in place. The Management Company shall have 1 month after receiving the notice from CITI to, following an agreement with BANKIA, accept the New Guaranteed Interest Rate or not. If the Management Company should not accept the New Guaranteed Interest Rate established by CITI, the Management Company may replace CITI as the Treasury Account provider and CITI will transfer the amount credited to the Treasury Account and the interest accrued to the new Treasury Account opened in the Fund's name to be designated by the Management Company following an agreement with BANKIA.</p> <p>In the above connection, BANKIA shall propose the new institution to which the Treasury Account is to be transferred to the Management Company. The costs resulting from that replacement, if any, shall be borne by BANKIA.</p> <p>In any case, three months after the New Guaranteed Interest Rate being notified, whether it is accepted by the Management Company or not, following an agreement with BANKIA as to the New Guaranteed Interest Rate and, as the case may be, transfer of the amount credited to the Treasury Account, the interest rate applicable to the Treasury Account shall be the New Guaranteed Interest Rate.</p> <p>In the event that the short-term unsecured and unsubordinated debt obligations of CITIBANK INTERNATIONAL LTD should be downgraded below P-1 or F-1 respectively by Moody's and Fitch, the Management Company shall, following an agreement with BANKIA, within not more than thirty (30) days from the occurrence of that event, after notifying the Rating Agencies, do one of the following in order to allow a suitable level of security to be maintained with respect to the commitments derived from this Agreement in order for there to be no detriment to the rating given to the Bonds by the Rating Agencies:</p> <p>a) Obtain from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as P-1 and F1 respectively by Moody's and Fitch, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by CITI of its obligation to repay the amounts credited to the Treasury Account, for such time as CITIBANK INTERNATIONAL LTD's debt obligations remain downgraded below P-1 or F1.</p> <p>b) Transfer the Fund's Treasury Account to an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as P-1 and F1 respectively by Moody's and Fitch, and arranging a yield for its balances, which may differ from that arranged with CITI under this Agreement.</p> |

| Section                                                                                | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                        | <p>c) If a) and b) above are not possible, obtaining from CITI or a third party collateral security in favour of the Fund on financial assets with a credit quality of not less than that of Spanish State Government Debt (<i>Deuda Pública del Estado Español</i>), in an amount sufficient to guarantee the commitments established in the Agreement.</p> <p>d) In addition, if the above options should not be feasible 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 issued by institutions with ratings at least as high as F1 (for periods of less than 30 days or F1+ for longer periods) and P-1 for short-term unsecured and unsubordinated debt obligations respectively by Fitch and Moody's, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially in the Treasury Account.</p> <p>All costs incurred in connection with putting in place and arranging the above options shall be borne by BANKIA, irrevocably agreeing to indemnify CITI against any expenses, liabilities or (economic or any other) losses arising out of the Treasury Account Agreement, the Deed of Constitution and/or the Prospectus, as a result of the downgrade on the terms herein laid down of CITI's credit rating, other than in the event of negligence or wilful misconduct.</p> <p>BANKIA shall agree, forthwith upon a credit rating downgrade of the Treasury Account Provider, or upon the Management Company, following an agreement with BANKIA, rejecting the New Guaranteed Interest Rate or deciding to transfer the Treasury Account to a third party or upon the Agreement being cancelled by CITI, all in accordance with the Treasury Account Agreement, to use commercially reasonable efforts in order that the Management Company may take one of the remedial actions described above.</p> |
| <p><b>V.3.4<br/>Paragraphs 3 et<br/>seq. (Bond<br/>Paying Agent<br/>Agreement)</b></p> | <p>Both upon a breach by BNP PARIBAS SECURITIES SERVICES, Sucursal en España ("<b>BNP Paribas</b>") of the obligations under this Agreement, and in the event that the rating of the unsecured and unsubordinated debt obligations of BNP Paribas Securities Services should, at any time during the life of the Bond Issue, be downgraded below F2 or P-1, respectively by Fitch and Moody's, the Management Company shall, following an agreement with BANKIA, within not more than thirty (30) days from the occurrence of that event do one of the following:</p> <p>(i) obtain from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F2 and P-1 respectively by Fitch and Moody's, an unconditional and irrevocable first demand guarantee securing for the Fund, merely upon the Management Company so requesting, the commitments made by the Paying Agent, for such time as BNP Paribas Securities Services remains downgraded below F2 and P-1; or</p> <p>(ii) revoke the Paying Agent's designation and thereupon designate another institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F2 and P-1 respectively by Fitch and Moody's, to replace it before terminating the Paying Agent Agreement or, as the case may be, under a new paying agent agreement;</p> <p>and subject to prior notice to the Rating Agencies.</p> <p>BANKIA shall agree to use commercially reasonable efforts in order that the Management Company may do one of (i) or (ii) above.</p>                                                                                                                                                                                                                                                                                                                                                                                                                            |

| Section | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | <p>Notwithstanding the above, the Management Company shall not be able to revoke the designation of BNP Paribas as Paying Agent until November 12, 2016. In addition, BNP Paribas may decline to carry on discharging its duties from November 12, 2016.</p> <p>In consideration of the services to be provided by the Paying Agent, the Fund shall pay it during the term of the Agreement a fee of 0.01% (inclusive of taxes), on the total interest payment and principal repayment amount distributed by the Paying Agent, as instructed by the Management Company, to Bondholders on each Bond Payment Date, payable on the same Payment Date, which shall be payable on each Payment Date and shall be paid provided that the Fund has sufficient liquidity in the Fund's Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.</p> <p>In the event that the Fund, through the Management Company, due to the absence of sufficient liquidity on a Payment Date in the Priority of Payments of the Fund, should fail to pay the full fee, overdue amounts shall be accumulated without any penalty whatsoever to the fee falling due on the next Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until the Payment Date on which they are paid.</p> |

Madrid, November 17, 2015

Mario Masiá Vicente  
General Manager

**Material Event  
concerning**

**MBS BANCAJA 2 Fondo de Titulización de Activos**

Pursuant to Chapter III, section III.4.2 of the Prospectus for **MBS BANCAJA 2 Fondo de Titulización de Activos** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- As set out in the material event dated August 10, 2009, Banco Cooperativo Español S.A. was designated Bond Paying Agent on August, 7, 2009 by entering into an Agreement to be subrogated to and novating and amending but not terminating the Bond Paying Agent Agreement.
- Accordingly, the following section of the Fund’s Prospectus should read as follows:

| Section      | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>V.3.4</b> | <p><b>Bond Paying Agent Agreement.</b></p> <p>Paragraph three of this section, containing references to the actions to be taken in the event of the Paying Agent’s credit ratings being downgraded, is replaced with the following wording:</p> <p>“In connection with the provisions of section (iv) of the preceding paragraph, the Management Company shall, on the Business Day preceding each Payment Date, pay out of the Treasury Account, into an account opened in the name of the Fund at the Paying Agent, the total Bond interest payment and principal repayment amount for each Series. The return on investments interim tax amounts to be withheld on each Payment Date on Bond interest in accordance with the applicable statutory provisions, shall remain credited to the Fund’s account at the Paying Agent until the date on which the Management Company has to actually pay the same to the Tax Administration.</p> <p>Both upon a breach by the Paying Agent of its obligations under this Agreement and in the event that the rating of the Paying Agent’s short-term unsecured and unsubordinated debt obligations should, at any time during the life of the Bond Issue, be downgraded below F2 or P-1 respectively by Fitch and Moody’s, the Management Company shall within not more than thirty (30) days from the time of the occurrence of such circumstance, do either of the following:</p> <p>(i) obtain from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F2 and P-1 respectively by Fitch and Moody’s, an unconditional and irrevocable first demand guarantee securing for the Fund, merely upon the Management Company so requesting, the commitments made by the Paying Agent for such time as the Paying Agent remains downgraded below F2 or P-1; or</p> <p>(ii) revoke the Paying Agent’s designation and thereupon designate another institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F2 and P-1 respectively by Fitch and Moody’s, to take its place before terminating the Paying Agent Agreement, or, as the case may be, under a new paying agent agreement, and subject to prior notice being served on the Rating Agencies.</p> <p>The Paying Agent shall agree, forthwith upon its credit rating being downgraded, to use commercially reasonable efforts in order that the Management Company may do either of (i) or (ii) above.</p> <p>BANCAJA shall agree, upon the Management Company’s request and provided that its short-</p> |

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

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

Mario Masiá Vicente  
General Manager



**Material Event  
concerning**

**MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS**

Pursuant to Chapter III, section 4.2.d, of the Prospectus for **MBS BANCAJA 2 Fondo de Titulización de Activos** (the "Fund") notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

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

| Section      | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>V.3.1</b> | <p><b>Guaranteed Interest Rate Account (Treasury Account) Agreement.</b></p> <p>As set out in the material event dated February 4, 2009, on February 3, 2009 the Fund's Treasury Account was transferred to Banco Popular Español S.A., and the latter was subrogated to the Guaranteed Interest Rate Account (Treasury Account) Agreement entered into with Bancaja, which was novated and amended but not terminated.</p> <p>Accordingly, in paragraph two of this section, concerning the annual nominal interest rate of the Treasury Account, the reference to "on each of the Fund Determination Dates (the fourth (4<sup>th</sup>) Business Day preceding each Payment Date)" is replaced with "on each of February 19, May 19, August 19 and November 19 of each year".</p> |

- In relation to the material event notified on December 26, 2008, concerning the downgrade by Fitch Ratings of Bancaja's short-term credit rating to F2 from F1, and specifically to the Bond Paying Agent Agreement to which Bancaja is a counterparty as Paying Agent, for the record because Bancaja's continuity as Paying Agent with the aforesaid F2 credit rating does not adversely affect the ratings assigned to each Bond Series by Fitch Ratings, the action provided for in the event of the short-term debt obligations being downgraded below F1 was not taken and the terms of that Agreement shall be amended to include F2 as the minimum short-term rating required for the Paying Agent to continue in accordance with Fitch Ratings' current criteria.

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

Mario Masiá Vicente  
General Manager

## **TABLE OF CONTENTS**

|                     |                                                                                                                                                                                                                                                                                                     |            |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>CHAPTER 0</b>    | <b><i>Summary of the Offering Circular.</i></b>                                                                                                                                                                                                                                                     | <b>3</b>   |
| <b>CHAPTER I</b>    | <b><i>Persons taking responsibility for and bodies supervising the contents of the Offering Circular.</i></b>                                                                                                                                                                                       | <b>15</b>  |
| <b>CHAPTER II</b>   | <b><i>Information regarding the securities issued by the Fund.</i></b>                                                                                                                                                                                                                              | <b>17</b>  |
| <b>CHAPTER III</b>  | <b><i>General information on the Fund.</i></b>                                                                                                                                                                                                                                                      | <b>55</b>  |
| <b>CHAPTER IV</b>   | <b><i>Information on the characteristics of the assets securitised through the Fund.</i></b>                                                                                                                                                                                                        | <b>71</b>  |
| <b>CHAPTER V</b>    | <b><i>Information on the economic and financial operation of the Fund.</i></b>                                                                                                                                                                                                                      | <b>93</b>  |
| <b>CHAPTER VI</b>   | <b><i>General information on the Fund Management Company.</i></b>                                                                                                                                                                                                                                   | <b>121</b> |
| <b>CHAPTER VII</b>  | <b><i>Recent evolution of the mortgage market and of the mortgage loan market in general which could affect the financial prospects of the Fund.</i></b>                                                                                                                                            | <b>125</b> |
| <b>APPENDIX I</b>   | <b><i>Definitions.</i></b>                                                                                                                                                                                                                                                                          |            |
| <b>APPENDIX II</b>  | <b><i>Transcript of the resolution of the Board of Directors of Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja</i></b>                                                                                                                                                                  |            |
| <b>APPENDIX III</b> | <b><i>Transcript of the resolution of the Executive Committee of the Board of Directors of Europea de Titulización, S.A., S.G.F.T.</i></b>                                                                                                                                                          |            |
| <b>APPENDIX IV</b>  | <b><i>Letters notifying the provisional rating given to the Bond Issue by Moody's Investors Service España, S.A. and Fitch Ratings España, S.A.</i></b>                                                                                                                                             |            |
| <b>APPENDIX V</b>   | <b><i>Audit report on certain characteristics and attributes of the portfolio of selected mortgage loans.</i></b>                                                                                                                                                                                   |            |
| <b>APPENDIX VI</b>  | <b><i>Statement by the Lead Managers of the Bond Issue.</i></b>                                                                                                                                                                                                                                     |            |
| <b>APPENDIX VII</b> | <b><i>Statement by BANCAJA as issuer of the Pass-Through Certificates in relation to the contents of the Offering Circular.</i></b>                                                                                                                                                                 |            |
|                     | <b><i>Appendices II-VII mentioned in the Spanish Offering Circular have not been translated and are not included in this translation. These Appendices are available in Spanish upon request from the Management Company, and can be found in the Spanish version of the Offering Circular.</i></b> |            |

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

## CHAPTER 0

### SUMMARY OF THE OFFERING CIRCULAR

This full Offering Circular has been entered in the Official Registers of the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) ("CNMV") on June 23, 2005. Registration of the Offering Circular by the CNMV does not imply recommending subscription for the Bonds referred to therein, nor indeed any statement whatsoever as to the solvency of the Fund or yield or quality of the Bonds. It shall only imply a recognition that the Offering Circular contains all the information required by the rules fixing its contents and shall at no event determine that the CNMV is liable for any inaccuracy of the information therein contained.

#### 0.1 Name and nature of the Asset Securitisation Fund.

The name of the Fund is "**MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS**" (the "**Fund**"). The Management Company will constitute the Fund before the Bond Subscription Period begins by duly executing a public deed recording the constitution and issue of asset-backed bonds in pursuance of the provisions of Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies ("**Royal Decree 926/1998**"), Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7 ("**Act 19/1992**"), failing a provision in Royal Decree 926/1998, and to the extent applicable, and other applicable laws and regulations.

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

#### 0.2 Representation of the Fund: Management Company.

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, is the Management Company that will constitute the Fund and will be responsible for managing and representing the same in accordance with the provisions of Royal Decree 926/1998. It is also the Management Company's duty, as the manager of third-party funds, to represent and defend the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors.

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

#### 0.3 Bonds issued by the Fund.

**Bond Issue:** Consisting of asset-backed bonds (the "**Bonds**") having a face value of EUR 100,000.00, represented by means of book entries and comprised of six Bond Series distributed as follows:

- **Series A:** face value of EUR 754,400,000.00, consisting of 7,544 Bonds
- **Series B:** face value of EUR 13,200,000.00, consisting of 132 Bonds
- **Series C:** face value of EUR 10,400,000.00, consisting of 104 Bonds
- **Series D:** face value of EUR 8,800,000.00, consisting of 88 Bonds
- **Series E:** face value of EUR 13,200,000.00, consisting of 132 Bonds
- **Series F:** Face value comprised between EUR 10,000,000 and 8,400,000, which the Management Company shall determine by 10am (CET time) on the day of the Subscription Period, as provided for in section II.6.f) of the Offering Circular

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

|                   | Moody's Ratings | Fitch Ratings |
|-------------------|-----------------|---------------|
| • <b>Series A</b> | Aaa             | AAA           |
| • <b>Series B</b> | Aa2             | AA            |
| • <b>Series C</b> | A1              | A+            |
| • <b>Series D</b> | Baa1            | BBB+          |
| • <b>Series E</b> | Ba2             | BB+           |
| • <b>Series F</b> | C               | CC            |

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

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

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

**0.3.2 Nominal Interest Rate:** variable quarterly, shall be the result of adding: (i) the Reference Rate and (ii) the following margins for each of the Series, in accordance with the provisions of section II.10 of the Offering Circular.

- **Series A:** margin ranging between 0.10% and 0.25%, both inclusive.
- **Series B:** margin ranging between 0.15% and 0.35%, both inclusive.
- **Series C:** margin ranging between 0.20% and 0.45%, both inclusive.
- **Series D:** margin ranging between 0.35% and 0.85%, both inclusive.
- **Series E:** margin ranging between 1.50% and 2.50%, both inclusive.
- **Series F:** 4.00% margin

The margin applicable to Series A, B, C, D and E, expressed as a percentage, shall be determined by the Lead Managers within the ranges established in the preceding paragraph for each of those Series and notified in writing to the Management Company by 10am (CET time) on the day of the Subscription Period (June 28, 2005). Failing an agreement, the Management Company shall fix the specific margin for the Series in respect of which no determination was agreed, as follows:

- **Series A:** 0.18% margin.
- **Series B:** 0.25% margin.
- **Series C:** 0.32% margin.
- **Series D:** 0.60% margin.
- **Series E:** 2.00% margin.

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

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the rate resulting from the straight-line interpolation, taking into account the number of days in the first Interest Accrual Period, between the one- (1-) month Euribor rate and the two- (2-) month Euribor rate, fixed at 11am (CET time) on the second Business Day preceding the Closing Date, or, upon the failure or impossibility to obtain these Euribor rates, the substitute rates for which provision is made in section II.10.1.3 of the Offering Circular.

**Principal repayment and interest Payment Dates:** February 25, May 25, August 25 and November 25 in each year or the following Business Day if any of those is not a Business Day. The first interest Payment Date shall be August 25, 2005.

### 0.3.3 Amortisation of the Bonds.

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

#### **Partial Amortisation of the Bonds in each Series.**

Bond principal in each Series shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A, B, C, D and E applied on each Payment Date to amortising Series A and/or B and/or C and/or D and/or E in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E, and in an amount equal to the Available Funds applied on each Payment Date, as the case may be, to amortising Series F.

The amount applied on each Payment Date to amortising each Series, as appropriate, shall be pro rated between the Bonds in the Series proper by reducing the face amount of each Bond in the relevant Series.

- **Series A:** The first partial amortisation of Series A Bonds shall occur on the first Payment Date (August 25, 2005).
- **Series B:** The first partial amortisation of Series B Bonds shall occur once the Series A Bonds have been fully amortised. However, even if Series A has not been fully amortised, the Available Funds for Amortisation of Series A, B, C, D and E shall also be applied to amortising Series B on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E, established in section V.4.2.2, in such a way that the ratio of the Outstanding Principal Balance of Series B to the sum of the Outstanding Principal Balance of Series A, B, C, D and E is kept at 3.30%, or higher percentage closest thereto.
- **Series C:** The first partial amortisation of Series C Bonds shall occur once the Series A and the Series B Bonds have been fully amortised. However, even if Series A and B have not been fully amortised, the Available Funds for Amortisation of Series A, B, C, D and E shall also be applied to amortising Series C on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E, established in section V.4.2.2, in such a way that the ratio of the Outstanding Principal Balance of Series C to the sum of the Outstanding Principal Balance of Series A, B, C, D and E is kept at 2.60%, or higher percentage closest thereto.
- **Series D:** The first partial amortisation of Series D Bonds shall occur once the Series A, the Series B and the Series C Bonds have been fully amortised. However, even if Series A, B and C have not been fully amortised, the Available Funds for Amortisation of Series A, B, C, D and E shall also be applied to amortising Series D on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E, established in section V.4.2.2, in such a way that the ratio of the Outstanding Principal Balance of Series D to the sum of the Outstanding Principal Balance of Series A, B, C, D and E is kept at 2.20%, or higher percentage closest thereto.
- **Series E:** The first partial amortisation of Series E Bonds shall occur once the Series A, the Series B, the Series C and the Series D Bonds have been fully amortised. However, even if Series A, B, C and D have not been fully amortised, the Available Funds for Amortisation of Series A, B, C, D and E shall also be applied to amortising Series E on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E, established in section V.4.2.2, in such a way that the ratio of the Outstanding Principal Balance of Series E to the sum of the Outstanding Principal Balance of Series A, B, C, D and E is kept at 3.30%, or higher percentage closest thereto.
- **Series F:** Series F Bond principal shall be amortised by partial amortisation on each of the Payment Dates based on the amortisation rules established hereinafter and until their total face amount has been fully amortised, in an amount equal to the Available Funds applied on each Payment Date to amortising Series F, in accordance with the Priority of Payments.

Partial amortisation of Series F shall occur on each of the Payment Dates in an amount equal to the positive difference existing between the Outstanding Principal Balance of Series F on the Determination Date preceding the relevant Payment Date and the Required Cash Reserve amount on the relevant Payment Date in accordance with the provisions of section III.2.3.1 of the Offering Circular.

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

Without prejudice to the Fund's obligation, through its Management Company, to amortise the Bonds in each Series on the Final Maturity Date or the partial amortisation on each Payment Date, as established in the preceding paragraphs, the Management Company shall be authorised to proceed to an Early Liquidation of the Fund and hence an early amortisation ("**Early Amortisation**"), on a Payment Date, of the entire Bond Issue in the Early Liquidation Events and subject to the requirements established in section III.7.1 of this Offering Circular.

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

The Final Maturity Date and consequently the final amortisation of the Bonds is February 25, 2038 or the following Business Day if that is not a Business Day, without prejudice to the Management Company, for and on behalf of the Fund, proceeding to amortise all or some of the Series in the Bond Issue before the Final Maturity Date.

### **0.3.4 Bond subscription and placement procedure.**

**Lead Managers:** BANCAJA and JPMORGAN.

**Underwriters and Placement Agents:** BANCAJA, JPMORGAN, IXIS CIB, FORTIS BANK and BANCO PASTOR.

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

**Subscription Period:** shall commence at 12 o'clock midday (CET time) on June 28, 2005 and end at 1pm (CET time) on the same day.

**Closing Date:** by 1pm (CET time) on June 30, 2005.

### **0.3.5 Jurisdiction in the event of litigation.**

The constitution of the Fund, the Bond issue and the agreements for transactions hedging financial risks and the rendering of services to be entered into by the Management Company on behalf of the Fund shall be subject to Spanish Law, with the exception of the two Interest Swap Agreements which are subject to English Law. The Deed of Constitution and the transaction agreements to be entered into on behalf of the Fund shall be governed by and construed in accordance with Spanish Laws, with the exception of the two Interest Swap Agreements which shall be governed by and construed in accordance with English Laws.

All matters, disagreements, actions and claims deriving from the Management Company's constitution, administration and legal representation of MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS, and the Bond Issue by the same, shall be submitted to the competent Spanish Courts and Tribunals.

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

The Fund shall pool Pass-Through Certificates wholly issued by BANCAJA on Mortgage Loans owned by BANCAJA granted by BANCAJA to individuals (the "**Obligors**") with real estate mortgage security on real properties (homes, business premises, industrial warehouses and country properties) located within Spanish territory.

The Deed of Constitution shall perfect the issue by BANCAJA of the Pass-Through Certificates and their subscription by the Fund, represented by the Management Company, making up an as yet indeterminate number whose total principal or capital shall be equal to or slightly in excess of EUR 800,000,000.00.

The Pass-Through Certificates will be issued on the Mortgage Loans as established in Act 2/1981 and additional provision five of Act 3/1994, as worded by article 18 of Act 44/2002.

The Mortgage Loans shall be taken from a selection comprised of 8,669 mortgage loans, the outstanding principal of which amounted as of May 31, 2005 to EUR 858,328,689.37, with an overdue principal of EUR 195,101.54, representing 0.023% on the total principal yet to be repaid. The detailed characteristics of the mortgage loans selected are described in sections IV.1.1 and IV.4 of the Offering Circular.

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

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

- (i) Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (ii) Start-Up Loan Agreement amounting to EUR 2,350,000.00 to be drawn down on the Closing Date.
- (iii) Interest Swap Agreements.
- (iv) Bond Paying Agent Agreement.
- (v) Financial Intermediation Agreement.
- (vi) Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement.
- (vii) Bond Issue Management, Underwriting, Placement and Subscription Agreement.

#### **0.6 Set Priority Rules**

##### **0.6.1 Fund Priority of Payments from the first Payment Date, inclusive, until the last Payment Date or liquidation of the Fund, exclusive.**

On each Payment Date other than the Final Maturity Date or the Payment Date on which the Early Liquidation of the Fund occurs, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation of Series A, B, C, D and E in accordance with the priority of payments established hereinafter for each of them (the **"Priority of Payments"**).

##### **0.6.1.1 Available Funds: source and application.**

- 1. Source:** the Available Funds on each Payment Date to meet the payment or withholding obligations listed in section 2 below shall be the following amounts paid to the Fund and credited to the Treasury Account:
  - a) Mortgage Loan principal repayment income received during the Determination Period preceding the relevant Payment Date.
  - b) Ordinary and late-payment interest income received on the Mortgage Loans during the Determination Period preceding the relevant Payment Date.
  - c) The return received on the amounts credited to the Treasury Account.
  - d) The Cash Reserve amount on the Determination Date preceding the relevant Payment Date.
  - e) Net amounts, if any, received by the Fund under the Interest Swap Agreements and amounts received by the Fund making up the settlement payment in the event of termination of those Agreements.
  - f) Any other amounts received by the Fund during the Determination Period preceding the relevant Payment Date, including those resulting from the sale or utilisation of properties awarded to the Fund.

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



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

1. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, and the servicing fee in the event that BANCAJA should be substituted as Servicer, shall be made to the Servicer under the Servicing Agreement in this priority.
2. Payment, as the case may be, of the net amounts payable by the Fund under the Interest Swap Agreements and, only in the event of termination of those Agreements following a breach by the Fund or because the latter is the affected party in any termination event, payment of the amounts to be settled by the Fund comprising the settlement payment.
3. Payment of interest due on the Series A Bonds.
4. Payment of interest due on the Series B Bonds unless this payment is deferred to 9<sup>th</sup> place in the priority of payments.

If the Series A Bonds have not been or are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 9<sup>th</sup> place below if on the relevant Payment Date, upon calculating the application in 8<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of the sum of (i) eighty-five percent (85%) of the Outstanding Principal Balance of Series B and (ii) one hundred percent (100%) of the sum of the Outstanding Principal Balance of Series C, D and E, whereupon interest due on the Series B Bonds shall be deferred to 9<sup>th</sup> place.

5. Payment of interest due on the Series C Bonds unless this payment is deferred to 10<sup>th</sup> place in the priority of payments.

If the Series A and the Series B Bonds have not been or are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 10<sup>th</sup> place below if on the relevant Payment Date, upon calculating the application in 8<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of the sum of (i) eighty-five percent (85%) of the Outstanding Principal Balance of Series C and (ii) one hundred percent (100%) of the sum of the Outstanding Principal Balance of Series D and E, whereupon interest due on the Series C Bonds shall be deferred to 10<sup>th</sup> place.

6. Payment of interest due on the Series D Bonds unless this payment is deferred to 11<sup>th</sup> place in the priority of payments.

If the Series A, the Series B and the Series C Bonds have not been or are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 11<sup>th</sup> place below if on the relevant Payment Date, upon calculating the application in 8<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of the sum of (i) eighty-five percent (85%) of the Outstanding Principal Balance of Series D and (ii) one hundred percent (100%) of the Outstanding Principal Balance of Series E, whereupon interest due on the Series D Bonds shall be deferred to 11<sup>th</sup> place.

7. Payment of interest due on the Series E Bonds unless this payment is deferred to 12<sup>th</sup> place in the priority of payments.

If the Series A, the Series B, the Series C and the Series D Bonds have not been or are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 12<sup>th</sup> place below if on the relevant Payment Date, upon calculating the application in 8<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of eighty-five percent (85%) of the Outstanding Principal Balance of Series E, whereupon interest due on the Series E Bonds shall be deferred to 12<sup>th</sup> place.

8. Withholding for amortisation of Series A, B, C, D and E Bond principal ("**Series A, B, C, D and E Amortisation Withholding**") in an amount equivalent to the positive difference existing between (i) the sum of the Outstanding Principal Balance of Series A, B, C, D and E and (ii) the Outstanding Balance of Non-Doubtful Mortgage Loans on the Determination Date preceding the relevant Payment Date.

Depending on the liquidity existing on each Payment Date, the amount actually applied to the Series A, B, C, D and E Amortisation Withholding shall be added to the Available Funds for Amortisation of Series A, B, C, D and E which shall be applied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E established hereinafter in this same section.

9. Payment of interest due on the Series B Bonds when deferred from 4<sup>th</sup> place in the priority of payments as established therein.
10. Payment of interest due on the Series C Bonds when deferred from 5<sup>th</sup> place in the priority of payments as established therein.
11. Payment of interest due on the Series D Bonds when deferred from 6<sup>th</sup> place in the priority of payments as established therein.
12. Payment of interest due on the Series E Bonds when deferred from 7<sup>th</sup> place in the priority of payments as established therein.
13. Withholding of an amount sufficient for the Required Cash Reserve to be kept duly provisioned.
14. Payment of interest due on the Series F Bonds.
15. Amortisation of Series F Bonds in the amount by which they are amortised.

Partial amortisation of Series F Bonds shall occur on each of the Payment Dates in an amount equal to the positive difference existing between the Outstanding Principal Balance of Series F on the Determination Date preceding the relevant Payment Date and the Required Cash Reserve amount on the relevant Payment Date in accordance with the provisions of section III.2.3.1 of the Offering Circular
16. Payment of the amounts payable by the Fund, as the case may be, comprising the settlement payment under the Interest Swap Agreements other than in the events provided for in 2<sup>nd</sup> place above.
17. Payment of interest due on the Start-Up Loan.
18. Repayment of Start-Up Loan principal in the amortised amount.
19. Payment to the Servicer of the fee established under the Servicing Agreement.

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

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

#### 0.6.1.2 Available Funds for Amortisation of Series A, B, C, D and E.

1. **Source:** On each Payment Date, the Available Funds for Amortisation of Series A, B, C, D and E shall be the Series A, B, C, D and E Amortisation Withholding amount applied in 8<sup>th</sup> place of the Available Funds on the relevant Payment Date.
2. **Distribution of Available Funds for Amortisation of Series A, B, C, D and E:** they shall be applied on each Payment Date to amortising each of the Series in accordance with the following rules:
  1. The Available Funds for Amortisation of Series A, B, C, D and E shall be sequentially applied firstly to amortising Series A until fully amortised, secondly to amortising Series B until fully amortised, thirdly to amortising Series C until fully amortised, fourthly to amortising Series D until fully amortised and fifthly to amortising Series E until fully amortised, notwithstanding the provisions of rules 2 and 3 below for pro rata amortisation of the different Series.
  2. However, even if Series A has not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B and/or Series C and/or Series D and/or Series E on the Payment Date which is not the last Payment Date or the Fund liquidation date on which the following circumstances are satisfied ("**Conditions for Pro Rata Amortisation**"):
    - a) In order to amortise Series B, that on the Determination Date preceding the relevant Payment Date:
      - i) the Outstanding Principal Balance of Series B is equal to or greater than 3.30% of the sum of the Outstanding Principal Balance of Series A, B, C, D and E; and
      - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.50% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
    - b) In order to amortise Series C, that on the Determination Date preceding the relevant Payment Date:
      - i) the Outstanding Principal Balance of Series C is equal to or greater than 2.60% of the sum of the Outstanding Principal Balance of Series A, B, C, D and E; and
      - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.25% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
    - c) In order to amortise Series D, that on the Determination Date preceding the relevant Payment Date:
      - i) the Outstanding Principal Balance of Series D is equal to or greater than 2.20% of the sum of the Outstanding Principal Balance of Series A, B, C, D and E; and
      - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.00% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
    - d) In order to amortise Series E, that on the Determination Date preceding the relevant Payment Date:
      - i) the Outstanding Principal Balance of Series E is equal to or greater than 3.30% of the sum of the Outstanding Principal Balance of Series A, B, C, D and E; and
      - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 0.75% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
    - e) In order to amortise Series B, Series C, Series D and Series E:
      - i) that the Required Cash Reserve on the Payment Date preceding the relevant Payment Date was fully provisioned; and
      - ii) on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of the Mortgage Loans is equal to or greater than 10 percent of the initial Outstanding Balance upon the Fund being constituted.
  3. In the event that the amortisation of Series B and/or Series C and/or Series D and/or Series E should apply on a Payment Date as provided for in rule 2 above, the Available Funds for Amortisation of Series A, B, C, D and E shall also be applied to amortising Series B and/or Series C and/or Series D and/or Series E in such a way that the ratio of the Outstanding Principal Balance of Series B or of Series C or of Series D or of Series E to the sum of the Outstanding Principal Balance of Series A, B, C, D and E is respectively kept at 3.30% or 2.60% or 2.20% or 3.30%, or higher percentages closest thereto.

### 0.6.2.3 Liquidation Priority of Payments.

The Management Company shall proceed to liquidate the Fund on the Final Maturity Date or on the Payment Date on which Early Liquidation occurs in accordance with the provisions of section III.7 of the Offering Circular, by applying the available funds to the following items (the **'Liquidation Available Funds'**): (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the assets in connection with the Pass-Through Certificates remaining and, as the case may be, (iii) the amount drawn under a credit facility to be arranged and fully assigned to final amortisation of the Series A, B, C, D and E Bonds, in accordance with the provisions of section III.7.1, in the following priority of payments (the **"Liquidation Priority of Payments"**):

1. Reserve to meet the tax, administrative or advertising expenses deriving from termination and liquidation of the Fund.
2. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer in relation to the Mortgage Loans, provided they are all properly supported, and the servicing fee if BANCAJA shall have been replaced as Servicer shall be made to the Servicer under the Servicing Agreement in this priority.
3. Payment of amounts, if any, due upon termination of the Interest Swaps and, only in the event of termination of those Agreements following a breach by the Fund or because the Fund is the affected party in any termination event, payment of the settlement payment amounts payable by the Fund.
4. Payment of interest due on the Series A Bonds.
5. Repayment of Series A Bond principal.
6. Payment of interest due on the Series B Bonds.
7. Repayment of Series B Bond principal.
8. Payment of interest due on the Series C Bonds.
9. Repayment of Series C Bond principal.
10. Payment of interest due on the Series D Bonds.
11. Repayment of Series D Bond principal.
12. Payment of interest due on the Series E Bonds.
13. Repayment of Series E Bond principal.
14. Payment of interest due on the Series F Bonds.
15. Repayment of Series F Bond principal.
16. Payment of the settlement payment amounts payable by the Fund under the Interest Swap Agreements other than in the events provided for in 3<sup>rd</sup> place above.
17. Payment of interest due and repayment of principal on the Start-Up Loan.
18. Payment to BANCAJA of the fee established under the Servicing Agreement.
19. Payment of the Financial Intermediation Margin.

Where receivables for different items exist in a same priority of payments on the Final Maturity Date or on the Payment Date on which there is an Early Liquidation and the Liquidation Available Funds are not sufficient to settle the amounts due under all of them, the application of the remaining Liquidation Available Funds shall be prorated among the amounts payable under each such item, and the amount applied to each item shall be distributed in the priority in which the accounts payable fall due.

## **0.7 Liquidation and termination of the Fund.**

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

The Fund shall terminate in the following events:

- (i) Upon the Pass-Through Certificates pooled therein being fully amortised.
- (ii) Upon the Bonds issued being fully amortised.
- (iii) Upon the Early Liquidation procedure ending, subject to the requirements and procedures contained in section III.7.1 of the Offering Circular.
- (iv) At all events, upon the Fund being finally liquidated on the Final Maturity Date (February 25, 2038 or the following Business Day if that is not a Business Day).
- (v) Upon the Fund constitution terminating in the event that Moody's or Fitch should not confirm any of the assigned provisional ratings as final ratings by the start of the Subscription Period.

## **0.8 Risks inherent in the Bonds.**

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

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

### **b) Mortgage Loan prepayment risk.**

There will be an early amortisation of the Pass-Through Certificates pooled in the Fund when the Mortgage Loan Obligors prepay the portion of principal pending repayment or in the event that BANCAJA should be substituted in the relevant Mortgage Loans by any other financial institution licensed to do so or in any other event having the same effect.

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

### **c) Limited Hedging.**

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

### **d) Liquidity.**

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

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

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

### **e) Yield.**

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

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

**f) Late-payment interest.**

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

**0.9 No right of action.**

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

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

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

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

## CHAPTER I

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

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

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

Mr Mario Masiá Vicente, of full age, who holds Spanish Tax Identification number 50,796,768-A, acting for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the "**Management Company**"), the company sponsoring MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS (the "**Fund**"), takes responsibility for the contents of this Offering Circular.

Mr Mario Masiá Vicente is acting as General Manager of the Management Company using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and January 28, 2000, and expressly for constituting the Fund pursuant to authorities conferred by the Board of Directors' Executive Committee at its meeting held on May 18, 2005.

EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN has its registered office at Madrid, Calle Lagasca, number 120, and VAT Reg. no. A-80514466. It is entered in the CNMV's Register of Securitisation Fund Management Companies under number 2.

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

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

#### I.2 Supervisory Bodies.

This full Offering Circular regarding the constitution of the Fund and issue of the Bonds has been entered in the Official Registers of the CNMV on June 23, 2005.

Registration of the Offering Circular by the CNMV shall not imply recommending subscription for the securities referred to therein, nor indeed any statement whatsoever as to the solvency of the issuer or yield or quality of the issued or offered securities; it shall only imply a recognition that the Offering Circular contains all the information required by the rules fixing its contents and shall at no event determine that the CNMV is liable for any inaccuracy of the information therein contained.

This Offering Circular conforms to the contents established in Royal Decree 926/1998 and Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, in accordance with the authority laid down in the single Transitional Provision of Royal Decree 5/2005, March 11, on urgent measures for boosting productivity and improving public contracting.

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

Appendix V to this Offering Circular contains the audit report on a selection of portfolio mortgage loans of BANCAJA, which shall mostly be assigned to the Fund, by means of the issue of the Pass-Through Certificates. That Report was drawn up by the firm Ernst & Young S.L. ("**Ernst & Young**"), entered in the Official Register of Auditors (ROAC) under number S0530 and having its registered office in Madrid, Plaza Pablo Ruiz Picasso s/n.



That audit was made using sampling techniques consisting of analysing a number of loans fewer (sample) than the full selection of loans (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative attributes regarding the sample mortgage loans and specifically regarding: nature of the loan and lender, identification of the borrower, date of origination, date of maturity, initial amount, current balance, floating interest rate and 1-year Mibor or Euribor reference rate, spread, arrears in payment, mortgaged property, appraisal value, current loan-to-value ratio, address of the mortgaged property and mortgage security. Loans in respect of which errors are detected in verifying the sample shall not be included by BANCAJA for issuing the Pass-Through Certificates.

## CHAPTER II

### INFORMATION REGARDING THE SECURITIES ISSUED BY THE FUND

#### II.1 Information on prerequisites and resolutions necessary.

##### II.1.1 Issue resolutions and statutory requirements.

###### a) Corporate resolutions.

###### **Resolution to assign mortgage loans by means of the issue of Pass-Through Certificates:**

At its meeting of May 11, 2005, the Board of Directors of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA ("**BANCAJA**"), resolved that the assignment of loans with mortgage security owned by BANCAJA by means of the issue of pass-through certificates, to be pooled in or subscribed for by the Fund, be authorised.

Attached as Appendix II to this Offering Circular is a photocopy of a transcript of the resolutions of the Board of Directors of BANCAJA

###### **Resolution to set up the Fund:**

At its meeting of May 18, 2005, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN resolved that:

- i) MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS be set up in accordance with the legal system for which provision is made in Royal Decree 926/1998 and in Act 19/1992.
- ii) The Pass-Through Certificates issued by BANCAJA on the Mortgage Loans be pooled in the Fund.
- iii) The Bonds be issued by the Fund.

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

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

This Offering Circular regarding the constitution of the Fund and issue of the Bonds has been entered by the CNMV in its Official Registers on June 23, 2005.

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

Upon the CNMV registering this Offering Circular and without the Bond Subscription Period having yet begun, the Management Company and BANCAJA, issuer of the Pass-Through Certificates that shall be subscribed for by the Fund, shall proceed to execute a public deed whereby MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS will be constituted, the Pass-Through Certificates will be issued and subscribed for, and the Bond Issue will be made (the "**Deed of Constitution**"), on the terms provided in article 6 of Royal Decree 926/1998. The Deed of Constitution shall be executed on June 27, 2005.

The Deed of Constitution shall set out the arrangement of the constitution of the Fund (Section I), issue of and subscription for the Pass-Through Certificates (Section II), servicing and custody of the Mortgage Loans and custody of the Pass-Through Certificates (Section III), issue of the Asset-Backed Bonds (Section IV), supplementary agreements (Section V), management and administration of the Fund (Section VI), priority of payments of the Fund (Section VII) and other provisions (Section VIII), using a structure resembling the structure of this Offering Circular.

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

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

## **II.1.2 Information on prerequisites and resolutions for the Bonds to be listed on an organised secondary market.**

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

## **II.2 Prior administrative authorisation of the Bond Issue.**

No prior administrative authorisation other than registration of this Offering Circular by the CNMV is required. The CNMV has made no warning or consideration whatsoever concerning the constitution of the Fund and the Bond Issue.

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

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

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

On June 22, 2005, Moody’s Investors Service España, S.A. assigned the following provisional ratings to each of the Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period.

| <b>Bond Series</b> | <b>Moody’s Ratings</b> |
|--------------------|------------------------|
| <b>Series A</b>    | <b>Aaa</b>             |
| <b>Series B</b>    | <b>Aa2</b>             |
| <b>Series C</b>    | <b>A1</b>              |
| <b>Series D</b>    | <b>Baa1</b>            |
| <b>Series E</b>    | <b>Ba2</b>             |
| <b>Series F</b>    | <b>C</b>               |

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

On June 22, 2005, Fitch Ratings España, S.A. assigned the following provisional ratings to each of the Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period.

| <b>Bond Series</b> | <b>Fitch Ratings</b> |
|--------------------|----------------------|
| <b>Series A</b>    | <b>AAA</b>           |
| <b>Series B</b>    | <b>AA</b>            |
| <b>Series C</b>    | <b>A+</b>            |
| <b>Series D</b>    | <b>BBB+</b>          |
| <b>Series E</b>    | <b>BB+</b>           |

## Series F

## CC

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

If the Rating Agencies should not confirm the assigned provisional ratings as final by the start of the Subscription Period, this circumstance would forthwith be notified to the CNMV and be publicised in the manner for which provision is made in section III.4.2.c). Furthermore, this circumstance would result in the Fund constitution, the issue of and subscription for the Pass-Through Certificates and the Bond Issue being terminated.

### **Rating considerations.**

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

The ratings assigned to each of the Bond Series by Fitch are an opinion as to the Fund's ability with respect to timely payment of interest and payment of principal of the Bonds throughout the life of the transaction and, in any event, before its legal maturity, in accordance with the terms stipulated in the transaction documents.

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

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

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

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

The Rating Agencies may revise, suspend or withdraw the final ratings assigned at any time, based on any information that may come to their notice. Those events, which shall not constitute early liquidation events of the Fund, shall forthwith be notified to both the CNMV and the Bondholders, in accordance with the provisions of section III.4.2.

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

### **Undertakings by the Management Company.**

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

## **II.4 Nature and denomination of the Bonds offered.**

The issue of asset-backed bonds (the "**Bond Issue**" and the "**Bonds**") consists of Bonds pooled in six Series (Series A, Series B, Series C, Series D, Series E and Series F) as detailed in section II.6 below.

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

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

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

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

The Bonds may be freely transferred by any means admissible at Law and in accordance with the rules of the market on which they are traded. A transfer in the accounts will convey the ownership of each Bond. The effects of entering the conveyance to the transferee in the accounting record shall be the same as handing over the certificates and the transfer shall thereupon be enforceable on third parties. In this sense, no claim may be lodged against a third party acquiring the Bonds represented by book entries for valuable consideration from whoever has capacity to transfer the same, according to the book entries, unless he acted in bad faith or with gross negligence at the time of the acquisition, in accordance with article 12 of Royal Decree 116/1992.

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

#### **II.4.2 Implications between the schedule of principal and interest payments on the Bonds and the cash flows of the assets securitised through the Fund.**

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

#### **II.4.3 Other considerations on the risks that might affect servicing of the Bonds.**

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

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

BANCAJA shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Mortgage Loans. Under article 348 of the Commercial Code, BANCAJA is liable to the Fund exclusively for the existence and lawfulness of the Mortgage Loans on the terms and conditions declared in the Deed of Constitution, and for the personality with which the assignment is made. BANCAJA will have no liability whatsoever to directly or indirectly guarantee that the transaction will be properly performed nor give any guarantees or security, nor indeed agree to repurchase the Pass-Through Certificates, other than where any of these or of the underlying Mortgage Loans fail to conform upon the Fund being constituted to the representations contained in section IV.1.1 of this Offering Circular.

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

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

**b) Mortgage Loan prepayment risk.**

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

That prepayment risk shall pass quarterly on each Payment Date to the Bondholders by the partial amortisation of the Bonds, in accordance with the provisions of section II.11 of this Offering Circular.

**c) Limited Hedging.**

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

**d) Liquidity.**

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

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

The Fund may in no event repurchase the Bonds from Bondholders. Nevertheless, the Bonds may be fully subject to early amortisation in the event of Early Liquidation of the Fund, on the terms established in section III.7.1 of this Offering Circular.

**e) Yield.**

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

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

**f) Late-payment interest.**

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

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

The Bonds issued by the Fund will be exclusively represented by means of book entries, and will become such Bonds when entered at Iberclear, the institution in charge of the accounting record, in accordance with article 11 of Royal Decree 116/1992.

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

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

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

## II.6 Amount of the Bond Issue.

The Bond Issue consists of Bonds denominated in euros and comprised of six Series as follows:

- a) Series A having a total face amount of EUR seven hundred and fifty-four million four hundred thousand (754,400,000.00) comprising seven thousand five hundred and forty-four (7,544) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A**" or the "**Series A Bonds**").
- b) Series B having a total face amount of EUR thirteen million two hundred thousand (13,200,000.00) comprising one hundred and thirty-two (132) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series B**" or the "**Series B Bonds**").
- c) Series C having a total face amount of EUR ten million four hundred thousand (10,400,000.00) comprising one hundred and four (104) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series C**" or the "**Series C Bonds**").
- d) Series D having a total face amount of EUR eight million eight hundred thousand (8,800,000.00) comprising eighty-eight (88) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series D**" or the "**Series D Bonds**").
- e) Series E having a total face amount of EUR thirteen million two hundred thousand (13,200,000.00) comprising one hundred and thirty-two (132) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series E**" or the "**Series E Bonds**").
- f) Series F having a total face amount comprised between EUR ten million (10,000,000.00) and EUR eight million four hundred thousand (8,400,000.00) comprising Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series F**" or the "**Series F Bonds**").

The total face amount of Series F and consequently the number of Bonds making it up shall be determined by the Management Company by 10am (CET time) on the day of the Subscription Period, based on (i) the average margin applicable to the Party B interest rate in each of the Interest Swap Agreements, weighted by the Notional Amount (Annual) and the Notional Amount (Six-Monthly) for the first settlement period in each of those Agreements, in accordance with the provisions of section V.3.3 of this Offering Circular, and (ii) as established below.

| Weighted average margin applicable to the Party B interest rate in each of the Interest Swap Agreements |                                  |                                 |
|---------------------------------------------------------------------------------------------------------|----------------------------------|---------------------------------|
| Between<br>-0.075% and -0.0249%                                                                         | Between<br>-0.0250% and +0.0250% | Between<br>+0.0251% and +0.075% |

|                                      |             |            |            |
|--------------------------------------|-------------|------------|------------|
| <b>Total face amount of Series F</b> | €10,000,000 | €9,200,000 | €8,400,000 |
|--------------------------------------|-------------|------------|------------|

The total face amount of Series F and consequently the number of Bonds making it up and determined in due course shall be notified by the Management Company by the start of the Subscription Period to the Lead Managers and to the Underwriters and Placement Agents, to be reported to investors interested in subscribing for the Bonds. Moreover, the Management Company will also notify this to the CNMV as information in addition to this Offering Circular, and to the Rating Agencies. This shall also be set down in

a public deed supplementing the Deed of Constitution to be executed by the Management Company before the Subscription Period begins.

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

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

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

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

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

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

**II.7 Face and actual amounts of each Bond.**

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

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

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

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

**II.9 Fees borne by the Bondholders.**

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

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

**II.10 Interest rate clause.**

**II.10.1 Bond nominal interest rate.**

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



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

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

#### **II.10.1.1 Interest Accrual.**

For interest accrual purposes, the duration of each Bond Series shall be divided into successive interest accrual periods ("**Interest Accrual Periods**") comprising the exact number of days elapsed between every two consecutive Payment Dates, each Interest Accrual Period including the beginning Payment Date but not including the ending Payment Date. Exceptionally, the duration of the first Interest Accrual Period shall be equivalent to the days elapsed between the Closing Date, June 30, 2005, inclusive, and the first Payment Date, to wit August 25, 2005, exclusive.

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

#### **II.10.1.2 Nominal Interest Rate.**

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

- (i) the Reference Rate as established in the following paragraph, and
- (ii) a margin for each Series as follows:
  - **Series A:** margin ranging between 0.10% and 0.25%, both inclusive.
  - **Series B:** margin ranging between 0.15% and 0.35%, both inclusive.
  - **Series C:** margin ranging between 0.20% and 0.45%, both inclusive.
  - **Series D:** margin ranging between 0.35% and 0.85%, both inclusive.
  - **Series E:** margin ranging between 1.50% and 2.50%, both inclusive.
  - **Series F:** 4.00% margin

The margin applicable to Series A, B, C, D and E, expressed as a percentage, shall be determined with one accord by the Lead Managers within the ranges established in the preceding paragraph for each of those Series and notified in writing to the Management Company by 10am (CET time) on the day of the Subscription Period (June 28, 2005).

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

- **Series A:** 0.18% margin.
- **Series B:** 0.25% margin.
- **Series C:** 0.32% margin.
- **Series D:** 0.60% margin.
- **Series E:** 2.00% margin.

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

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

### II.10.1.3 Reference Rate and determining the same.

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

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

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the result of a straight-line interpolation between the one- (1-) month Euribor rate and the two- (2-) month Euribor rate, fixed at 11am (CET time) on the second Business Day preceding the Closing Date, bearing in mind the number of days in the first Interest Accrual Period. The Reference Rate for the first Interest Accrual Period shall be calculated in accordance with the following formula:

$$IR = [(D-30)/30) \times E2] + [(1-((D-30)/30)) \times E1]$$

Where:

IR = Reference Rate for the first Interest Accrual Period.  
D = Number of days in the first Interest Accrual Period.  
E1 = One- (1-) month Euribor rate.  
E2 = Two- (2-) month Euribor rate.

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

Exceptionally, the substitute Reference Rate for the first Interest Accrual Period shall be the rate resulting from the straight-line interpolation between the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in euros with a two- (2-) month maturity and the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in euros with a three- (3-) month maturity, both in an amount equivalent to the face amount of the Bond Issue, declared by the banks in accordance with the provisions of paragraph one above, following a simultaneous request to the headquarters of each of them made by the Paying Agent after and around 11am (CET time) on the second Business Day preceding the Closing Date.

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

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

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

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

#### **II.10.1.4 Interest Rate Fixing Date.**

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

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

The Nominal Interest Rates determined for each of the Bond Series for successive Interest Accrual Periods shall be communicated to the Bondholders within the time period and in the manner for which provision is made in sections III.4.2.a) and c).

#### **II.10.1.5 Formula for calculating interest.**

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

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

Where:

*I = Interest payable on a given Payment Date.*

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

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

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

##### **a) Example for fixing the Nominal Interest Rate.**

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

|          | <b>Amounts in EUR</b>                                                          | <b>Series A<br/>Bonds</b> | <b>Series B<br/>Bonds</b> | <b>Series C<br/>Bonds</b> | <b>Series D<br/>Bonds</b> | <b>Series E<br/>Bonds</b> | <b>Series F<br/>Bonds</b> |
|----------|--------------------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>1</b> | Outstanding Principal Balance per Bond                                         | 100,000.00                | 100,000.00                | 100,000.00                | 100,000.00                | 100,000.00                | 100,000.00                |
| <b>2</b> | Interest Accrual Period days                                                   | 56                        | 56                        | 56                        | 56                        | 56                        | 56                        |
| <b>3</b> | 1- to 2-month interpolated Euribor rate*                                       | 2.10833                   | 2.10833                   | 2.10833                   | 2.10833                   | 2.10833                   | 2.10833                   |
| <b>4</b> | Margin**                                                                       | 0.175                     | 0.250                     | 0.325                     | 0.600                     | 2.000                     | 4.000                     |
| <b>5</b> | Nominal interest rate: rounded to the nearest thousandth of a percentage point | 2.283                     | 2.358                     | 2.433                     | 2.708                     | 4.108                     | 6.108                     |
| <b>6</b> | Calculation of interest amount payable per Bond (1)x(2)x(5)/36000              | 355.13                    | 366.80                    | 378.47                    | 421.24                    | 639.02                    | 950.13                    |

\* 1-month Euribor 2.104% and 2-month Euribor 2.109%, as of June 16, 2005.

\*\* Average margin within the range established for each Series in accordance with section II.10.1.2.

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

For merely illustrative purposes, below are details of the three- (3-) month Euribor rates published on certain dates over the last two years, which, other than the first Payment Date, would have matched the Interest Rate Fixing Dates on the EURIBOR01 electronic page supplied by Reuters, and the Nominal Interest Rate that would have applied to each of the Bond Series, in the event that the applicable margins should be the average margins in the range established for each Series, in accordance with section II.10.1.2 (0.175% for Series A, 0.25% for Series B, 0.325% for Series C, 0.60% for Series D, 2.00% for Series E and 4.00% for Series F):

| Dates             | 3-month<br>Euribor | Series A<br>Bonds | Series B<br>Bonds | Series C<br>Bonds | Series D<br>Bonds | Series E<br>Bonds | Series F<br>Bonds |
|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 16 June 2005      | 2.116              | 2.291             | 2.366             | 2.441             | 2.716             | 4.116             | 6.116             |
| 23 May 2005       | 2.126              | 2.301             | 2.376             | 2.451             | 2.726             | 4.126             | 6.126             |
| 21 April 2005     | 2.133              | 2.308             | 2.383             | 2.458             | 2.733             | 4.133             | 6.133             |
| 23 March 2005     | 2.142              | 2.317             | 2.392             | 2.467             | 2.742             | 4.142             | 6.142             |
| 23 February 2005  | 2.135              | 2.310             | 2.385             | 2.460             | 2.735             | 4.135             | 6.135             |
| 21 January 2005   | 2.143              | 2.318             | 2.393             | 2.468             | 2.743             | 4.143             | 6.143             |
| 23 December 2004  | 2.178              | 2.353             | 2.428             | 2.503             | 2.778             | 4.178             | 6.178             |
| 23 November 2004  | 2.177              | 2.352             | 2.427             | 2.502             | 2.777             | 4.177             | 6.177             |
| 21 October 2004   | 2.145              | 2.320             | 2.395             | 2.470             | 2.745             | 4.145             | 6.145             |
| 23 September 2004 | 2.116              | 2.291             | 2.366             | 2.441             | 2.716             | 4.116             | 6.116             |
| 23 August 2004    | 2.114              | 2.289             | 2.364             | 2.439             | 2.714             | 4.114             | 6.114             |
| 22 July 2004      | 2.120              | 2.295             | 2.370             | 2.445             | 2.720             | 4.120             | 6.120             |
| 23 June 2004      | 2.123              | 2.298             | 2.373             | 2.448             | 2.723             | 4.123             | 6.123             |
| 21 May 2004       | 2.090              | 2.265             | 2.340             | 2.415             | 2.690             | 4.090             | 6.090             |
| 22 April 2004     | 2.059              | 2.234             | 2.309             | 2.384             | 2.659             | 4.059             | 6.059             |
| 23 March 2004     | 2.021              | 2.196             | 2.271             | 2.346             | 2.621             | 4.021             | 6.021             |
| 23 February 2004  | 2.073              | 2.248             | 2.323             | 2.398             | 2.673             | 4.073             | 6.073             |
| 22 January 2004   | 2.075              | 2.250             | 2.325             | 2.400             | 2.675             | 4.075             | 6.075             |
| 23 December 2003  | 2.142              | 2.317             | 2.392             | 2.467             | 2.742             | 4.142             | 6.142             |
| 21 November 2003  | 2.147              | 2.322             | 2.397             | 2.472             | 2.747             | 4.147             | 6.147             |
| 23 October 2003   | 2.150              | 2.325             | 2.400             | 2.475             | 2.750             | 4.150             | 6.150             |
| 23 September 2003 | 2.138              | 2.313             | 2.388             | 2.463             | 2.738             | 4.138             | 6.138             |
| 21 August 2003    | 2.141              | 2.316             | 2.391             | 2.466             | 2.741             | 4.141             | 6.141             |
| 23 July 2003      | 2.126              | 2.301             | 2.376             | 2.451             | 2.726             | 4.126             | 6.126             |

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

Interest on the Bonds in each of the Series will be paid until they are finally amortised by Interest Accrual Periods in arrears on February 25, May 25, August 25 or November 25 in each year, or the following Business Day if any of those is not a Business Day (each of those dates, a **"Payment Date"**), on the terms established in section II.10.1. of this Offering Circular.

In the event that any of February 25, May 25, August 25 and November 25 in each year should not be a Business Day, the Payment Date shall be the following Business Day, and interest for the then-current Interest Accrual Period will accrue until said first Business Day, not inclusive.

The first interest Payment Date for the Bonds in each of the Series shall be August 25, 2005, and interest will accrue at the applicable Nominal Interest Rate between the Closing Date, June 30, 2005, inclusive, and August 25, 2005, exclusive.

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

- public holiday in the capital city of Madrid, or

- non-business day in the TARGET calendar (Trans European Automated Real-Time Gross Settlement Express Transfer System).

Both interest resulting for the Bondholders in each of the Series and the amount, if any, of interest accrued and not paid, shall be notified to the Bondholders as described in section III.4.2 of this Offering Circular, at least one (1) calendar day in advance of each Payment Date.

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

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

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

The Fund, through its Management Company, may not defer Bond interest payment beyond the Final Maturity Date, February 25, 2038, or the following Business Day if that is not a Business Day.

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

#### **II.10.3 Simple reference to the priority of Bond interest payment in the Fund priority of payments.**

Payment of interest accrued by the Series A Bonds is third (3<sup>rd</sup>) in the application of Available Funds in the Priority of Payments established in section V.4.2.1.2 of this Offering Circular and fourth (4<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.2.3.

Payment of interest accrued by the Series B Bonds is fourth (4<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section V.4.2.1.2 of this Offering Circular, other than in the event provided for in that same section for the same to be deferred, in which case it shall be ninth (9<sup>th</sup>), and sixth (6<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.2.3.

Payment of interest accrued by the Series C Bonds is fifth (5<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section V.4.2.1.2 of this Offering Circular, other than in the event provided for in that same section for the same to be deferred, in which case it shall be tenth (10<sup>th</sup>), and eighth (8<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.2.3.

Payment of interest accrued by the Series D Bonds is sixth (6<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section V.4.2.1.2 of this Offering Circular, other than in the event provided for in that same section for the same to be deferred, in which case it shall be eleventh (11<sup>th</sup>), and tenth (10<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.2.3.

Payment of interest accrued by the Series E Bonds is seventh (7<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section V.4.2.1.2 of this Offering Circular, other than in the event provided for in that same section for the same to be deferred, in which case it shall be twelfth (12<sup>th</sup>), and twelfth (12<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.2.3.

Payment of interest accrued by the Series F Bonds is fourteenth (14<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section V.4.2.1.2 of this Offering Circular, and fourteenth (14<sup>th</sup>) in

the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.2.3.

## **II.11 Amortisation of the Bonds.**

### **II.11.1 Bond redemption price.**

The redemption price of the Bonds in each of the Series shall be EUR one hundred thousand (100,000) per Bond, equivalent to 100 percent of their face value, payable as established in section II.11.2 of this Chapter.

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

### **II.11.2 Specific characteristics of the Amortisation of each of the Bond Series.**

#### **II.11.2.1 Amortisation of Series A Bonds.**

Series A Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A, B, C, D and E applied on each Payment Date to amortising Series A in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E contained in sections II.11.3.5 and V.4.2.2.2, pro rated between the Bonds in Series A proper by reducing the face amount of each Series A Bond.

The first partial amortisation of Series A Bonds shall occur on the first Payment Date (August 25, 2005).

Final amortisation of the Series A Bonds shall occur on the Final Maturity Date (February 25, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made, and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section II.11.4, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **II.11.2.2 Amortisation of Series B Bonds.**

Series B Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A, B, C, D and E applied on each Payment Date to amortising Series B in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E contained in sections II.11.3.5 and V.4.2.2.2, pro rated between the Bonds in Series B proper by reducing the face amount of each Series B Bond.

The first partial amortisation of Series B Bonds shall occur once the Series A Bonds have been fully amortised. However, even if Series A has not been fully amortised, the Available Funds for Amortisation of Series A, B, C, D and E shall also be applied to amortising Series B on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E, in such a way that the ratio of the Outstanding Principal Balance of Series B to the sum of the Outstanding Principal Balance of Series A, B, C, D and E is kept at 3.30%, or higher percentage closest thereto.

Final amortisation of the Series B Bonds shall occur on the Final Maturity Date (February 25, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section II.11.4, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **II.11.2.3 Amortisation of Series C Bonds.**

Series C Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A, B, C, D and E applied on each Payment Date to amortising Series C in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E

contained in sections II.11.3.5 and V.4.2.2.2, pro rated between the Bonds in Series C proper by reducing the face amount of each Series C Bond.

The first partial amortisation of Series C Bonds shall occur once the Series A and the Series B Bonds have been fully amortised. However, even if Series A and B have not been fully amortised, the Available Funds for Amortisation of Series A, B, C, D and E shall also be applied to amortising Series C on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E, in such a way that the ratio of the Outstanding Principal Balance of Series C to the sum of the Outstanding Principal Balance of Series A, B, C, D and E is kept at 2.60%, or higher percentage closest thereto.

Final amortisation of the Series C Bonds shall occur on the Final Maturity Date (February 25, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section II.11.4, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **II.11.2.4 Amortisation of Series D Bonds.**

Series D Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A, B, C, D and E applied on each Payment Date to amortising Series D in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E contained in sections II.11.3.5 and V.4.2.2.2, pro rated between the Bonds in Series D proper by reducing the face amount of each Series D Bond.

The first partial amortisation of Series D Bonds shall occur once the Series A, the Series B and the Series C Bonds have been fully amortised. However, even if Series A, B and C have not been fully amortised, the Available Funds for Amortisation of Series A, B, C, D and E shall also be applied to amortising Series D on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E, in such a way that the ratio of the Outstanding Principal Balance of Series D to the sum of the Outstanding Principal Balance of Series A, B, C, D and E is kept at 2.20%, or higher percentage closest thereto.

Final amortisation of the Series D Bonds shall occur on the Final Maturity Date (February 25, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section II.11.4, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **II.11.2.5 Amortisation of Series E Bonds.**

Series E Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A, B, C, D and E applied on each Payment Date to amortising Series E in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E contained in sections II.11.3.5 and V.4.2.2.2, pro rated between the Bonds in Series E proper by reducing the face amount of each Series E Bond.

The first partial amortisation of Series E Bonds shall occur once the once the Series A, the Series B, the Series C and the Series D Bonds have been fully amortised. However, even if the Series A, B, C and D have not been fully amortised, the Available Funds for Amortisation of Series A, B, C, D and E shall also be applied to amortising Series E on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E, in such a way that the ratio of the Outstanding Principal Balance of Series E to the sum of the Outstanding Principal Balance of Series A, B, C, D and E is kept at 3.30%, or higher percentage closest thereto.

Final amortisation of the Series E Bonds shall occur on the Final Maturity Date (February 25, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and in

accordance with the provisions of section II.11.4, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### II.11.2.6 Amortisation of Series F Bonds.

Series F Bond principal shall be amortised by partial amortisation on each of the Payment Dates based on the amortisation rules established hereinafter and until their total face amount has been fully amortised, in an amount equal to the Available Funds applied on each Payment Date to amortising Series F, in accordance with the Priority of Payments.

Partial amortisation of Series F shall occur on each of the Payment Dates in an amount equal to the positive difference existing between the Outstanding Principal Balance of Series F on the Determination Date preceding the relevant Payment Date and the Required Cash Reserve amount on the relevant Payment Date in accordance with the provisions of section III.2.3.1 of this Offering Circular transcribed hereinafter.

"2. The Initial Cash Reserve and the Required Cash Reserve amount shall be determined by the Management Company by 10am (CET time) on the day of the Subscription Period, based on (i) the average margin applicable to the Party B interest rate in each of the Interest Swap Agreements, weighted by the Notional Amount (Annual) and the Notional Amount (Six-Monthly) for the first settlement period in each of those Agreements, in accordance with the provisions of section V.3.3 of this Offering Circular, and (ii) as established below.

| Weighted average margin applicable to the Party B interest rate in each of the Interest Swap Agreements |                       |                      |
|---------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| Between                                                                                                 | Between               | Between              |
| -0.075% and -0.0249%                                                                                    | -0.0250% and +0.0250% | +0.0251% and +0.075% |

|                             |                |               |               |
|-----------------------------|----------------|---------------|---------------|
| <b>Initial Cash Reserve</b> | €10,000,000.00 | €9,200,000.00 | €8,400,000.00 |
|-----------------------------|----------------|---------------|---------------|

**Required Cash Reserve** shall be the lower of the following amounts:

|                                     |                |               |               |
|-------------------------------------|----------------|---------------|---------------|
| (i) The Initial Cash Reserve amount | €10,000,000.00 | €9,200,000.00 | €8,400,000.00 |
|-------------------------------------|----------------|---------------|---------------|

(ii) The higher of:

|                                                                                                                                                                    |       |       |       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|
| a) The amount resulting from applying the percentage specified to the sum of the Outstanding Principal Balance of Series A, B, C, D and E the following percentage | 2.50% | 2.30% | 2.10% |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|

|                         |               |
|-------------------------|---------------|
| b) The following amount | €5,000,000.00 |
|-------------------------|---------------|

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

- i) That, on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of Delinquent Mortgage Loans is equal to or greater than 1.00% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
- ii) That on the Payment Date preceding the relevant Payment Date the Cash Reserve was not provisioned up to the Required Cash Reserve on that Payment Date."

Final amortisation of the Series F Bonds shall occur on the Final Maturity Date (February 25, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section II.11.4, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.



### **II.11.3 Partial amortisation of the Series A, B, C, D and E Bonds.**

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

#### **II.11.3.1 Determination Dates.**

These will be the dates falling on the fourth (4<sup>th</sup>) Business Day preceding each of the Payment Dates on which the Management Company on behalf of the Fund will make all necessary calculations to distribute or withhold the Available Funds and the Available Funds for Amortisation which the Fund shall dispose of on the relevant Payment Date, in the Priority of Payments.

The Determination Periods shall be the periods comprising the exact number of days elapsed between every two consecutive Determination Dates, excluding in each Determination Period the beginning Determination Date and including the ending Determination Date. Exceptionally, the duration of the first Determination Period shall be equal to the days elapsed between the Fund constitution date, inclusive, and the first Determination Date, August 19, 2005, inclusive.

#### **II.11.3.2 Outstanding Principal Balance of a Series.**

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

#### **II.11.3.3 Outstanding Balance of the Mortgage Loans.**

The outstanding balance of a Mortgage Loan shall be the sum of the capital or principal not yet due and the capital or principal due and not paid into the Fund on the specific Mortgage Loan on a given date.

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

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

Doubtful Mortgage Loans shall be deemed to be Mortgage Loans that are delinquent on a given date with a period of arrears equal to or greater than eighteen (18) months in payment of overdue amounts or classified as bad debts by the Management Company because there are reasonable doubts as to their full repayment. Non-Doubtful Mortgage Loans shall be deemed to be Mortgage Loans that are not deemed to be Doubtful Mortgage Loans on a given date.

#### **II.11.3.4 Available Funds for Amortisation of Series A, B, C, D and E, Series A, B, C, D and E Amortisation Withholding and Amortisation Deficiency on each Payment Date.**

On each Payment Date, the amount to be allocated to amortising the Series A, B, C, D and E Bonds (the “**Available Funds for Amortisation of the Series A, B, C, D and E Bonds**”) shall be the Series A, B, C, D and E Amortisation Withholding amount applied in 8<sup>th</sup> place of the Available Funds on the relevant Payment Date.

The Series A, B, C, D and E Bond principal amortisation withholding (“**Series A, B, C, D and E Amortisation Withholding**”) on each Payment Date shall be equal to the positive difference existing between (i) the sum of the Outstanding Principal Balance of Series A, B, C, D and E, and (ii) the Outstanding Balance of Non-Doubtful Mortgage Loans on the Determination Date preceding the relevant Payment Date.

The Amortisation Deficiency on a Payment Date shall be the positive difference, if any, between (i) the Series A, B, C, D and E Amortisation Withholding and (ii) the Available Funds for Amortisation of Series A, B, C, D and E.

#### **II.11.3.5 Distribution of Available Funds for Amortisation of Series A, B, C, D and E.**

The Available Funds for Amortisation of Series A, B, C, D and E shall be applied on each Payment Date to amortising each of those Series in accordance with the following rules ("**Distribution of Available Funds for Amortisation of Series A, B, C, D and E**"):

1. The Available Funds for Amortisation of Series A, B, C, D and E shall be sequentially applied firstly to amortising Series A until fully amortised, secondly to amortising Series B until fully amortised, thirdly to amortising Series C until fully amortised, fourthly to amortising Series D until fully amortised and fifthly to amortising Series E until fully amortised, notwithstanding the provisions of rules 2 and 3 below for pro rata amortisation of Series A, B, C, D and E.
2. However, even if Series A has not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B and/or Series C and/or Series D and/or Series E on the Payment Date which is not the last Payment Date or the Fund liquidation date on which the following circumstances are satisfied ("**Conditions for Pro Rata Amortisation**"):
  - a) In order to amortise Series B, that on the Determination Date preceding the relevant Payment Date:
    - i) the Outstanding Principal Balance of Series B is equal to or greater than 3.30% of the sum of the Outstanding Principal Balance of Series A, B, C, D and E; and
    - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.50% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
  - b) In order to amortise Series C, that on the Determination Date preceding the relevant Payment Date:
    - i) the Outstanding Principal Balance of Series C is equal to or greater than 2.60% of the sum of the Outstanding Principal Balance of Series A, B, C, D and E; and
    - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.25% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
  - c) In order to amortise Series D, that on the Determination Date preceding the relevant Payment Date:
    - i) the Outstanding Principal Balance of Series D is equal to or greater than 2.20% of the sum of the Outstanding Principal Balance of Series A, B, C, D and E; and
    - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.00% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
  - d) In order to amortise Series E, that on the Determination Date preceding the relevant Payment Date:
    - i) the Outstanding Principal Balance of Series E is equal to or greater than 3.30% of the sum of the Outstanding Principal Balance of Series A, B, C, D and E; and
    - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 0.75% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
  - e) In order to amortise Series B, Series C, Series D and Series E:
    - i) that the Required Cash Reserve on the Payment Date preceding the relevant Payment Date was fully provisioned; and
    - ii) on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of the Mortgage Loans is equal to or greater than 10 percent of the initial Outstanding Balance upon the Fund being constituted.
3. In the event that the amortisation of Series B and/or Series C and/or Series D and/or Series E should apply on a Payment Date as provided for in rule 2 above, the Available Funds for Amortisation of Series A, B, C, D and E shall also be applied to amortising Series B and/or Series C and/or Series D and/or Series E in such a way that the ratio of the Outstanding Principal Balance of Series B or of Series C or of Series D or of Series E to the sum of the Outstanding Principal Balance of Series A, B, C, D and E is respectively kept at 3.30% or 2.60% or 2.20% or 3.30%, or higher percentages closest thereto.

#### **II.11.4 Early Amortisation of the Bond Issue.**

Without prejudice to the Fund's obligation, through its Management Company, to amortise the Bonds in each Series on the Final Maturity Date or the partial amortisation on each Payment Date, as established in the

preceding paragraphs, the Management Company shall be authorised to proceed to an Early Liquidation of the Fund and hence an early amortisation ("**Early Amortisation**"), on a Payment Date, of the entire Bond Issue in the Early Liquidation Events and subject to the requirements established in section III.7.1 of this Offering Circular and subject to the Liquidation Priority of Payments.

#### **II.11.5 Final Maturity Date.**

The Final Maturity Date and consequently the final amortisation of the Bonds is February 25, 2038 or the following Business Day if that is not a Business Day, without prejudice to the Management Company, for and on behalf of the Fund, and in accordance with the provisions of sections II.11.2 and II.11.3, proceeding to amortise all or some of the Series in the Bond Issue before the Final Maturity Date and subject to the Liquidation Priority of Payments.

#### **II.11.6 Simple reference to the priority of Bond principal amortisation in the Fund priority of payments.**

The Amortisation Withholding amount allocated on each Payment Date to repaying principal without distinction between Series A, B, C, D and E is eighth (8<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in section V.4.2.1.2 of this Offering Circular.

Repayment of Series A, B, C, D and E Bond principal shall take place in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E established in section II.11.3.5 and in section V.4.2.2.2 of this Offering Circular.

Repayment of Series F Bond principal is fifteenth (15<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in section V.4.2.1.2 of this Offering Circular.

Upon the Fund being liquidated, repayment of the Series A, the Series B, the Series C, the Series D, the Series E and the Series F Bonds shall be respectively fifth (5<sup>th</sup>), seventh (7<sup>th</sup>), ninth (9<sup>th</sup>), eleventh (11<sup>th</sup>), thirteenth (13<sup>th</sup>) and fifteenth (15<sup>th</sup>) in the application of the Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.2.3.

#### **II.12 Servicing table for each Bond Series, including both interest payments and principal repayment.**

The Bond Issue will be serviced through BANCAJA as the Paying Agent. Payment of interest and amortisation shall be notified to the Bondholders in the events and in such advance as may be provided for each case in section III.4.2. Interest and amortisation shall be paid to the Bondholders by the relevant members of Iberclear and to the latter in turn by Iberclear, the institution responsible for the accounting record, or any other replacement institution.

##### **a) Bond Issue servicing tables.**

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

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

- i) The repayment schedule and system of each of the Mortgage Loans established in the relevant contracts.
- ii) Obligors' capacity to prepay the Mortgage Loans in whole or in part and the aggregate repayment pace throughout the life of the Fund.
- iii) The floating interest rates which shall apply to each of the Mortgage Loans, which shall result in the amount repaid on every instalment differing.
- iv) The Obligors' delinquency in payment of Mortgage Loan instalments.

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

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

- Mortgage Loan interest rate: 3.29% weighted average interest rate as of May 31, 2005 of the portfolio of selected mortgage loans which has been used for calculating the repayment and interest instalments of each of the selected mortgage loans;
- Mortgage Loan delinquency: 0.10% of the Outstanding Balance of the Mortgage Loans, with 100% recoveries within 15 months of becoming delinquent;
- Mortgage Loan defaults rated as bad debts: 0%;
- that the Mortgage Loan prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is June 30, 2005;
- that there is no Amortisation Deficiency, and
- that there is no extension of the term of any of the Mortgage Loans as provided for in section IV.2.1.10.b) of this Offering Circular.

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

|                              | <b>Series A Bonds</b> | <b>Series B Bonds</b> | <b>Series C Bonds</b> | <b>Series D Bonds</b> | <b>Series E Bonds</b> | <b>Series F Bonds</b> |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Nominal interest rate</b> | 2.283%                | 2.358%                | 2.433%                | 2.708%                | 4.108%                | 6.108%                |

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

|                              | <b>Series A Bonds</b> | <b>Series B Bonds</b> | <b>Series C Bonds</b> | <b>Series D Bonds</b> | <b>Series E Bonds</b> | <b>Series F Bonds</b> |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Nominal interest rate</b> | 2.291%                | 2.366%                | 2.441%                | 2.716%                | 4.116%                | 6.116%                |

Assuming that the Management Company shall exercise the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option provided in section III.7.1 of this Offering Circular when the Outstanding Balance of the Mortgage Loans is less than 10% of their initial amount upon the Fund being constituted, the average life, return (IRR), duration and final maturity of the Bonds for different CPRs, based on the historic performance of mortgage loans granted to individuals securitised by BANCAJA in recent years, shall be as follows:

| <b>% CPR:</b> | <b>10%</b> | <b>12%</b> | <b>14%</b> | <b>16%</b> | <b>18%</b> |
|---------------|------------|------------|------------|------------|------------|
|---------------|------------|------------|------------|------------|------------|

|                             | <b>Series A Bonds</b> |            |            |            |            |
|-----------------------------|-----------------------|------------|------------|------------|------------|
| <b>Average life (years)</b> | 5.52                  | 4.92       | 4.43       | 4.00       | 3.63       |
| <b>IRR</b>                  | 2.343%                | 2.343%     | 2.343%     | 2.343%     | 2.343%     |
| <b>Duration</b>             | 4.91                  | 4.41       | 4.00       | 3.65       | 3.33       |
| <b>Final maturity</b>       | 26 11 2018            | 25 08 2017 | 25 08 2016 | 25 08 2015 | 25 08 2014 |
| <b>(in years)</b>           | 13.42                 | 12.16      | 11.16      | 10.16      | 9.16       |

|                             | <b>Series B Bonds</b> |            |            |            |            |
|-----------------------------|-----------------------|------------|------------|------------|------------|
| <b>Average life (years)</b> | 9.26                  | 8.28       | 7.48       | 6.77       | 6.13       |
| <b>IRR</b>                  | 2.420%                | 2.420%     | 2.420%     | 2.420%     | 2.420%     |
| <b>Duration</b>             | 8.05                  | 7.28       | 6.64       | 6.07       | 5.54       |
| <b>Final maturity</b>       | 26 11 2018            | 25 08 2017 | 25 08 2016 | 25 08 2015 | 25 08 2014 |
| <b>(in years)</b>           | 13.42                 | 12.16      | 11.16      | 10.16      | 9.16       |

|                             | <b>Series C Bonds</b> |            |            |            |            |
|-----------------------------|-----------------------|------------|------------|------------|------------|
| <b>Average life (years)</b> | 9.26                  | 8.28       | 7.48       | 6.77       | 6.13       |
| <b>IRR</b>                  | 2.498%                | 2.498%     | 2.498%     | 2.498%     | 2.498%     |
| <b>Duration</b>             | 7.98                  | 7.23       | 6.59       | 6.03       | 5.51       |
| <b>Final maturity</b>       | 26 11 2018            | 25 08 2017 | 25 08 2016 | 25 08 2015 | 25 08 2014 |
| <b>(in years)</b>           | 13.42                 | 12.16      | 11.16      | 10.16      | 9.16       |

|               |            |            |            |            |            |
|---------------|------------|------------|------------|------------|------------|
| <b>% CPR:</b> | <b>10%</b> | <b>12%</b> | <b>14%</b> | <b>16%</b> | <b>18%</b> |
|---------------|------------|------------|------------|------------|------------|

|                             | <b>Series D Bonds</b> |            |            |            |            |
|-----------------------------|-----------------------|------------|------------|------------|------------|
| <b>Average life (years)</b> | 9.26                  | 8.28       | 7.48       | 6.77       | 6.13       |
| <b>IRR</b>                  | 2.782%                | 2.782%     | 2.782%     | 2.782%     | 2.782%     |
| <b>Duration</b>             | 7.89                  | 7.15       | 6.53       | 5.97       | 5.46       |
| <b>Final maturity</b>       | 26 11 2018            | 25 08 2017 | 25 08 2016 | 25 08 2015 | 25 08 2014 |
| <b>(in years)</b>           | 13.42                 | 12.16      | 11.16      | 10.16      | 9.16       |

|                             | <b>Series E Bonds</b> |            |            |            |            |
|-----------------------------|-----------------------|------------|------------|------------|------------|
| <b>Average life (years)</b> | 9.26                  | 8.28       | 7.48       | 6.77       | 6.13       |
| <b>IRR</b>                  | 4.239%                | 4.239%     | 4.239%     | 4.239%     | 4.239%     |
| <b>Duration</b>             | 7.29                  | 6.65       | 6.10       | 5.61       | 5.15       |
| <b>Final maturity</b>       | 26 11 2018            | 25 08 2017 | 25 08 2016 | 25 08 2015 | 25 08 2014 |
| <b>(in years)</b>           | 13.42                 | 12.16      | 11.16      | 10.16      | 9.16       |

|                             | <b>Series F Bonds</b> |            |            |            |            |
|-----------------------------|-----------------------|------------|------------|------------|------------|
| <b>Average life (years)</b> | 10.22                 | 9.19       | 8.37       | 7.59       | 6.86       |
| <b>IRR</b>                  | 6.346%                | 6.346%     | 6.346%     | 6.346%     | 6.346%     |
| <b>Duration</b>             | 6.99                  | 6.47       | 6.03       | 5.60       | 5.17       |
| <b>Final maturity</b>       | 26 11 2018            | 25 08 2017 | 25 08 2016 | 25 08 2015 | 25 08 2014 |
| <b>(in years)</b>           | 13.42                 | 12.16      | 11.16      | 10.16      | 9.16       |

These figures have been calculated using the following formula:

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

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

Where:

- V = Average life in each Bond Series issued expressed in years.
- P = Principal to be repaid in each Bond Series on each Payment Date, in accordance with the amount to be amortised in each Bond Series, as described in section II. 1 of this Offering Circular.
- d = Number of days elapsed between the Closing Date and the Payment Date at issue.
- T = Total face amount in EUR in each Bond Series.

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

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

Where:

- N = face value of the Bond in each Series.
- r = IRR expressed as an annual rate, per unit.
- A<sub>i</sub> = (A<sub>1</sub> ..... A<sub>n</sub>). Total amortisation and interest amounts to be received by investors.
- nd = Number of days comprised between the Closing Date of the issue and each of the n Payment Dates, not inclusive, during the life of the Bond.

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

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

Where:

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

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

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

- The CPRs are assumed to be constant respectively at 12.00%, 14.00% and 16.00% throughout the life of the Bond Issue and, as noted, actual prepayment rates change continually.
- The Outstanding Principal Balance of the Bonds on each Payment Date and hence the interest payable on each such dates shall depend on the actual prepayment and delinquency and default rate of the Mortgage Loans.
- The Bond nominal interest rates are assumed to be constant for each Series, from the second Interest Accrual Period, whereas the interest rate of all the Series is known to be variable.
- The assumed values referred to at the beginning of this section are at all events taken for granted.
- It is assumed that the Management Company will exercise the Early Liquidation of the Fund and thereby the Early Amortisation of the Bond Issue option when the Outstanding Balance of the Mortgage Loans is less than 10% of their initial Outstanding Balance upon the Fund being constituted, as provided in section III.7.1 of this Offering Circular.

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

**FLows for Every Bond without Withholding for the Holder**  
**(AMOUNTS IN EUR)**  
**CPR = 12%**

| Payment<br>Date | Series A Bonds    |                  |                   | Series B Bonds    |                  |                   | Series C Bonds    |                  |                   | Series D Bonds    |                  |                   | Series E Bonds    |                  |                   | Series F Bonds    |                  |                   |
|-----------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|
|                 | Principal         | Gross            | Total             | Principal         | Gross            | Total             | Principal         | Gross            | Total             | Principal         | Gross            | Total             | Principal         | Gross            | Total             | Principal         | Gross            | Total             |
|                 | Repayment         | Interest         | Flow              | Repayment         | Interest         | Flow              | Repayment         | Interest         | Flow              | Repayment         | Interest         | Flow              | Repayment         | Interest         | Flow              | Repayment         | Interest         | Flow              |
| <b>TOTALS:</b>  | <b>100,000.00</b> | <b>10,283.26</b> | <b>110,283.26</b> | <b>100,000.00</b> | <b>17,931.40</b> | <b>117,931.40</b> | <b>100,000.00</b> | <b>18,499.85</b> | <b>118,499.85</b> | <b>100,000.00</b> | <b>20,584.17</b> | <b>120,584.17</b> | <b>100,000.00</b> | <b>31,195.21</b> | <b>131,195.21</b> | <b>100,000.00</b> | <b>51,898.41</b> | <b>151,898.41</b> |
| 30 Jun 2005     |                   |                  |                   |                   |                  |                   |                   |                  |                   |                   |                  |                   |                   |                  |                   |                   |                  |                   |
| 25 Aug 2005     | 2,910.80          | 355.13           | 3,265.93          | 0.00              | 366.80           | 366.80            | 0.00              | 378.47           | 378.47            | 0.00              | 421.24           | 421.24            | 0.00              | 639.02           | 639.02            | 0.00              | 950.13           | 950.13            |
| 25 Nov 2005     | 4,793.98          | 568.44           | 5,362.42          | 0.00              | 604.64           | 604.64            | 0.00              | 623.81           | 623.81            | 0.00              | 694.09           | 694.09            | 0.00              | 1,051.87         | 1,051.87          | 0.00              | 1,562.98         | 1,562.98          |
| 27 Feb 2006     | 4,592.51          | 552.12           | 5,144.63          | 0.00              | 617.79           | 617.79            | 0.00              | 637.37           | 637.37            | 0.00              | 709.18           | 709.18            | 0.00              | 1,074.73         | 1,074.73          | 0.00              | 1,562.98         | 1,562.98          |
| 25 May 2006     | 4,283.73          | 485.57           | 4,769.30          | 0.00              | 571.78           | 571.78            | 0.00              | 589.91           | 589.91            | 0.00              | 656.37           | 656.37            | 0.00              | 994.70           | 994.70            | 0.00              | 1,512.01         | 1,512.01          |
| 25 Aug 2006     | 4,211.24          | 488.40           | 4,699.64          | 0.00              | 604.64           | 604.64            | 0.00              | 623.81           | 623.81            | 0.00              | 694.09           | 694.09            | 0.00              | 1,051.87         | 1,051.87          | 0.00              | 1,562.98         | 1,562.98          |
| 27 Nov 2006     | 4,029.42          | 473.83           | 4,503.25          | 0.00              | 617.79           | 617.79            | 0.00              | 637.37           | 637.37            | 0.00              | 709.18           | 709.18            | 0.00              | 1,074.73         | 1,074.73          | 0.00              | 1,562.98         | 1,562.98          |
| 26 Feb 2007     | 3,855.55          | 435.37           | 4,290.92          | 0.00              | 598.07           | 598.07            | 0.00              | 617.03           | 617.03            | 0.00              | 686.54           | 686.54            | 0.00              | 1,040.43         | 1,040.43          | 0.00              | 1,562.98         | 1,562.98          |
| 25 May 2007     | 3,595.85          | 399.42           | 3,995.27          | 0.00              | 578.36           | 578.36            | 0.00              | 596.69           | 596.69            | 0.00              | 663.91           | 663.91            | 0.00              | 1,006.13         | 1,006.13          | 0.00              | 1,512.01         | 1,512.01          |
| 27 Aug 2007     | 3,530.12          | 405.15           | 3,935.27          | 0.00              | 617.79           | 617.79            | 0.00              | 637.37           | 637.37            | 0.00              | 709.18           | 709.18            | 0.00              | 1,074.73         | 1,074.73          | 0.00              | 1,562.98         | 1,562.98          |
| 26 Nov 2007     | 3,374.61          | 371.77           | 3,746.38          | 0.00              | 598.07           | 598.07            | 0.00              | 617.03           | 617.03            | 0.00              | 686.54           | 686.54            | 0.00              | 1,040.43         | 1,040.43          | 0.00              | 1,562.98         | 1,562.98          |
| 25 Feb 2008     | 3,223.82          | 352.23           | 3,576.05          | 0.00              | 598.07           | 598.07            | 0.00              | 617.03           | 617.03            | 0.00              | 686.54           | 686.54            | 0.00              | 1,040.43         | 1,040.43          | 0.00              | 1,562.98         | 1,562.98          |
| 26 May 2008     | 3,030.26          | 333.56           | 3,363.82          | 0.00              | 598.07           | 598.07            | 0.00              | 617.03           | 617.03            | 0.00              | 686.54           | 686.54            | 0.00              | 1,040.43         | 1,040.43          | 0.00              | 1,529.00         | 1,529.00          |
| 25 Aug 2008     | 2,947.10          | 316.01           | 3,263.11          | 0.00              | 598.07           | 598.07            | 0.00              | 617.03           | 617.03            | 0.00              | 686.54           | 686.54            | 0.00              | 1,040.43         | 1,040.43          | 0.00              | 1,562.98         | 1,562.98          |
| 25 Nov 2008     | 2,815.89          | 302.23           | 3,118.12          | 0.00              | 604.64           | 604.64            | 0.00              | 623.81           | 623.81            | 0.00              | 694.09           | 694.09            | 0.00              | 1,051.87         | 1,051.87          | 0.00              | 1,562.98         | 1,562.98          |
| 25 Feb 2009     | 2,690.77          | 285.74           | 2,976.51          | 0.00              | 604.64           | 604.64            | 0.00              | 623.81           | 623.81            | 0.00              | 694.09           | 694.09            | 0.00              | 1,051.87         | 1,051.87          | 1,628.35          | 1,562.98         | 3,191.33          |
| 25 May 2009     | 2,124.43          | 261.19           | 2,385.62          | 6,360.07          | 584.93           | 6,945.00          | 6,360.07          | 6,963.54         | 6,360.07          | 6,360.07          | 7,031.53         | 6,360.07          | 6,360.07          | 7,031.53         | 6,360.07          | 4,731.72          | 1,487.39         | 6,219.11          |
| 25 Aug 2009     | 2,178.20          | 257.55           | 2,435.75          | 4,636.66          | 566.19           | 5,202.85          | 4,636.66          | 584.14           | 5,220.80          | 4,636.66          | 649.94           | 5,286.60          | 4,636.66          | 984.97           | 5,621.63          | 4,636.66          | 1,463.57         | 6,100.23          |
| 25 Nov 2009     | 2,080.58          | 244.80           | 2,325.38          | 4,428.87          | 538.15           | 4,967.02          | 4,428.87          | 555.21           | 4,984.08          | 4,428.87          | 617.76           | 5,046.63          | 4,428.87          | 936.20           | 5,365.07          | 4,428.87          | 1,391.10         | 5,819.97          |
| 25 Feb 2010     | 1,986.88          | 232.62           | 2,219.50          | 4,229.42          | 511.37           | 4,740.79          | 4,229.42          | 527.58           | 4,757.00          | 4,229.42          | 587.02           | 4,816.44          | 4,229.42          | 889.61           | 5,119.03          | 4,229.42          | 1,321.88         | 5,551.30          |
| 25 May 2010     | 1,852.50          | 213.78           | 2,066.28          | 3,943.36          | 469.96           | 4,413.32          | 3,943.36          | 484.86           | 4,428.22          | 3,943.36          | 539.48           | 4,482.84          | 3,943.36          | 817.56           | 4,760.92          | 3,943.36          | 1,214.83         | 5,158.19          |
| 25 Aug 2010     | 1,813.92          | 210.14           | 2,024.06          | 3,861.23          | 461.96           | 4,323.19          | 3,861.23          | 476.60           | 4,337.83          | 3,861.23          | 530.30           | 4,391.53          | 3,861.23          | 803.64           | 4,664.87          | 3,861.23          | 1,194.14         | 5,055.37          |
| 25 Nov 2010     | 1,731.92          | 199.52           | 1,931.44          | 3,686.69          | 438.61           | 4,125.30          | 3,686.69          | 452.52           | 4,139.21          | 3,686.69          | 503.49           | 4,190.18          | 3,686.69          | 763.03           | 4,449.72          | 3,686.69          | 1,133.79         | 4,820.48          |
| 25 Feb 2011     | 1,652.42          | 189.38           | 1,841.80          | 3,517.44          | 416.32           | 3,933.76          | 3,517.44          | 429.52           | 3,946.96          | 3,517.44          | 477.91           | 3,995.35          | 3,517.44          | 724.25           | 4,241.69          | 3,517.44          | 1,076.17         | 4,593.61          |
| 25 May 2011     | 1,540.46          | 173.84           | 1,714.30          | 3,279.14          | 382.17           | 3,661.31          | 3,279.14          | 394.28           | 3,673.42          | 3,279.14          | 438.70           | 3,717.84          | 3,279.14          | 664.84           | 3,943.98          | 3,279.14          | 987.89           | 4,267.03          |
| 25 Aug 2011     | 1,506.17          | 170.68           | 1,676.85          | 3,206.13          | 375.23           | 3,581.36          | 3,206.13          | 387.12           | 3,593.25          | 3,206.13          | 430.73           | 3,636.86          | 3,206.13          | 652.76           | 3,858.89          | 3,206.13          | 969.94           | 4,176.07          |
| 25 Nov 2011     | 1,437.01          | 161.87           | 1,598.88          | 3,058.91          | 355.84           | 3,414.75          | 3,058.91          | 367.12           | 3,426.03          | 3,058.91          | 408.48           | 3,467.39          | 3,058.91          | 619.03           | 3,677.94          | 3,058.91          | 919.83           | 3,978.74          |
| 27 Feb 2012     | 1,371.04          | 156.79           | 1,527.83          | 2,918.49          | 344.68           | 3,263.17          | 2,918.49          | 355.60           | 3,274.09          | 2,918.49          | 395.67           | 3,314.16          | 2,918.49          | 599.62           | 3,518.11          | 1,444.27          | 872.02           | 2,316.29          |
| 25 May 2012     | 1,287.68          | 139.10           | 1,426.78          | 2,741.04          | 305.80           | 3,046.84          | 2,741.04          | 315.49           | 3,056.53          | 2,741.04          | 351.03           | 3,092.07          | 2,741.04          | 531.98           | 3,273.02          | 0.00              | 830.98           | 830.98            |
| 27 Aug 2012     | 1,247.35          | 140.88           | 1,388.23          | 2,655.20          | 309.71           | 2,964.91          | 2,655.20          | 319.53           | 2,974.73          | 2,655.20          | 355.53           | 3,010.73          | 2,655.20          | 538.79           | 3,193.99          | 0.00              | 849.44           | 849.44            |
| 26 Nov 2012     | 1,188.37          | 129.16           | 1,317.53          | 2,529.66          | 283.95           | 2,813.61          | 2,529.66          | 292.95           | 2,822.61          | 2,529.66          | 325.95           | 2,855.61          | 2,529.66          | 493.97           | 3,023.63          | 0.00              | 849.44           | 849.44            |
| 25 Feb 2013     | 1,131.36          | 122.28           | 1,253.64          | 2,408.29          | 268.82           | 2,677.11          | 2,408.29          | 277.34           | 2,685.63          | 2,408.29          | 308.59           | 2,716.88          | 2,408.29          | 467.65           | 2,875.94          | 0.00              | 849.44           | 849.44            |
| 27 May 2013     | 1,054.43          | 115.73           | 1,170.16          | 2,244.52          | 254.42           | 2,498.94          | 2,244.52          | 262.48           | 2,507.00          | 2,244.52          | 292.05           | 2,536.57          | 2,244.52          | 442.59           | 2,687.11          | 0.00              | 821.75           | 821.75            |
| 26 Aug 2013     | 1,027.82          | 109.62           | 1,137.44          | 2,187.88          | 240.99           | 2,428.87          | 2,187.88          | 248.63           | 2,436.51          | 2,187.88          | 276.64           | 2,464.52          | 2,187.88          | 419.24           | 2,607.12          | 0.00              | 849.44           | 849.44            |
| 25 Nov 2013     | 979.45            | 103.67           | 1,083.12          | 2,084.92          | 227.91           | 2,312.83          | 2,084.92          | 235.13           | 2,320.05          | 2,084.92          | 261.62           | 2,346.54          | 2,084.92          | 396.48           | 2,481.40          | 0.00              | 849.44           | 849.44            |
| 25 Feb 2014     | 932.34            | 99.08            | 1,031.42          | 1,984.65          | 217.81           | 2,202.46          | 1,984.65          | 224.71           | 2,209.36          | 1,984.65          | 250.03           | 2,234.68          | 1,984.65          | 378.90           | 2,363.55          | 0.00              | 849.44           | 849.44            |
| 26 May 2014     | 866.23            | 91.58            | 957.81            | 1,843.93          | 201.33           | 2,045.26          | 1,843.93          | 207.71           | 2,051.64          | 1,843.93          | 231.11           | 2,075.04          | 1,843.93          | 350.25           | 2,194.18          | 0.00              | 821.75           | 821.75            |
| 25 Aug 2014     | 840.00            | 87.58            | 927.58            | 1,788.09          | 192.54           | 1,980.63          | 1,788.09          | 198.64           | 1,986.73          | 1,788.09          | 221.02           | 2,009.11          | 1,788.09          | 334.95           | 2,123.04          | 0.00              | 849.44           | 849.44            |
| 25 Nov 2014     | 796.89            | 83.63            | 880.52            | 1,696.31          | 183.84           | 1,880.15          | 1,696.31          | 189.67           | 1,885.98          | 1,696.31          | 211.04           | 1,907.35          | 1,696.31          | 319.82           | 2,016.13          | 0.00              | 849.44           | 849.44            |
| 25 Feb 2015     | 754.91            | 78.96            | 833.87            | 1,606.94          | 173.59           | 1,780.53          | 1,606.94          | 179.09           | 1,786.03          | 1,606.94          | 199.27           | 1,806.21          | 1,606.94          | 301.98           | 1,908.92          | 0.00              | 849.44           | 849.44            |
| 25 May 2015     | 702.99            | 72.11            | 775.10            | 1,496.44          | 158.53           | 1,654.97          | 1,496.44          | 163.55           | 1,659.99          | 1,496.44          | 181.98           | 1,678.42          | 1,496.44          | 275.78           | 1,772.22          | 0.00              | 821.75           | 821.75            |
| 25 Aug 2015     | 683.97            | 70.43            | 754.40            | 1,455.94          | 154.82           | 1,610.76          | 1,455.94          | 159.73           | 1,615.67          | 1,455.94          | 177.73           | 1,633.67          | 1,455.94          | 269.34           | 1,725.28          | 0.00              | 849.44           | 849.44            |
| 25 Nov 2015     | 651.01            | 66.42            | 717.43            | 1,385.79          | 146.02           | 1,531.81          | 1,385.79          | 150.65           | 1,536.44          | 1,385.79          | 167.62           | 1,553.41          | 1,385.79          | 254.02           | 1,639.81          | 0.00              | 849.44           | 849.44            |
| 25 Feb 2016     | 619.09            | 62.61            | 681.70            | 1,317.83          | 137.64           | 1,455.47          | 1,317.83          | 142.00           | 1,459.83          | 1,317.83          | 158.00           | 1,475.83          | 1,317.83          | 239.45           | 1,557.28          | 0.00              | 849.44           | 849.44            |
| 25 May 2016     | 580.25            | 57.70            | 637.95            | 1,235.17          | 126.85           | 1,362.02          | 1,235.17          | 130.88           | 1,366.05          | 1,235.17          | 145.62           | 1,380.79          | 1,235.17          | 220.68           | 1,455.85          | 0.00              | 830.98           | 830.98            |
| 25 Aug 2016     | 9,494.68          | 55.59            | 9,550.27          | 20,210.99         | 122.20           | 20,333.19         | 20,210.99         | 126.08           | 20,337.07         | 20,210.99         | 140.28           | 20,351.27         | 20,210.99         | 212.59           | 20,423.58         | 54,347.81         | 849.44           | 55,197.25         |

## FLows for Every Bond without Withholding for the Holder

(AMOUNTS IN EUR)

CPR = 14%

| Payment Date   | Series A Bonds      |                  |                   | Series B Bonds      |                  |                   | Series C Bonds      |                  |                   | Series D Bonds      |                  |                   | Series E Bonds      |                  |                   | Series F Bonds      |                  |                   |
|----------------|---------------------|------------------|-------------------|---------------------|------------------|-------------------|---------------------|------------------|-------------------|---------------------|------------------|-------------------|---------------------|------------------|-------------------|---------------------|------------------|-------------------|
|                | Principal Repayment | Gross Interest   | Total Flow        | Principal Repayment | Gross Interest   | Total Flow        | Principal Repayment | Gross Interest   | Total Flow        | Principal Repayment | Gross Interest   | Total Flow        | Principal Repayment | Gross Interest   | Total Flow        | Principal Repayment | Gross Interest   | Total Flow        |
| <b>TOTALS:</b> | <b>100,000.00</b>   | <b>10,283.26</b> | <b>110,283.26</b> | <b>100,000.00</b>   | <b>17,931.40</b> | <b>117,931.40</b> | <b>100,000.00</b>   | <b>18,499.85</b> | <b>118,499.85</b> | <b>100,000.00</b>   | <b>20,584.17</b> | <b>120,584.17</b> | <b>100,000.00</b>   | <b>31,195.21</b> | <b>131,195.21</b> | <b>100,000.00</b>   | <b>51,898.41</b> | <b>151,898.41</b> |
| 30 Jun 2005    |                     |                  |                   |                     |                  |                   |                     |                  |                   |                     |                  |                   |                     |                  |                   |                     |                  |                   |
| 25 Aug 2005    | 2,910.80            | 355.13           | 3,265.93          | 0.00                | 366.80           | 366.80            | 0.00                | 378.47           | 378.47            | 0.00                | 421.24           | 421.24            | 0.00                | 639.02           | 639.02            | 0.00                | 950.13           | 950.13            |
| 25 Nov 2005    | 4,793.98            | 568.44           | 5,362.42          | 0.00                | 604.64           | 604.64            | 0.00                | 623.81           | 623.81            | 0.00                | 694.09           | 694.09            | 0.00                | 1,051.87         | 1,051.87          | 0.00                | 1,562.98         | 1,562.98          |
| 27 Feb 2006    | 4,592.51            | 552.12           | 5,144.63          | 0.00                | 617.79           | 617.79            | 0.00                | 637.37           | 637.37            | 0.00                | 709.18           | 709.18            | 0.00                | 1,074.73         | 1,074.73          | 0.00                | 1,562.98         | 1,562.98          |
| 25 May 2006    | 4,283.73            | 485.57           | 4,769.30          | 0.00                | 571.78           | 571.78            | 0.00                | 589.91           | 589.91            | 0.00                | 656.37           | 656.37            | 0.00                | 994.70           | 994.70            | 0.00                | 1,512.01         | 1,512.01          |
| 25 Aug 2006    | 4,211.24            | 488.40           | 4,699.64          | 0.00                | 604.64           | 604.64            | 0.00                | 623.81           | 623.81            | 0.00                | 694.09           | 694.09            | 0.00                | 1,051.87         | 1,051.87          | 0.00                | 1,562.98         | 1,562.98          |
| 27 Nov 2006    | 4,029.42            | 473.83           | 4,503.25          | 0.00                | 617.79           | 617.79            | 0.00                | 637.37           | 637.37            | 0.00                | 709.18           | 709.18            | 0.00                | 1,074.73         | 1,074.73          | 0.00                | 1,562.98         | 1,562.98          |
| 26 Feb 2007    | 3,855.55            | 435.37           | 4,290.92          | 0.00                | 598.07           | 598.07            | 0.00                | 617.03           | 617.03            | 0.00                | 686.54           | 686.54            | 0.00                | 1,040.43         | 1,040.43          | 0.00                | 1,562.98         | 1,562.98          |
| 25 May 2007    | 3,595.85            | 399.42           | 3,995.27          | 0.00                | 578.36           | 578.36            | 0.00                | 596.69           | 596.69            | 0.00                | 663.91           | 663.91            | 0.00                | 1,006.13         | 1,006.13          | 0.00                | 1,512.01         | 1,512.01          |
| 27 Aug 2007    | 3,530.12            | 405.15           | 3,935.27          | 0.00                | 617.79           | 617.79            | 0.00                | 637.37           | 637.37            | 0.00                | 709.18           | 709.18            | 0.00                | 1,074.73         | 1,074.73          | 0.00                | 1,562.98         | 1,562.98          |
| 26 Nov 2007    | 3,374.61            | 371.77           | 3,746.38          | 0.00                | 598.07           | 598.07            | 0.00                | 617.03           | 617.03            | 0.00                | 686.54           | 686.54            | 0.00                | 1,040.43         | 1,040.43          | 0.00                | 1,562.98         | 1,562.98          |
| 25 Feb 2008    | 3,223.82            | 352.23           | 3,576.05          | 0.00                | 598.07           | 598.07            | 0.00                | 617.03           | 617.03            | 0.00                | 686.54           | 686.54            | 0.00                | 1,040.43         | 1,040.43          | 0.00                | 1,562.98         | 1,562.98          |
| 26 May 2008    | 3,030.26            | 333.56           | 3,363.82          | 0.00                | 598.07           | 598.07            | 0.00                | 617.03           | 617.03            | 0.00                | 686.54           | 686.54            | 0.00                | 1,040.43         | 1,040.43          | 0.00                | 1,529.00         | 1,529.00          |
| 25 Aug 2008    | 2,947.10            | 316.01           | 3,263.11          | 0.00                | 598.07           | 598.07            | 0.00                | 617.03           | 617.03            | 0.00                | 686.54           | 686.54            | 0.00                | 1,040.43         | 1,040.43          | 0.00                | 1,562.98         | 1,562.98          |
| 25 Nov 2008    | 2,815.89            | 302.23           | 3,118.12          | 0.00                | 604.64           | 604.64            | 0.00                | 623.81           | 623.81            | 0.00                | 694.09           | 694.09            | 0.00                | 1,051.87         | 1,051.87          | 0.00                | 1,562.98         | 1,562.98          |
| 25 Feb 2009    | 2,690.77            | 285.74           | 2,976.51          | 0.00                | 604.64           | 604.64            | 0.00                | 623.81           | 623.81            | 0.00                | 694.09           | 694.09            | 0.00                | 1,051.87         | 1,051.87          | 1,628.35            | 1,562.98         | 3,191.33          |
| 25 May 2009    | 2,124.43            | 261.19           | 2,385.62          | 6,360.07            | 584.93           | 6,945.00          | 6,360.07            | 603.47           | 6,963.54          | 6,360.07            | 671.46           | 7,031.53          | 6,360.07            | 1,017.57         | 7,377.64          | 4,731.72            | 1,487.39         | 6,219.11          |
| 25 Aug 2009    | 2,178.20            | 257.55           | 2,435.75          | 4,636.66            | 566.19           | 5,202.85          | 4,636.66            | 584.14           | 5,220.80          | 4,636.66            | 649.94           | 5,286.60          | 4,636.66            | 984.97           | 5,621.63          | 4,636.66            | 1,463.57         | 6,100.23          |
| 25 Nov 2009    | 2,080.58            | 244.80           | 2,325.38          | 4,428.87            | 538.15           | 4,967.02          | 4,428.87            | 555.21           | 4,984.08          | 4,428.87            | 617.76           | 5,046.63          | 4,428.87            | 936.20           | 5,365.07          | 4,428.87            | 1,391.10         | 5,819.97          |
| 25 Feb 2010    | 1,986.88            | 232.62           | 2,219.50          | 4,229.42            | 511.37           | 4,740.79          | 4,229.42            | 527.58           | 4,757.00          | 4,229.42            | 587.02           | 4,816.44          | 4,229.42            | 889.61           | 5,119.03          | 4,229.42            | 1,321.88         | 5,551.30          |
| 25 May 2010    | 1,852.50            | 213.78           | 2,066.28          | 3,943.36            | 469.96           | 4,413.32          | 3,943.36            | 484.86           | 4,428.22          | 3,943.36            | 539.48           | 4,482.84          | 3,943.36            | 817.56           | 4,760.92          | 3,943.36            | 1,214.83         | 5,158.19          |
| 25 Aug 2010    | 1,813.92            | 210.14           | 2,024.06          | 3,861.23            | 461.96           | 4,323.19          | 3,861.23            | 476.60           | 4,337.83          | 3,861.23            | 530.30           | 4,391.53          | 3,861.23            | 803.64           | 4,664.87          | 3,861.23            | 1,194.14         | 5,055.37          |
| 25 Nov 2010    | 1,731.92            | 199.52           | 1,931.44          | 3,686.69            | 438.61           | 4,125.30          | 3,686.69            | 452.52           | 4,139.21          | 3,686.69            | 503.49           | 4,190.18          | 3,686.69            | 763.03           | 4,449.72          | 3,686.69            | 1,133.79         | 4,820.48          |
| 25 Feb 2011    | 1,652.42            | 189.38           | 1,841.80          | 3,517.44            | 416.32           | 3,933.76          | 3,517.44            | 429.52           | 3,946.96          | 3,517.44            | 477.91           | 3,995.35          | 3,517.44            | 724.25           | 4,241.69          | 3,517.44            | 1,076.17         | 4,593.61          |
| 25 May 2011    | 1,540.46            | 173.84           | 1,714.30          | 3,279.14            | 382.17           | 3,661.31          | 3,279.14            | 394.28           | 3,673.42          | 3,279.14            | 438.70           | 3,717.84          | 3,279.14            | 664.84           | 3,943.98          | 3,279.14            | 987.89           | 4,267.03          |
| 25 Aug 2011    | 1,506.17            | 170.68           | 1,676.85          | 3,206.13            | 375.23           | 3,581.36          | 3,206.13            | 387.12           | 3,593.25          | 3,206.13            | 430.73           | 3,636.86          | 3,206.13            | 652.76           | 3,858.89          | 3,206.13            | 969.94           | 4,176.07          |
| 25 Nov 2011    | 1,437.01            | 161.87           | 1,598.88          | 3,058.91            | 355.84           | 3,414.75          | 3,058.91            | 367.12           | 3,426.03          | 3,058.91            | 408.48           | 3,467.39          | 3,058.91            | 619.03           | 3,677.94          | 3,058.91            | 919.83           | 3,978.74          |
| 27 Feb 2012    | 1,371.04            | 156.79           | 1,527.83          | 2,918.49            | 344.68           | 3,263.17          | 2,918.49            | 355.60           | 3,274.09          | 2,918.49            | 395.67           | 3,314.16          | 2,918.49            | 599.62           | 3,518.11          | 1,444.27            | 872.02           | 2,316.29          |
| 25 May 2012    | 1,287.68            | 139.10           | 1,426.78          | 2,741.04            | 305.80           | 3,046.84          | 2,741.04            | 315.49           | 3,056.53          | 2,741.04            | 351.03           | 3,092.07          | 2,741.04            | 531.98           | 3,273.02          | 0.00                | 830.98           | 830.98            |
| 27 Aug 2012    | 1,247.35            | 140.88           | 1,388.23          | 2,655.20            | 309.71           | 2,964.91          | 2,655.20            | 319.53           | 2,974.73          | 2,655.20            | 355.53           | 3,010.73          | 2,655.20            | 538.79           | 3,193.99          | 0.00                | 849.44           | 849.44            |
| 26 Nov 2012    | 1,188.37            | 129.16           | 1,317.53          | 2,529.66            | 283.95           | 2,813.61          | 2,529.66            | 292.95           | 2,822.61          | 2,529.66            | 325.95           | 2,855.61          | 2,529.66            | 493.97           | 3,023.63          | 0.00                | 849.44           | 849.44            |
| 25 Feb 2013    | 1,131.36            | 122.28           | 1,253.64          | 2,408.29            | 268.82           | 2,677.11          | 2,408.29            | 277.34           | 2,685.63          | 2,408.29            | 308.59           | 2,716.88          | 2,408.29            | 467.65           | 2,875.94          | 0.00                | 849.44           | 849.44            |
| 27 May 2013    | 1,054.43            | 115.73           | 1,170.16          | 2,244.52            | 254.42           | 2,498.94          | 2,244.52            | 262.48           | 2,507.00          | 2,244.52            | 292.05           | 2,536.57          | 2,244.52            | 442.59           | 2,687.11          | 0.00                | 821.75           | 821.75            |
| 26 Aug 2013    | 1,027.82            | 109.62           | 1,137.44          | 2,187.88            | 240.99           | 2,428.87          | 2,187.88            | 248.63           | 2,436.51          | 2,187.88            | 276.64           | 2,464.52          | 2,187.88            | 419.24           | 2,607.12          | 0.00                | 849.44           | 849.44            |
| 25 Nov 2013    | 979.45              | 103.67           | 1,083.12          | 2,084.92            | 227.91           | 2,312.83          | 2,084.92            | 235.13           | 2,320.05          | 2,084.92            | 261.62           | 2,346.54          | 2,084.92            | 396.48           | 2,481.40          | 0.00                | 849.44           | 849.44            |
| 25 Feb 2014    | 932.34              | 99.08            | 1,031.42          | 1,984.65            | 217.81           | 2,202.46          | 1,984.65            | 224.71           | 2,209.36          | 1,984.65            | 250.03           | 2,234.68          | 1,984.65            | 378.90           | 2,363.55          | 0.00                | 849.44           | 849.44            |
| 26 May 2014    | 866.23              | 91.58            | 957.81            | 1,843.93            | 201.33           | 2,045.26          | 1,843.93            | 207.71           | 2,051.64          | 1,843.93            | 231.11           | 2,075.04          | 1,843.93            | 350.25           | 2,194.18          | 0.00                | 821.75           | 821.75            |
| 25 Aug 2014    | 840.00              | 87.58            | 927.58            | 1,788.09            | 192.54           | 1,980.63          | 1,788.09            | 198.64           | 1,986.73          | 1,788.09            | 221.02           | 2,009.11          | 1,788.09            | 334.95           | 2,123.04          | 0.00                | 849.44           | 849.44            |
| 25 Nov 2014    | 796.89              | 83.63            | 880.52            | 1,696.31            | 183.84           | 1,880.15          | 1,696.31            | 189.67           | 1,885.98          | 1,696.31            | 211.04           | 1,907.35          | 1,696.31            | 319.82           | 2,016.13          | 0.00                | 849.44           | 849.44            |
| 25 Feb 2015    | 754.91              | 78.96            | 833.87            | 1,606.94            | 173.59           | 1,780.53          | 1,606.94            | 179.09           | 1,786.03          | 1,606.94            | 199.27           | 1,806.21          | 1,606.94            | 301.98           | 1,908.92          | 0.00                | 849.44           | 849.44            |
| 25 May 2015    | 702.99              | 72.11            | 775.10            | 1,496.44            | 158.53           | 1,654.97          | 1,496.44            | 163.55           | 1,659.99          | 1,496.44            | 181.98           | 1,678.42          | 1,496.44            | 275.78           | 1,772.22          | 0.00                | 821.75           | 821.75            |
| 25 Aug 2015    | 683.97              | 70.43            | 754.40            | 1,455.94            | 154.82           | 1,610.76          | 1,455.94            | 159.73           | 1,615.67          | 1,455.94            | 177.73           | 1,633.67          | 1,455.94            | 269.34           | 1,725.28          | 0.00                | 849.44           | 849.44            |
| 25 Nov 2015    | 651.01              | 66.42            | 717.43            | 1,385.79            | 146.02           | 1,531.81          | 1,385.79            | 150.65           | 1,536.44          | 1,385.79            | 167.62           | 1,553.41          | 1,385.79            | 254.02           | 1,639.81          | 0.00                | 849.44           | 849.44            |
| 25 Feb 2016    | 619.09              | 62.61            | 681.70            | 1,317.83            | 137.64           | 1,455.47          | 1,317.83            | 142.00           | 1,459.83          | 1,317.83            | 158.00           | 1,475.83          | 1,317.83            | 239.45           | 1,557.28          | 0.00                | 849.44           | 849.44            |
| 25 May 2016    | 580.25              | 57.70            | 637.95            | 1,235.17            | 126.85           | 1,362.02          | 1,235.17            | 130.88           | 1,366.05          | 1,235.17            | 145.62           | 1,380.79          | 1,235.17            | 220.68           | 1,455.85          | 0.00                | 830.98           | 830.98            |
| 25 Aug 2016    | 9,494.68            | 55.59            | 9,550.27          | 20,210.99           | 122.20           | 20,333.19         | 20,210.99           | 126.08           | 20,337.07         | 20,210.99           | 140.28           | 20,351.27         | 20,210.99           | 212.59           | 20,423.58         | 54,347.81           | 849.44           | 55,197.25         |



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

**FLows for Every Bond without Withholding for the Holder**  
**(Amounts in EUR)**  
**CPR = 16%**

| Payment Date   | Series A Bonds      |                 |                   | Series B Bonds      |                  |                   | Series C Bonds      |                  |                   | Series D Bonds      |                  |                   | Series E Bonds      |                  |                   | Series F Bonds      |                  |                   |
|----------------|---------------------|-----------------|-------------------|---------------------|------------------|-------------------|---------------------|------------------|-------------------|---------------------|------------------|-------------------|---------------------|------------------|-------------------|---------------------|------------------|-------------------|
|                | Principal Repayment | Gross Interest  | Total Flow        | Principal Repayment | Gross Interest   | Total Flow        | Principal Repayment | Gross Interest   | Total Flow        | Principal Repayment | Gross Interest   | Total Flow        | Principal Repayment | Gross Interest   | Total Flow        | Principal Repayment | Gross Interest   | Total Flow        |
| <b>TOTALS:</b> | <b>100,000.00</b>   | <b>9,297.35</b> | <b>109,297.35</b> | <b>100,000.00</b>   | <b>16,250.48</b> | <b>116,250.48</b> | <b>100,000.00</b>   | <b>16,765.67</b> | <b>116,765.67</b> | <b>100,000.00</b>   | <b>18,654.62</b> | <b>118,654.62</b> | <b>100,000.00</b>   | <b>28,270.99</b> | <b>128,270.99</b> | <b>100,000.00</b>   | <b>47,085.58</b> | <b>147,085.58</b> |
| 30 Jun 2005    |                     |                 |                   |                     |                  |                   |                     |                  |                   |                     |                  |                   |                     |                  |                   |                     |                  |                   |
| 25 Aug 2005    | 3,250.46            | 355.13          | 3,605.59          | 0.00                | 366.80           | 366.80            | 0.00                | 378.47           | 378.47            | 0.00                | 421.24           | 421.24            | 0.00                | 639.02           | 639.02            | 0.00                | 950.13           | 950.13            |
| 25 Nov 2005    | 5,359.64            | 566.45          | 5,926.09          | 0.00                | 604.64           | 604.64            | 0.00                | 623.81           | 623.81            | 0.00                | 694.09           | 694.09            | 0.00                | 1,051.87         | 1,051.87          | 0.00                | 1,562.98         | 1,562.98          |
| 27 Feb 2006    | 5,101.27            | 546.70          | 5,647.97          | 0.00                | 617.79           | 617.79            | 0.00                | 637.37           | 637.37            | 0.00                | 709.18           | 709.18            | 0.00                | 1,074.73         | 1,074.73          | 0.00                | 1,562.98         | 1,562.98          |
| 25 May 2006    | 4,724.87            | 477.74          | 5,202.61          | 0.00                | 571.78           | 571.78            | 0.00                | 589.91           | 589.91            | 0.00                | 656.37           | 656.37            | 0.00                | 994.70           | 994.70            | 0.00                | 1,512.01         | 1,512.01          |
| 25 Aug 2006    | 4,619.21            | 477.54          | 5,096.75          | 0.00                | 604.64           | 604.64            | 0.00                | 623.81           | 623.81            | 0.00                | 694.09           | 694.09            | 0.00                | 1,051.87         | 1,051.87          | 0.00                | 1,562.98         | 1,562.98          |
| 27 Nov 2006    | 4,391.59            | 460.29          | 4,851.88          | 0.00                | 617.79           | 617.79            | 0.00                | 637.37           | 637.37            | 0.00                | 709.18           | 709.18            | 0.00                | 1,074.73         | 1,074.73          | 0.00                | 1,562.98         | 1,562.98          |
| 26 Feb 2007    | 4,175.17            | 420.16          | 4,595.33          | 0.00                | 598.07           | 598.07            | 0.00                | 617.03           | 617.03            | 0.00                | 686.54           | 686.54            | 0.00                | 1,040.43         | 1,040.43          | 0.00                | 1,562.98         | 1,562.98          |
| 25 May 2007    | 3,866.39            | 382.93          | 4,249.32          | 0.00                | 578.36           | 578.36            | 0.00                | 596.69           | 596.69            | 0.00                | 663.91           | 663.91            | 0.00                | 1,006.13         | 1,006.13          | 0.00                | 1,512.01         | 1,512.01          |
| 27 Aug 2007    | 3,774.93            | 385.91          | 4,160.84          | 0.00                | 617.79           | 617.79            | 0.00                | 637.37           | 637.37            | 0.00                | 709.18           | 709.18            | 0.00                | 1,074.73         | 1,074.73          | 0.00                | 1,562.98         | 1,562.98          |
| 26 Nov 2007    | 3,585.66            | 351.73          | 3,937.39          | 0.00                | 598.07           | 598.07            | 0.00                | 617.03           | 617.03            | 0.00                | 686.54           | 686.54            | 0.00                | 1,040.43         | 1,040.43          | 0.00                | 1,562.98         | 1,562.98          |
| 25 Feb 2008    | 3,403.80            | 330.97          | 3,734.77          | 0.00                | 598.07           | 598.07            | 0.00                | 617.03           | 617.03            | 0.00                | 686.54           | 686.54            | 0.00                | 1,040.43         | 1,040.43          | 0.00                | 1,562.98         | 1,562.98          |
| 26 May 2008    | 3,177.55            | 311.26          | 3,488.81          | 0.00                | 598.07           | 598.07            | 0.00                | 617.03           | 617.03            | 0.00                | 686.54           | 686.54            | 0.00                | 1,040.43         | 1,040.43          | 0.00                | 1,529.00         | 1,529.00          |
| 25 Aug 2008    | 3,072.39            | 292.85          | 3,365.24          | 0.00                | 598.07           | 598.07            | 0.00                | 617.03           | 617.03            | 0.00                | 686.54           | 686.54            | 0.00                | 1,040.43         | 1,040.43          | 0.00                | 1,562.98         | 1,562.98          |
| 25 Nov 2008    | 2,916.82            | 278.08          | 3,194.90          | 0.00                | 604.64           | 604.64            | 0.00                | 623.81           | 623.81            | 0.00                | 694.09           | 694.09            | 0.00                | 1,051.87         | 1,051.87          | 4,521.64            | 1,562.98         | 6,084.62          |
| 25 Feb 2009    | 2,180.29            | 261.01          | 2,441.30          | 9,744.55            | 604.64           | 10,349.19         | 9,744.55            | 623.81           | 10,368.36         | 9,744.55            | 694.09           | 10,438.64         | 9,744.55            | 1,051.87         | 10,796.42         | 5,222.91            | 1,492.31         | 6,715.22          |
| 25 May 2009    | 2,271.28            | 240.15          | 2,511.43          | 4,834.80            | 527.93           | 5,362.73          | 4,834.80            | 544.66           | 5,379.46          | 4,834.80            | 606.03           | 5,440.83          | 4,834.80            | 918.41           | 5,753.21          | 4,834.80            | 1,364.67         | 6,199.47          |
| 25 Aug 2009    | 2,213.46            | 234.94          | 2,448.40          | 4,711.73            | 516.49           | 5,228.22          | 4,711.73            | 532.86           | 5,244.59          | 4,711.73            | 592.90           | 5,304.63          | 4,711.73            | 898.51           | 5,610.24          | 4,711.73            | 1,335.11         | 6,046.84          |
| 25 Nov 2009    | 2,100.61            | 221.99          | 2,322.60          | 4,471.51            | 488.00           | 4,959.51          | 4,471.51            | 503.47           | 4,974.98          | 4,471.51            | 560.19           | 5,031.70          | 4,471.51            | 848.95           | 5,320.46          | 4,471.51            | 1,261.46         | 5,732.97          |
| 25 Feb 2010    | 1,993.06            | 209.69          | 2,202.75          | 4,242.55            | 460.97           | 4,703.52          | 4,242.55            | 475.58           | 4,718.13          | 4,242.55            | 529.16           | 4,771.71          | 4,242.55            | 801.92           | 5,044.47          | 4,242.55            | 1,191.57         | 5,434.12          |
| 25 May 2010    | 1,844.75            | 191.56          | 2,036.31          | 3,926.86            | 421.12           | 4,347.98          | 3,926.86            | 434.47           | 4,361.33          | 3,926.86            | 483.41           | 4,410.27          | 3,926.86            | 732.60           | 4,659.46          | 3,926.86            | 1,088.57         | 5,015.43          |
| 25 Aug 2010    | 1,796.36            | 187.22          | 1,983.58          | 3,823.86            | 411.57           | 4,235.43          | 3,823.86            | 424.62           | 4,248.48          | 3,823.86            | 472.45           | 4,296.31          | 3,823.86            | 715.98           | 4,539.84          | 3,823.86            | 1,063.89         | 4,887.75          |
| 25 Nov 2010    | 1,703.98            | 176.70          | 1,880.68          | 3,627.21            | 388.45           | 4,015.66          | 3,627.21            | 400.76           | 4,027.97          | 3,627.21            | 445.91           | 4,073.12          | 3,627.21            | 675.76           | 4,302.97          | 3,627.21            | 1,004.12         | 4,631.33          |
| 25 Feb 2011    | 1,615.24            | 166.72          | 1,781.96          | 3,438.30            | 366.52           | 3,804.82          | 3,438.30            | 378.14           | 3,816.44          | 3,438.30            | 420.74           | 3,859.04          | 3,438.30            | 637.61           | 4,075.91          | 3,438.30            | 947.43           | 4,385.73          |
| 25 May 2011    | 1,494.74            | 152.14          | 1,646.88          | 3,181.81            | 334.45           | 3,516.26          | 3,181.81            | 345.06           | 3,526.87          | 3,181.81            | 383.93           | 3,565.74          | 3,181.81            | 581.83           | 3,763.64          | 2,830.81            | 864.55           | 3,695.36          |
| 25 Aug 2011    | 1,453.43            | 148.52          | 1,601.95          | 3,093.88            | 326.49           | 3,420.37          | 3,093.88            | 336.84           | 3,430.72          | 3,093.88            | 374.79           | 3,468.67          | 3,093.88            | 567.97           | 3,661.85          | 0.00                | 849.44           | 849.44            |
| 25 Nov 2011    | 1,377.61            | 140.01          | 1,517.62          | 2,932.47            | 307.78           | 3,240.25          | 2,932.47            | 317.54           | 3,250.01          | 2,932.47            | 353.31           | 3,285.78          | 2,932.47            | 535.43           | 3,467.90          | 0.00                | 849.44           | 849.44            |
| 27 Feb 2012    | 1,305.71            | 134.81          | 1,440.52          | 2,779.42            | 296.36           | 3,075.78          | 2,779.42            | 305.75           | 3,085.17          | 2,779.42            | 340.20           | 3,119.62          | 2,779.42            | 515.55           | 3,294.97          | 0.00                | 849.44           | 849.44            |
| 25 May 2012    | 1,217.58            | 118.89          | 1,336.47          | 2,591.82            | 261.36           | 2,853.18          | 2,591.82            | 269.65           | 2,861.47          | 2,591.82            | 300.03           | 2,891.85          | 2,591.82            | 454.68           | 3,046.50          | 0.00                | 830.98           | 830.98            |
| 27 Aug 2012    | 1,172.52            | 119.71          | 1,292.23          | 2,495.91            | 263.17           | 2,759.08          | 2,495.91            | 271.52           | 2,767.43          | 2,495.91            | 302.10           | 2,798.01          | 2,495.91            | 457.83           | 2,953.74          | 0.00                | 849.44           | 849.44            |
| 26 Nov 2012    | 1,109.78            | 109.10          | 1,218.88          | 2,362.35            | 239.85           | 2,602.20          | 2,362.35            | 247.45           | 2,609.80          | 2,362.35            | 275.33           | 2,637.68          | 2,362.35            | 417.25           | 2,779.60          | 0.00                | 849.44           | 849.44            |
| 25 Feb 2013    | 1,049.67            | 102.68          | 1,152.35          | 2,234.41            | 225.72           | 2,460.13          | 2,234.41            | 232.87           | 2,467.28          | 2,234.41            | 259.11           | 2,493.52          | 2,234.41            | 392.67           | 2,627.08          | 0.00                | 849.44           | 849.44            |
| 27 May 2013    | 970.94              | 96.60           | 1,067.54          | 2,066.81            | 212.35           | 2,279.16          | 2,066.81            | 219.09           | 2,285.90          | 2,066.81            | 243.77           | 2,310.58          | 2,066.81            | 369.42           | 2,436.23          | 0.00                | 821.75           | 821.75            |
| 26 Aug 2013    | 941.25              | 90.97           | 1,032.22          | 2,003.61            | 199.99           | 2,203.60          | 2,003.61            | 206.33           | 2,209.94          | 2,003.61            | 229.58           | 2,233.19          | 2,003.61            | 347.92           | 2,351.53          | 0.00                | 849.44           | 849.44            |
| 25 Nov 2013    | 890.96              | 85.52           | 976.48            | 1,896.55            | 188.01           | 2,084.56          | 1,896.55            | 193.97           | 2,090.52          | 1,896.55            | 215.82           | 2,112.37          | 1,896.55            | 327.07           | 2,223.62          | 0.00                | 849.44           | 849.44            |
| 25 Feb 2014    | 842.49              | 81.25           | 923.74            | 1,793.39            | 178.61           | 1,972.00          | 1,793.39            | 184.27           | 1,977.66          | 1,793.39            | 205.03           | 1,998.42          | 1,793.39            | 310.72           | 2,104.11          | 0.00                | 849.44           | 849.44            |
| 26 May 2014    | 777.02              | 74.66           | 851.68            | 1,654.01            | 164.12           | 1,818.13          | 1,654.01            | 169.32           | 1,823.33          | 1,654.01            | 188.40           | 1,842.41          | 1,654.01            | 285.51           | 1,939.52          | 0.00                | 821.75           | 821.75            |
| 25 Aug 2014    | 749.61              | 70.99           | 820.60            | 1,595.67            | 156.05           | 1,751.72          | 1,595.67            | 161.00           | 1,756.67          | 1,595.67            | 179.13           | 1,774.80          | 1,595.67            | 271.47           | 1,867.14          | 0.00                | 849.44           | 849.44            |
| 25 Nov 2014    | 706.60              | 67.38           | 773.98            | 1,504.13            | 148.12           | 1,652.25          | 1,504.13            | 152.81           | 1,656.94          | 1,504.13            | 170.03           | 1,674.16          | 1,504.13            | 257.67           | 1,761.80          | 0.00                | 849.44           | 849.44            |
| 25 Feb 2015    | 665.19              | 63.24           | 728.43            | 1,415.97            | 139.02           | 1,554.99          | 1,415.97            | 143.43           | 1,559.40          | 1,415.97            | 159.59           | 1,575.56          | 1,415.97            | 241.85           | 1,657.82          | 0.00                | 849.44           | 849.44            |
| 25 May 2015    | 614.73              | 57.41           | 672.14            | 1,308.56            | 126.21           | 1,434.77          | 1,308.56            | 130.21           | 1,438.77          | 1,308.56            | 144.88           | 1,453.44          | 1,308.56            | 219.55           | 1,528.11          | 0.00                | 821.75           | 821.75            |
| 25 Aug 2015    | 9,521.39            | 55.75           | 9,577.14          | 20,267.86           | 122.55           | 20,390.41         | 20,267.86           | 126.43           | 20,394.29         | 20,267.86           | 140.68           | 20,408.54         | 20,267.86           | 213.19           | 20,481.05         | 54,347.82           | 849.44           | 55,197.26         |

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

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

**1. First Payment Date: August 25, 2005.**

**(Execution of the Deed of Constitution: June 27, 2005)**

- a) Interest Rate Fixing Date applicable for the first Interest Accrual Period:
  - 11am (CET time) on the second Business Day preceding the Closing Date: June 28, 2005.
- b) Notices:
  - Extraordinary notice of the resultant Nominal Interest Rate for the first Interest Accrual Period of each of the Series: June 28, 2005. The Management Company shall notify this in writing by the start of the Subscription Period to the Lead Managers and the Underwriters and Placement Agents, for investors interested in subscribing for the Bonds to be notified thereof.
- c) First Interest Accrual Period:
  - From June 30, 2005 (Closing Date), inclusive, until August 25, 2005, exclusive.
- d) Determination Date (or date on which the Management Company makes calculations for the distribution and withholding of Available Funds and Available Funds for Amortisation of Series A, B, C, D and E): August 19, 2005.
- e) Ordinary periodic notices (communication as per sections III.4.2.a).2 and III.4.2.c).1):
  - Of all other periodic information: until August 24, 2005, inclusive.

**2. Second Payment Date: November 25, 2005.**

- a) Interest Rate Fixing Date applicable for the second Interest Accrual Period:
  - 11am (CET time) on the second Business Day preceding the first Payment Date: August 23, 2005.
- b) Ordinary periodic notices (communication as per sections III.4.2.a).1 and III.4.2.c).1):
  - Of the resultant interest rate for the second Interest Accrual Period: until August 25, 2005 inclusive.
- c) Second Interest Accrual Period:
  - From August 25, 2005 (first Payment Date), inclusive, until November 25, 2005, exclusive.
- d) Determination Date (or date on which the Management Company makes calculations for the distribution and withholding of Available Funds and Available Funds for Amortisation): November 21, 2005.
- e) Ordinary periodic notices (communication as per sections III.4.2.a).2 and III.4.2.c).1):
  - Of all other periodic information: until November 24, 2005, inclusive.

## II.13 Actual interest forecast for the Bond subscriber.

In the event that the nominal interest rates applicable to each of the Series, variable quarterly, should remain constant throughout the life of the Bond Issue, as established on the tables contained in section II.12.a) of the Offering Circular, these rates would result in Internal Rates of Return ("IRR") for the Bond subscriber in each of the Series as shown on the following table, given the effect of quarterly interest payment, calculated without considering the tax effect, and assuming at all events the values and assumptions contained in said section for constant prepayment rates (CPR) of 12%, 14% and 16%.

|                                       | Series A<br>Bonds | Series B<br>Bonds | Series C<br>Bonds | Series D<br>Bonds | Series E<br>Bonds | Series F<br>Bonds |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Actual interest forecast (IRR)</b> | 2.343%            | 2.420%            | 2.498%            | 2.782%            | 4.239%            | 6.346%            |

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

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

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

The actual interest forecast for the Fund would be 2.583% or 2.589% and 2.593% for CPRs respectively of 12%, 14% and 16%, making the assumptions contained in the preceding paragraph.

The following are the expected expenses:

### Fund constitution and Bond issue expenses.

|                                                  | EUR                 |
|--------------------------------------------------|---------------------|
| • Initial Management Company Fee                 | 50,000.00           |
| • Notary's, audit, rating and legal advice fees  | 387,071.98          |
| • CNMV fees (issue and listing)                  | 63,309.29           |
| • AIAF and Iberclear fees                        | 48,522.80           |
| • Bond Issue underwriting and placement fees     | 629,440.00          |
| • Issue advertising, printing and other expenses | 10,263.32           |
| <b>Total expenses</b>                            | <b>1,188,607.39</b> |

## II.15 Existence or not of special guarantees on the credit rights pooled in the Fund or on the Bonds issued by the Fund.

There are no special guarantees covering the Bonds issued by or on the Pass-Through Certificates pooled in the Fund, beyond the undertakings by BANCAJA contained in section IV.1.6 of this Offering Circular in relation to the substitution or early amortisation of Pass-Through Certificates when any of them or the relevant Mortgage Loans fail upon the Fund being constituted to conform to the representations contained in section IV.1.1 of this Offering Circular.

## II.16 Bond circulation law.

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

In accordance with the provisions of sections II.4.1 and II.5 of this Chapter, the ownership of each Bond will be conveyed by means of a transfer in the accounts. The effects of entering the conveyance to the transferee in

the accounting record shall be the same as handing over the certificates and the transfer shall thereupon be enforceable on third parties, in accordance with article 12 of Royal Decree 116/1992.

**II.17 Organised secondary markets for which there is an undertaking to apply for listing of the Bonds.**

The Management Company agrees that it shall, upon the Bonds having been paid up, apply for this Bond Issue to be listed on the AIAF, which is a qualified official secondary securities market pursuant to Transitional Provision six of Act 37/1998, November 16, amending the Securities Market Act. The Management Company undertakes that definitive listing will be achieved not later than one month after the Closing Date.

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

In the event that, by the above deadline, the Bonds should not be so listed on the AIAF, the Management Company shall forthwith proceed to notify Bondholders thereof, moreover advising of the reasons for such delay, all of which shall be done using the extraordinary notice procedure in accordance with the provisions of section III.4.2 of the Offering Circular. This shall be without prejudice to the Management Company being held to be contractually liable, as the case may be, if the delay is for reasons for which it is exclusively responsible.

**II.18 Bond subscription or acquisition proposals.**

**II.18.1 Potential investors to whom the Bonds are offered.**

Placement of Series A, B, C, D and E of the Bond Issue is targeted at institutional investors.

Accordingly, the Bonds will be placed in Spain among institutional investors, such as, for illustration only, pension funds, collective-investment undertakings, insurers, or credit institutions, firms of broker-dealers or undertakings qualified under articles 64 and 65 of the Securities Market Act to manage third-party portfolios, in the business of regularly and professionally investing in marketable securities

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

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

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

**Effects of the subscription for Bondholders.**

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

**Tranches.**

Each of the Series consists of one tranche only.

**II.18.2 Legal status of the Bonds.**

The following legal considerations apply to the Bonds subject of this issue in connection with their ownership by certain investors and once the Bonds are listed on the AIAF:

- (i) Series A Bonds shall meet the selection policies to be admitted as assets securing transactions with the European Central Bank (Guideline of the European Central Bank ECB/2000/7, August 31, 2000, on

monetary policy instruments and procedures of the Eurosystem, amended by Guidelines ECB 2002/2, March 7, 2002, ECB 2003/16, December 1, 2003 and ECB 2005/2, February 7, 2005).

- (ii) Series A, B, C, D, E and F Bonds shall be eligible for investment by insurance companies in observance of their technical provision obligations, pursuant to article 50 of the Private Insurance Arrangement and Supervision Regulations approved by Royal Decree 2486/1998, November 20, amended by Royal Decree 996/2000, June 2, and by Royal Decree 297/2004, February 20.
- (iii) Series A, B, C, D, E and F Bonds shall be eligible for investment by the Mutual Guarantee Company Technical Provision Fund, in accordance with Act 1/1994, March 11, on the Legal System of Mutual Guarantee Companies, and Royal Decree 2345/1996, November 8, relating to the rules for the administrative authorisation of and solvency requirements for Mutual Guarantee Companies.
- (iv) Series A, B, C, D, E and F Bonds shall be eligible for investment by Pension Funds in accordance with the provisions of article 70 of Royal Decree 304/2004, February 20, approving the Pension Plans and Funds Regulations.
- (v) Series A, B, C, D, E and F Bonds shall be eligible for investing the assets of Collective-Investment Undertakings, in accordance with the specific rules established for each of them in articles 23 and 30 of Collective-Investment Undertakings Act 35/2003, November 4, and Royal Decree 91/2001, February 2, partially amending Royal Decree 1393/1990, November 2.

#### **II.18.3 Subscription or acquisition date or period.**

The subscription period for the Series A, B, C, D and E Bonds (the “**Subscription Period**”) shall begin at 1pm (CET time) on June 28, 2005 and end at 2pm (CET time) on the same day.

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

In order to be taken into account, subscription proposals for the Series A, B, C, D and E Bonds shall be made during the Subscription Period established in the preceding section, with BANCAJA, JPMORGAN, IXIS CIB, FORTIS BANK and BANCO PASTOR, as Underwriters and Placement Agents, observing the procedures established hereinafter in the following sections.

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

#### **II.18.5 Placement and allocation of the Bonds.**

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

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

#### **II.18.6 Pro rata placement and method.**

Not applicable.

#### **II.18.7 Payment method and dates.**

The investors to whom the Series A, B, C, D and E Bonds are allocated shall pay the relevant Underwriter and Placement Agent by 1pm (CET time) on June 30, 2005 (the “**Closing Date**”), for same day value, the relevant issue price for each Bond allocated for subscription.

#### **II.18.8 Method and deadline for delivery to the subscribers of copies of the subscription certificates.**

Unless the Bonds are previously entered in the accounting record of Iberclear in the actual subscriber's name, the Underwriters and Placement Agents shall provide the Series A, B, C, D and E Bond subscribers, within not

more than fifteen (15) days after the Closing Date, with a document proving their subscription for the Bonds allocated and the actual amount paid for such subscription, though title to the Bonds taken shall be established by means of the appropriate entry in the accounting record.

This document shall not be marketable 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 this Offering Circular.

## **II.19 Institutions involved in the placement or marketing and in the underwriting of the Series A, B, C, D and E Bonds.**

### **II.19.1 Series A, B, C, D and E Bond Issue Underwriters and Placement Agents.**

Placement of the Series A, B, C, D and E Bonds shall be undertaken by **BANCAJA** and J.P. MORGAN SECURITIES LTD. ("**JPMORGAN**") as Lead Managers and Underwriters and Placement Agents, and by J.P. MORGAN SECURITIES LTD. ("**JPMORGAN**"), CORPORATE & INVESTMENT BANK ("**IXIS CIB**"), FORTIS BANK NV-SA ("**FORTIS BANK**") and BANCO PASTOR S.A. ("**BANCO PASTOR**"), as Underwriters and Placement Agents, on the terms contained in section II.19.3 and in this section under the Bond Issue Management, Underwriting, Placement and Subscription Agreement.

The following are the details of the commitment by each Underwriter and Placement Agent in regard to their involvement in underwriting the placement of the Bonds in Series A, B, C, D and E:

| Underwriter and Placement Agent | Face amount underwritten for each Series (EUR) |                      |                      |                     |                      |
|---------------------------------|------------------------------------------------|----------------------|----------------------|---------------------|----------------------|
|                                 | Series A Bonds                                 | Series B Bonds       | Series C Bonds       | Series D Bonds      | Series E Bonds       |
| BANCAJA                         | 322,200,000.00                                 | 6,600,000.00         | 5,200,000.00         | 4,400,000.00        | 6,600,000.00         |
| JPMORGAN                        | 322,200,000.00                                 | 6,600,000.00         | 5,200,000.00         | 4,400,000.00        | 6,600,000.00         |
| IXIS CIB                        | 50,000,000.00                                  | ---                  | ---                  | ---                 | ---                  |
| FORTIS BANK                     | 50,000,000.00                                  | ---                  | ---                  | ---                 | ---                  |
| BANCO PASTOR                    | 10,000,000.00                                  | ---                  | ---                  | ---                 | ---                  |
| <b>Total</b>                    | <b>754,400,000.00</b>                          | <b>13,200,000.00</b> | <b>10,400,000.00</b> | <b>8,800,000.00</b> | <b>13,200,000.00</b> |

Notwithstanding the above, the Underwriters and Placement Agents shall be released from their underwriting commitment and BANCAJA shall have to underwrite the entire Bonds in Series A, B, C, D and E in the event that, by 1pm (CET time) on the day before the Closing Date, June 29, 2005, JPMORGAN should give the Management Company and BANCAJA written notice of the decision made to terminate the underwriting commitment upon the occurrence of any of the circumstances for which provision is made in this connection in the Bond Issue Management, Underwriting, Placement and Subscription Agreement.

In the event that JPMORGAN should decide to terminate its underwriting commitment, any of the remaining Underwriters and Placement Agents, may keep the underwriting commitment provided for each of them, merely by so advising the Management Company and BANCAJA in writing by 1pm (CET time) on the Business Day preceding the Closing Date.

The Underwriters and Placement Agents of each of Series A, B, C, D and E shall altogether receive from the Fund an underwriting and placement fee on the face amount of the Bonds in the relevant Series ranging between 0.02% and 0.08%, both inclusive.

The underwriting and placement fee applicable on the face amount of the Series A, B, C, D and E Bonds shall be determined with one accord by the Lead Managers and notified in writing to the Management Company by 10am (CET time) on the day of the Subscription Period (June 28, 2005). Failing an agreement between the Lead Managers, the Management Company shall fix the underwriting and placement fee for the Series in respect of which there was no agreement at 0.04%.

The underwriting and placement fee applicable to the Bonds in each of Series A, B, C, D and E fixed shall be notified by the Management Company by the start of the Subscription Period to the Underwriters and Placement Agents and the CNMV.

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

BANCAJA and JPMORGAN shall be involved as Lead Managers of the Bond Issue.

The following is the statement given by the Lead Managers signed by duly authorised individuals, in fulfilment of the provisions of article 28.1 paragraph three of the Securities Market Act, article 31.2 of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7, and in accordance with the provisions of article 20.3 of said Royal Decree 291/1992:

### **Statement by BANCAJA.**

*I, Mr Benito Castillo Navarro, acting for and on behalf of Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja, with place of business for these purposes at Calle Pintor Sorolla, number 8, Valencia, duly authorised for these presents, and in connection with the constitution of MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS and the issue of asset-backed bonds in an amount comprised between EUR eight hundred and eight million four hundred thousand (808,400,000.00) and EUR eight hundred and ten million (810,000,000.00), to be determined by 10am (CET time) on the day of the Subscription Period, sponsored by Europea de Titulización S.G.F.T., in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as currently worded,*

#### **HEREBY DECLARE**

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

*In witness whereof, to serve and avail as and where appropriate, this statement is given at Valencia, on June 21, 2005.*

### **Statement by JPMORGAN.**

*I, Mr Arturo Miranda Martín, acting for and on behalf of J.P. Morgan Securities, Ltd., with address for service at 125 London Wall, London EC2Y 5AJ UK, duly authorised for these presents, and in connection with the constitution of MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS and the issue of asset-backed bonds in an amount comprised between EUR eight hundred and eight million four hundred thousand (808,400,000.00) and EUR eight hundred and ten million (810,000,000.00), to be determined by 10am (CET time) on the day of the Subscription Period, sponsored by Europea de Titulización S.G.F.T., in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as currently worded,*

#### **HEREBY DECLARE**

- *That the necessary checks have been made to verify that the information contained in the Offering Circular is truthful and complete.*
- *That those checks have not revealed any circumstances contradicting or altering the information contained in the Offering Circular, or that the latter has omitted any material facts or figures which might be relevant to the investor.*
- *That the above representations neither extend nor refer to the audit report attached as an appendix to the Offering Circular in regard to the selected loans.*

*In witness whereof, to serve and avail as and where appropriate, this statement is given at London, on June 21, 2005.*

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

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

**II.19.3 Description of the characteristics of the Management, Underwriting, Placement and Subscription Agreement.**

The Management Company represents that the summary of this agreement contained in section II.19, which it shall enter into, for and on behalf of the Fund, with the Lead Managers and with the Underwriters and Placement Agents, contains the most substantial and relevant information of the agreement, the terms of which agreement do not contradict, change, alter or invalidate the information thereon contained in this Offering Circular.

The Management Company shall, for and on behalf of the Fund, enter into a Bond Issue Management, Underwriting, Placement and Subscription Agreement with BANCAJA and with J.P. MORGAN SECURITIES LTD. ("**JPMORGAN**") as Lead Managers and Underwriters and Placement Agents, and with CORPORATE & INVESTMENT BANK ("**IXIS CIB**"), FORTIS BANK NV-SA ("**FORTIS BANK**") and BANCO PASTOR S.A. ("**BANCO PASTOR**") as Underwriters and Placement Agents.

**II.19.3.1 Underwriting and placement of the Series A, B, C, D and E Bonds.**

The Underwriters and Placement Agents shall take on the obligations contained in the Management, Underwriting, Placement and Subscription Agreement, which are broadly the following: 1) securing placement by a third-party subscription for the Series A, B, C, D and E Bonds; 2) an undertaking to subscribe on their own account for the Bonds not subscribed for by third parties during the Subscription Period, up to the amounts of their respective underwriting commitments, notwithstanding the fact that BANCAJA may be bound to underwrite the entire Bond Issue in certain circumstances provided for in this connection; 3) payment by the Underwriters and Placement Agents JPMORGAN, IXIS CIB, FORTIS BANK and BANCO PASTOR to the Paying Agent, by 2pm (CET time) on the Closing Date, for same day value, of the face amount of the Bonds placed by each of them and, as the case may be, subscribed for on their own account up to their respective underwriting commitments, whereupon the Paying Agent shall proceed to pay to the Fund, by 3pm (CET time), for same day value, the amount received from the remaining Underwriters and Placement Agents, plus the face amount of the Series A, B, C, D and E Bonds it shall have placed as Underwriter and Placement Agent and, as the case may be, subscribed for on its own account up to the face amount of the Bond Issue underwritten; 4) undertaking to pay late-payment interest covenanted in the agreement in the event of late payment of the amounts due; 5) providing subscribers with a document proving subscription; 6) providing the Paying Agent with Bond Issue placement dissemination control information and 7) all other aspects governing the underwriting and placement.

The underwriting commitments of each Underwriter and Placement Agent and the underwriting and placement fee are specified in section II.19.1 of this Offering Circular. The Paying Agent shall pay each of the Underwriters and Payment Agents on the Closing Date the amount of the underwriting and placement fee accrued for each of them, after they have in turn paid the face amount of the Bonds placed by each of them and, as the case may be, subscribed for on their own account up to their respective underwriting commitments.

**II.19.3.2 Subscription for and payment of the Series F Bonds.**

Subscription for the Series F Bonds shall be carried out fully by BANCAJA under the Management, Underwriting, Placement and Subscription Agreement taking on the obligations therein contained in relation to subscription for the Series F Bonds, which are broadly the following: 1) an undertaking to subscribe on its own account for the Series F Bonds; 2) payment to the Fund by 3pm (CET time) on the Closing Date, for same day value, the amount for subscribing for the Series F Bonds; 3) an undertaking to pay late-payment interest covenanted in the agreement in the event of late payment of the amounts due; and, 4) all other aspects governing subscription for the Series F Bonds.

BANCAJA shall receive no remuneration whatsoever for subscribing for the Series F Bonds.

**II.19.3.3 BANCAJA and JPMORGAN shall be involved as Lead Managers in the Bond Issue. They shall not be remunerated for managing the Bond Issue.**



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

**II.20 Entry and registration of the subscription for the Bonds.**

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

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

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

The constitution of the Fund, the issue of the Bonds and the agreements for transactions covering financial risks and the rendering of services to be entered into by the Management Company on behalf of the Fund shall be subject to Spanish Law, with the exception of the two Interest Swap Agreements which are subject to English Law. The Deed of Constitution and the transaction agreements to be entered into by the Management Company on behalf of the Fund shall be subject to Spanish Laws, with the exception of the two Interest Swap Agreements which shall be governed by and construed in accordance with English Laws.

All matters, disagreements, actions and claims deriving from the Management Company's constitution, administration and legal representation of MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond Issue by the same, shall be submitted to the competent Spanish Courts and Tribunals.

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

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

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

**II.22 Tax system derived from the securities offered.**

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

Because the Bonds will be represented by book entries and an application will be made for the securities to be listed and traded on an official Spanish secondary securities market, which circumstances are relevant to determining their 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.

Once the Bonds issued have been listed and are traded on the AIAF (official Spanish secondary securities market), the Bonds may be freely acquired by any investors whatsoever, including individuals. Consequently, this section includes a description of the tax system applicable to individuals.

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

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

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

## **II.22.1 Natural or legal persons resident in Spain.**

### ***Personal Income Tax***

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

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

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

The net income on investments shall be found deducting the Bond servicing and custody expenses from the aggregate income, provided that those expenses are not the consideration for a discretionary and individualised management of the portfolio of investments. The net income from the transfer, redemption or amortisation of Bonds generated over a time-period in excess of two years shall be reduced by 40%.

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

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

### ***Corporation Tax***

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

The aforesaid income shall not be subject to a Corporation Tax withholding as provided by article 59.q) of Royal Decree 1777/2004, July 30, approving the Corporation Tax Regulations ("**Royal Decree 1777/2004**"), considering that the Bonds satisfy the following requirements -as this Bond Issue is expected to do:

1. That they are represented by means of book entries.
2. That they are traded on a Spanish official secondary securities market.

The procedure for the exclusion of withholding tax or prepayment on the Bond interest to be effective, in accordance with the Ministerial Order of 22<sup>nd</sup> December 1999, shall be subject to the following requirements:

1. The Management Company, for and on behalf of the Fund as the issuer, shall pay the custodians, through the Paying Agent, the liquid amount resulting from applying the general withholding rate in force on that date (currently 15%) to all the interest.
2. By the 10<sup>th</sup> of the month after the month of maturity of each coupon, the custodians shall provide the Management Company or the Paying Agent with an itemised list of the holders who must pay Corporation Tax, along with their identification particulars, ISIN code for the securities, the number of securities they held at the date of maturity of each coupon, the respective gross income and the amount withheld.
3. Bondholders who are Corporation Tax obligors shall certify that circumstance with the custodians of the securities by the 10<sup>th</sup> of the month after coupon maturity in order that the custodians may draw up the list specified in the preceding paragraph.
4. Forthwith upon receiving that list, the Management Company shall promptly pay the custodians through the Paying Agent the excess amount withheld from those obligors.
5. The custodians shall forthwith pay the amount withheld to the obligor holders.

For the purpose of establishing that they are Corporation Tax obligors, Bondholders may use any means of proof admissible at Law and must produce appropriate supporting documents which shall remain with the Bond custodian, at the disposal of the issuer (the Management Company on the Fund's behalf) to be checked and of the State Agency for Taxation Administration. In this connection, supporting documents shall be taken to mean a photocopy of the card establishing the Tax Identification Number.

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

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

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

Bond income obtained by a permanent establishment in Spain shall pay tax in accordance with the rules of Chapter III of the above-mentioned IRNR Act, notwithstanding the provisions of double-taxation Agreements of which Spain is a signatory, which might determine that the relevant income pays no tax or that reduced tax rates apply. The aforesaid income shall be excluded from Non-Resident Income Tax withholding on the terms set out above for Spanish Corporation Tax obligors.

### ***Income obtained other than through a permanent establishment.***

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

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

- Bond income obtained both as interest and in connection with transfer, repayment or amortisation of the Bonds shall be exempt when obtained without a permanent establishment by residents of another European Union Member State or by permanent establishments of those residents located in another European Union Member State (article 14.1.c) of the IRNR Act).
- Income derived from the transfer of such securities made on any of the official Spanish secondary securities markets obtained by non-resident natural persons or undertakings other than through a permanent establishment in Spanish territory, resident in a State having signed a double-taxation Agreement with Spain with an information-exchange clause, will also be exempt.
- The two exemptions referred to shall by no means apply where the income is obtained through countries or territories statutorily qualified as tax havens.
- The Tax will be calculated applying a 15 percent rate to the tax base comprising Bond interest and other income unless an exemption or a lower rate applies in pursuance of the provisions of the internal law or in an Agreement signed by Spain. Where on account of the investor's residence a Double Taxation Agreement signed by Spain is applicable, the reduced tax rate provided for in said Agreement for income of this kind shall be applied, as the case may be.
- The application of any exemption or reduced rate for which provision is made in the internal laws or in an Agreement signed by Spain shall require satisfactory proof of the investor's tax residence by producing a tax residence certificate issued by the tax authorities of the country in which that investor is resident in the manners for which provision is made in Spanish laws.
- On the other hand, Bond coupons are in principle liable to a withholding, unless evidence is produced of Tax exemption or payment. The amount withheld is equivalent to the final Tax.
- In accordance with the Ministerial Order of April 13, 2000, where financial institutions domiciled, resident or represented in Spain that are custodians or manage collection of the income on those securities are involved in the Bond interest payment procedure, the exclusion from withholding tax or withholding at a reduced rate by applying the taxation limits established in double-taxation Agreements shall be put in place as described hereinafter:
  1. The Management Company shall, for and on behalf of the Fund as the issuer, through the Paying Agent, pay to the custodians the net amount resulting from applying the general withholding rate in force on that date to all the interest.
  2. By the 10<sup>th</sup> of the month after the month of maturity of each coupon, the custodians shall provide the Management Company or the Paying Agent by value/issue code and maturity/distribution date with an itemised list of the holders who are Non-Resident Income Tax obligors for obtaining income in Spanish territory without a permanent establishment with the ISIN code for the securities, type of income, type of person, tax residence country code, 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 excess percentage withheld from each holder.
  3. Bondholders who are Non-Resident Income Tax payers without a permanent establishment in Spain shall have established to the custodians that they are entitled to have the taxation limits of an Agreement applied or to be excused from withholding. The custodians shall draw up the list referred to in the preceding paragraph including the holders of the securities who have established that right upon the list being issued to the Management Company.
  4. Forthwith upon receiving the list referred to in paragraph 2 above, the Management Company shall promptly pay all the custodians through the Paying Agent the amount withheld from those taxpayers.
  5. The custodians shall forthwith pay the excess amount withheld from holders who are Non-Resident Income Tax payers.

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

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

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

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

- Furthermore, and whether or not they pay the Tax, Bond transfer or repayment income shall not be liable to withholding because the financial assets have an explicit yield, are represented by book entries and are traded on an official Spanish secondary securities market, on the terms and conditions for which provision is made in article 73.3.f) of Royal Decree 1775/2004, July 30, approving the Personal Income Tax Regulations, under an express renvoi made in article 10.3.b) of Royal Decree 1776/2004, July 30, approving the Non-Resident Personal Income Tax Regulations. The reference in the aforesaid article to the rule of the Personal Income Tax Regulations shall not expressly excuse the application of the so-called anti-coupon laundering rule where the investor is a non-resident without a permanent establishment in Spain<sup>1</sup>. The foregoing shall be without prejudice to the joint and several liability of the Bond custodian or manager, and the actual non-resident holder's duties to return and pay the Tax in due course.

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

The subscription for and acquisition and conveyance of Bonds is exempt from paying Capital Transfer and Documents Under Seal Tax and Value Added Tax.

#### **II.22.4 Wealth Tax.**

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

Non-resident natural persons who are Bondholders at December 31 of each year shall be payers of the Tax by real obligation and will also have to pay Wealth Tax, other than as provided in the double-taxation Agreements. Nevertheless, residents in other European Union countries (other than those holding their financial assets through a tax haven) in regard to Bonds whose income is exempt in regard to Non-Resident Income Tax, on the terms set forth above, shall be exempt.

#### **II.22.5 Inheritance and Gift Tax.**

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

---

<sup>1</sup> The application of this rule would result in a withholding being made on the part of the price equivalent to the coupon accrued on transfers made within thirty days immediately preceding coupon maturity where (i) the purchaser is a person or an entity not resident in Spanish territory, or a Corporation Tax payer, and (ii) this return is excused from the obligation to withhold for the purchaser.

the Corporation Tax or Non-Resident Personal Income Tax rules, in the event that the beneficiary is a non-resident entity for tax purposes in Spain, subject in the latter event to the provisions of such double-taxation Agreements signed by Spain as may apply.

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

The net amount of the payment for subscribing for the Series A, B, C, D and E Bonds will be fully allocated to paying the price for the subscription for the Pass-Through Certificates issued by BANCAJA pooled in the Fund assets.

The amount of the payment for subscribing for the Series F Bonds will be fully allocated to setting up the Initial Cash Reserve on the terms provided for in section III.2.3 of this Offering Circular.

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

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

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

**II.25.1 Specification of natural and legal persons.**

- a) EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN is the Fund Management Company.
- b) The Fund and the Bond Issue were financially structured by BANCAJA.
- c) J&A GARRIGUES, S.L., who are independent legal advisers, have provided legal advice for the transaction and reviewed its tax implications.
- d) BANCAJA is the originator of the Mortgage Loans through the issue of the Pass-Through Certificates, to be fully subscribed for by the Fund upon being constituted.
- e) BANCAJA and JPMORGAN are involved as Lead Managers and Underwriters and Placement Agents of the Bond Issue. JPMORGAN shall be the placement agent in charge of keeping the Bond subscription orders book (*sole book runner*).
- f) IXIS CIB, FORTIS BANK and BANCO PASTOR are involved as Underwriters and Placement Agents of the Bond Issue.
- g) BANCAJA is involved as Paying Agent of the Bond Issue.
- h) Ernst & Young are involved as auditor checking a number of attributes of the selection of mortgage loans owned by BANCAJA from which the Mortgage Loans for the issue of the Pass-Through Certificates to be subscribed for by the Fund upon being constituted, shall be taken.

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

*"I, Mr Mario Masiá Vicente, for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with place of business at Madrid, Calle Lagasca no. 120, and in connection with the constitution of the Fund MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS, and the issue of asset-backed bonds in an amount comprised between EUR eight hundred and eight million four hundred*

thousand (808,400,000.00) and EUR eight hundred and ten million (810,000,000.00), to be determined by 10am (CET time) on the day of the Subscription Period, in compliance with the provisions of section II.25.2 of CNMV Circular 2/1994, March 16, (implementing the Order dated July 12, 1993, in turn implementing Royal Decree 291/1992, March 27),

**HEREBY DECLARE**

That Barclays Bank plc is part of the same Group as Barclays Bank, S.A., and the latter in turn has a 1.53 percent interest in the Management Company's share capital.

That J.P. Morgan Securities Ltd. is part of the same Group as J.P. Morgan España, S.A. and the latter in turn has a 4 percent interest in the Management Company's share capital.

That Banco Pastor, S.A. has a 0.7658% interest in the Management Company's share capital.

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

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

I, Benito Castillo Navarro, acting for and on behalf of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, with place of business for these purposes at Calle Pintor Sorolla number 8, Valencia, duly authorised for these presents, and in connection with the constitution of MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS,

**HEREBY DECLARE**

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

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

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

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

In witness whereof, to serve and avail as and where appropriate, this statement has been made at Valencia, on June 20, 2005.

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

## CHAPTER III

### GENERAL INFORMATION ON THE FUND

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

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

The name of the Fund is 'MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS' and the following short names may also be used without distinction to identify the Fund:

- MBS BANCAJA 2 FTA
- MBS BANCAJA2 F.T.A.

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

#### Companies Register.

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

#### III.2 Legal nature of the Fund.

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

The Management Company, for and on behalf of the Fund, and BANCAJA as Originator, shall in the Deed of Constitution perfect the agreement assigning the Mortgage Loans to the Fund, effective from that assignment date, which is the Fund constitution date, which shall be perfected by means of the issue by BANCAJA of and the subscription by the Fund for Pass-Through Certificates as established by Act 2/1981 and by additional provision five of Act 3/1994, as worded by article 18 of Act 44/2002.

The issue of the Pass-Through Certificates shall be made for all the outstanding principal pending repayment on the issue date and for all the ordinary and late-payment interest on each Mortgage Loan assigned. Moreover, the assignment of each Mortgage Loan shall confer on the Fund the right to receive all possible rights or compensations on the Mortgage Loans accruing for the Originator and derived therefrom, including those derived from any right attached to the Mortgage Loans, excluding the fees if any established for each of the Mortgage Loans, which shall remain to the benefit of the Originator.

The above-mentioned rights will all accrue for the Fund from the date of issue of the Pass-Through Certificates (Fund constitution date). Interest will also include interest accrued and not due from the last interest settlement date of each of the Mortgage Loans, before or on the date of assignment, and interest due and not paid on that same date.



The issue price of the Pass-Through Certificates shall be at par. The aggregate price payable by the Fund to BANCAJA for subscribing for the Pass-Through Certificates shall be an amount equivalent to the sum of:

- (i) The face value of the capital or principal outstanding on each of the Mortgage Loans, which shall be paid by the Fund on the Closing Date. The Originator shall not receive interest on deferment of payment until the Closing Date.
- (ii) Ordinary interest accrued and not due and overdue interest, if any, on each of the Mortgage Loans on the issue date (the accrued interest), which shall be paid by the Fund on the Collection Date falling on the first interest settlement date for each of the Mortgage Loans after the date of issue or in the case of overdue interest the date on which it is paid by the Obligor, and shall not be subject to the Priority of Payments.

The Fund shall be in existence until February 25, 2038 or the following Business Day if that is not a Business Day, the Final Maturity Date of the Bond Issue, unless there should previously have been an Early Liquidation as set forth in section III.7.1 or any of the events laid down in section III.7.2 of this Offering Circular should occur.

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

### **III.2.1 Fund Assets.**

The Fund assets shall consist of the following:

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

- (i) The Pass-Through Certificates which BANCAJA will issue on the Mortgage Loans to be subscribed for by and pooled in the Fund, the total capital or principal of which shall be equal to or slightly in excess of EUR eight hundred million (800,000,000.00).

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

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

- (ii) The amount receivable upon payment of the subscription underwritten for each Bond Series.
- (iii) The initial expenses of setting up the Fund and issuing the Bonds booked as assets.
- (iv) The balance existing on the Treasury Account under the Guaranteed Interest Rate Account (Treasury Account) Agreement comprising the amounts obtained under the Start-Up Loan and the Initial Cash Reserve, as detailed in section V.3.1 of this Offering Circular.

#### **b) During the life of the Fund.**

- (i) The Outstanding Balance of the Mortgage Loans resulting from the repaid principal.
- (ii) The balance pending amortisation of initial expenses of setting up the Fund and issuing the Bonds booked as assets.
- (iii) Ordinary and late-payment interest accrued and not collected on the Mortgage Loans.
- (iv) Amounts receivable under the Interest Swaps established in section V.3.5 of this Offering Circular.
- (v) The real properties awarded to the Fund upon foreclosing in due course the real estate mortgages securing the Mortgage Loans, any amounts or assets received upon the judicial or notarial foreclosure of the mortgage securities, or from the sale or utilisation of properties awarded to the Fund upon enforcing the mortgage securities, or in connection with the administration or interim

possession of the property (in foreclosure proceedings), purchase for the auction sale price or amount determined by a court decision. Similarly, all other rights conferred on the Fund upon subscribing for the Pass-Through Certificates derived from the Mortgage Loans, including those attaching to the damage insurance covers taken out by the Obligors.

- (vi) All other balances existing on the Treasury Account and interest accrued and not collected thereon.
- (vii) Any other amount received under other agreements concluded by the Management Company on behalf of the Fund.

### **III.2.2 Fund Liabilities.**

The Fund liabilities shall consist of the following:

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

- (i) The Bond Issue shall consist of Bonds denominated in euros and comprising six Series as follows:
  - a) Series A having a total face amount of EUR seven hundred and fifty-four million four hundred thousand (754,400,000.00) comprising seven thousand five hundred and forty-four (7,544) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
  - b) Series B having a total face amount of EUR thirteen million two hundred thousand (13,200,000.00) comprising one hundred and thirty-two (132) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
  - c) Series C having a total face amount of EUR ten million four hundred thousand (10,400,000.00) comprising one hundred and four (104) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
  - d) Series D having a total face amount of EUR eight million eight hundred thousand (8,800,000.00) comprising eighty-eight (88) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
  - e) Series E having a total face amount of EUR thirteen million two hundred thousand (13,200,000.00) comprising one hundred and thirty-two (132) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
  - f) Series F having a total face amount comprised between EUR ten million (10,000,000.00) and EUR eight million four hundred thousand (8,400,000.00) comprising Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.

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

- (ii) The amount payable to the Originator upon subscribing for the Pass-Through Certificates.
- (iii) The Start-Up Loan amount established in section V.3.4 of this Offering Circular, designed to finance the initial expenses of setting up the Fund and issuing the Bonds, and partly finance the acquisition of the Pass-Through Certificates, and to cover the timing difference existing between collection of Pass-Through Certificate interest and payment of Bond interest on the first Payment Date.

#### **b) During the life of the Fund:**

- i) The Outstanding Principal Balance of the Bonds in each of the Series and interest accrued and not paid thereon.
- ii) Principal pending repayment and interest accrued and not paid on the Start-Up Loan.
- iii) Amounts payable under the Interest Swaps.
- iv) Fees and other expenses accrued and not paid established in the various transaction agreements and any others incurred by the Fund.

### III.2.3 Cash Reserve.

The Management Company shall set up on the Closing Date an Initial Cash Reserve using the payment for subscribing for the Series F Bonds and shall subsequently, on each Payment Date, keep the Required Cash Reserve provisioned in the Fund Priority of Payments.

The characteristics of the Cash Reserve shall be as follows:

#### III.2.3.1 Required Cash Reserve.

1. The Cash Reserve shall be set up on the Closing Date in an initial amount as established hereinafter (the **"Initial Cash Reserve"**). Subsequently to being set up, the Cash Reserve shall be provisioned up to the required Cash Reserve on each Payment Date established hereinafter (the **"Required Cash Reserve"**) with the Available Funds in the Fund Priority of Payments.
2. The Initial Cash Reserve and the Required Cash Reserve amount shall be determined by the Management Company by 10am (CET time) on the day of the Subscription Period, based on (i) the average margin applicable to the Party B interest rate in each of the Interest Swap Agreements, weighted by the Notional Amount (Annual) and the Notional Amount (Six-Monthly) for the first settlement period in each of those Agreements, in accordance with the provisions of section V.3.3 of this Offering Circular, and (ii) as established below.

| Weighted average margin applicable to the Party B interest rate in each of the Interest Swap Agreements |                       |                      |
|---------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| Between                                                                                                 | Between               | Between              |
| -0.075% and -0.0249%                                                                                    | -0.0250% and +0.0250% | +0.0251% and +0.075% |

|                             |                |               |               |
|-----------------------------|----------------|---------------|---------------|
| <b>Initial Cash Reserve</b> | €10,000,000.00 | €9,200,000.00 | €8,400,000.00 |
|-----------------------------|----------------|---------------|---------------|

**Required Cash Reserve** shall be the lower of the following amounts:

|                                                                                                                                                                    |                |               |               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|---------------|
| (i) The Initial Cash Reserve amount                                                                                                                                | €10,000,000.00 | €9,200,000.00 | €8,400,000.00 |
| (ii) The higher of:                                                                                                                                                |                |               |               |
| a) The amount resulting from applying the percentage specified to the sum of the Outstanding Principal Balance of Series A, B, C, D and E the following percentage | 2.50%          | 2.30%         | 2.10%         |
| b) The following amount                                                                                                                                            |                | €5,000,000.00 |               |

The Initial Cash Reserve and the Required Cash Reserve amount on each Payment Date for which they are determined, shall be notified by the Management Company by the start of the Subscription Period to the Lead Managers and to the Underwriters and Placement Agents, to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV as information in addition to this Offering Circular, and to the Rating Agencies. This shall also be set down in a public deed supplementing the Deed of Constitution to be executed by the Management Company before the Subscription Period begins.

3. Notwithstanding the above, the Required Cash Reserve shall not be reduced on the relevant Payment Date and shall remain at the Required Cash Reserve on the preceding Payment Date whenever any of the following circumstances concur on the Payment Date:
  - i) That, on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of Delinquent Mortgage Loans is equal to or greater than 1.00% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
  - ii) That on the Payment Date preceding the relevant Payment Date the Cash Reserve was not provisioned up to the Required Cash Reserve on that Payment Date.

### **III.2.3.2 Yield.**

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

### **III.2.3.3 Application.**

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

### **III.2.4 Risk hedging and services transactions.**

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

- (i) Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (ii) Start-Up Loan Agreement.
- (iii) Interest Swap Agreements.
- (iv) Bond Paying Agent Agreement.
- (v) Financial Intermediation Agreement.
- (vi) Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement.
- (vii) Bond Issue Management, Underwriting, Placement and Subscription Agreement.

The Management Company, acting for and on behalf of the Fund, may extend or amend the agreements entered into on the Fund's behalf, substitute, as the case may be, each of the service providers to the Fund on the terms of each of the agreements and indeed, if necessary, enter into additional agreements, including credit facility agreements, in accordance with the laws and regulations in force from time to time. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies.

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

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

### **III.2.5 Fund Income.**

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

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

- a) Mortgage Loan principal repayment amounts received.
- b) Ordinary and late-payment Mortgage Loan interest.
- c) The Start-Up Loan amount.
- d) The amount of the Cash Reserve, initially set up with the payment for subscribing for the Series F Bonds.
- e) Amounts received on the terms of the Interest Swaps.
- f) The return on the investment of amounts credited to the Treasury Account.
- g) Any other amounts received by the Fund, including receivables under the Mortgage Loans both resulting from the sale of properties or assets awarded to the Fund or from their utilisation, and from all other rights conferred on the Fund upon subscription for the Pass-Through Certificates.

### **III.2.6 Expenses payable by the Fund.**

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

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

#### **Initial expenses.**

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

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

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

- a) The balance, if any, of the initial expenses for setting up the Fund and issuing the Bonds exceeding the Start-Up Loan principal.
- b) Any expenses arising from mandatory verifications, registrations and administrative authorisations.
- c) Expenses, if any, derived from drafting and executing the amended Deed of Constitution and the Agreements, and from entering into additional agreements.
- d) Rating Agency fees for monitoring and maintaining the Bond rating.
- e) Bond amortisation expenses.
- f) Expenses relating to the keeping of the Bond accounting record, for the Bonds to be represented by means of book entries, listing the Bonds on organised secondary markets and maintenance of all of the foregoing.
- g) Any expenses derived from the sale of the Pass-Through Certificates and the remaining assets of the Fund to liquidate the same, including those derived from obtaining a credit facility.
- h) Expenses required for applying for foreclosure of the Mortgage Loans and derived from such recovery actions as may be necessary.
- i) Expenses derived from managing the Fund.
- j) Expenses derived from servicing of the Mortgage Loans and custody of the Pass-Through Certificates.
- k) Financial expenses of the Bond Issue.
- l) Amounts payable under the Interest Swaps.
- m) Fees and expenses payable by the Fund under all other service and financial transaction agreements made.
- n) Expenses derived from announcements and notices relating to the Fund and/or the Bonds.
- o) Expenses of audits and legal advice.
- p) In general, any other expenses borne by the Fund or the Management Company for and on behalf of the Fund.

### **III.3 Drawing up, auditing and approving annual accounts and other accounting documents of the Fund.**

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

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

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

### **III.4 Obligations and deadlines set to publicise and submit to the CNMV the periodic information on the economic and financial status of the Fund.**

**III.4.1** As part of its Fund management and administration duty, the Management Company agrees to submit to the CNMV and the Rating Agencies, as promptly as possible, the quarterly information described hereinafter, with the exception of that contained in section e) which shall be annual, moreover advising it of all ordinary periodic or extraordinary notices contained in section III.4.2 of this Offering Circular, and of such additional information as may be reasonably required of it.

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

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

#### **b) In relation to the Mortgage Loans on each Payment Date:**

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

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

Report on the amount of the Available Funds and the Available Funds for Amortisation of Series A, B, C, D and E, and their application in the Fund Priority of Payments.

#### **d) In relation to Mortgage Loan prepayment:**

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

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

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

### **III.4.2 Other ordinary, extraordinary and relevant event notification obligations.**

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

#### **a) Ordinary periodic notices.**

1. Within the period comprised between the Interest Rate Fixing Date and the Payment Date, both inclusive, it shall proceed to notify Bondholders of the Nominal Interest Rates resulting for each of the Bond Series, and for the Interest Accrual Period after that Payment Date.

2. Quarterly, at least one (1) calendar day in advance of each Payment Date, it shall proceed to notify the holders of the Bonds of the following information:
  - i) Interest resulting from the Bonds in each of the Series, along with the amortisation of the Bonds.
  - ii) Furthermore, and if appropriate, interest and amortisation amounts accrued thereby and not settled due to a shortage of Available Funds, in accordance with the rules governing the Fund Priority of Payments.
  - iii) The Outstanding Principal Balances of the Bonds in each Series, after the amortisation to be settled on each Payment Date, and the percentages such Outstanding Principal Balances represent on the initial face amount of each Bond.
  - iv) The actual Mortgage Loan prepayment rate during the three calendar months preceding the month corresponding to each Payment Date.
  - v) The average residual life of the Bonds estimated assuming that such actual prepayment rate shall be maintained and making all other assumptions as provided in section II.12.a).

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

**b) Extraordinary notices.**

The following shall be the subject of an extraordinary notice:

1. The issued face amount of Series F, the final margins applicable for determining the Nominal Interest Rate for each Series and the Nominal Interest Rate determined for each of the Bond Series for the first Interest Accrual Period.
2. Other:

Any relevant event occurring in relation to the Mortgage Loans, the Bonds, the Fund and the actual Management Company, which may materially influence trading of the Bonds and, in general, any relevant change in the Fund's assets or liabilities, or in the event of termination of the constitution of the Fund or a decision in due course to proceed to an Early Liquidation of the Fund and an Early Amortisation of the Bond Issue in any of the events provided in this Offering Circular, in which case the CNMV and the Rating Agencies will be sent the notarial certificate of termination of the Fund and the liquidation procedure followed will be as referred to in section III.7.1 of this Offering Circular.

**c) Procedure to notify Bondholders.**

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

1. Ordinary notices.

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

2. Extraordinary notices.

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

Exceptionally, the issued face amount of Series F, the final margins applicable for determining the Nominal Interest Rate for each Series and the Nominal Interest Rate determined for the Bonds in each Series for the first Interest Accrual Period shall be notified by the Management Company by the start of the Subscription Period to the Underwriters and Placement Agents in order to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV, the Paying Agent, the AIAF and Iberclear.

3. Notices and other information.

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

**d) Information to the CNMV and the Rating Agencies.**

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

**e) Notice to Obligors.**

The Management Company may, directly or through the Servicer, notify Obligors of the transfer to the Fund of outstanding Mortgage Loans, in accordance with the provisions of the Servicing Agreement.

**III.5 Tax system of the Fund.**

In accordance with the provisions of article 1.2 of Royal Decree 926/1998, article 5.10 of Act 19/1992; article 7.1.h) of Legislative Royal Decree 4/2004, March 5, approving the Consolidation of the Corporation Tax Act; article 20.One.18 of Value Added Tax Act 37/1992, December 28, and article 59.k of Royal Decree 1777/2004, July 30, approving the Corporation Tax Regulations, article 45.I.B).15 of Royal Decree 1/1993, September 24, approving the Consolidation of the Capital Transfer and Documents Under Seal Tax, and additional provision five of Act 3/1994, the following are the characteristics peculiar to the tax system of the Fund:

- (i) The constitution of the Fund is exempt from the item "corporate transactions" of the Capital Transfer and Documents Under Seal Tax.
- (ii) The Bond issue is exempt from payment of Value Added Tax and Capital Transfer and Documents Under Seal Tax.
- (iii) The Fund is liable to pay Corporation Tax, determining the taxable income in accordance with the provisions of Title IV of the Corporation Tax Act, applying the general rate in force from time to time, which currently stands at 35%.
- (iv) As for returns on the Pass-Through Certificates, loans or other credit rights constituting Fund income, there shall be no Corporation Tax withholding or advance payment obligation.
- (v) The Fund management and custody services shall be exempt from Value Added Tax.

**III.6 Amendment of the Fund Deed of Constitution.**

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



### **III.7 Liquidation and termination of the Fund.**

#### **III.7.1 Early Liquidation of the Fund.**

**III.7.1.1** Following notice served on the CNMV, the Management Company shall be entitled to proceed to an early liquidation ("**Early Liquidation**") of the Fund and thereby an early amortisation ("**Early Amortisation**"), on a Payment Date, of the entire Bond Issue, in the following early liquidation events ("**Early Liquidation Events**"):

- (i) When the amount of the Outstanding Balance of the Mortgage Loans yet to be amortised is less than 10 percent of the initial Outstanding Balance upon the constitution of the Fund, in accordance with the authorisation established in article 5.3 of Act 19/1992 and provided that the Liquidation Available Funds allow the payment obligations derived from the Series A, B, C, D and E Bonds to be honoured and settled in full in the Liquidation Priority of Payments.

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

- (ii) Where any event or circumstance whatsoever unrelated to the actual operation of the Fund occurs which results in the financial balance of the Fund required by article 11.b) of Royal Decree 926/1998 being substantially changed or permanently invalidated. This event includes such circumstances as the occurrence of a change in or supplementary enactments of laws, or the establishment of withholding obligations or other events that might permanently affect the financial balance of the Fund.
- (iii) Mandatorily, in the event that the Management Company should be adjudged insolvent, or the statutory term to do so, or failing that term four months, should elapse without a new management company being designated in accordance with the provisions of section III.8.2 of this Offering Circular.
- (iv) Where a default on payment occurs or is expected to occur indicating a serious, permanent imbalance in relation to any of the Bonds issued or any unsubordinated credit.
- (v) Upon the lapse of thirty (30) months from the date of the last maturity of the Mortgage Loans, even if amounts are still due and payable thereon.

**III.7.1.2** The following requirements shall be necessary to proceed to that Early Liquidation of the Fund:

- (i) That Bondholders be given at least fifteen (15) Business Days' notice, as prescribed in section III.4.2 of this Offering Circular, of the Management Company's resolution to proceed to an Early Liquidation of the Fund.
- (ii) That the Management Company shall have previously advised the CNMV and the Rating Agencies of that notice.
- (iii) That notice of the Management Company's resolution to proceed to the Early Liquidation of the Fund shall contain a description (i) of the event or events for which an Early Liquidation of the Fund is effected, (ii) of the liquidation procedure, and (iii) of the manner in which the payment obligations derived from the Bonds are to be met and settled in the Liquidation Priority of Payments.

**III.7.1.3** In order for the Fund, through its Management Company, to proceed to an Early Liquidation of the Fund and an Early Amortisation of the Bond Issue in the events and subject to the requirements defined in this section, the Management Company, for and on behalf of the Fund:

- (i) Shall, notwithstanding the provisions of paragraph (iv) below, proceed to sell the Pass-Through Certificates remaining in the Fund for a price which shall not be less than the sum of the value of the principal yet to be repaid plus interest accrued and not paid on the relevant Mortgage Loans plus.
- (ii) Shall proceed to terminate such agreements as are not necessary for the Fund liquidation procedure.
- (iii) Shall be entitled to arrange for a credit facility which shall be fully and forthwith allocated to the Early Amortisation of the Bond Issue. Repayment of that credit facility shall be guaranteed solely with the

interest and principal flows derived from the Mortgage Loans pending amortisation and the proceeds from the sale of the other properties remaining on the assets of the Fund.

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

In events (i), (iii) and (iv) above, BANCAJA shall have a pre-emptive right on the terms established by the Management Company and will therefore have priority over third parties to acquire the Pass-Through Certificates or other properties derived therefrom remaining on the assets of the Fund, or to grant to the Fund, as the case may be, the credit facility designed for the Early Amortisation of the Bond Issue. The Management Company shall therefore send BANCAJA a list of the assets and of third-party bids received, and the latter may use that right for all the assets offered by the Management Company or the credit facility within five (5) Business Days of receiving said notice, and provided that its bid is at least equal to the best of the third-party bids.

- III.7.1.4** Upon provisioning the reserve referred to in section III.7.2 below, the Management Company shall immediately apply all the proceeds from the sale of the Fund's assets to paying the various items, in such manner, amount and order as shall be requisite in the Liquidation Priority of Payments, other than the amounts, if any, drawn under the credit facility arranged, which shall be fully allocated to the Early Amortisation of the Bond Issue.

### **III.7.2 Termination of the Fund.**

The Fund shall terminate in the following events:

- (i) Upon the Pass-Through Certificates pooled therein being fully amortised.
- (ii) Upon the Bonds issued being fully amortised.
- (iii) Upon the conclusion of the Early Liquidation procedure established in section III.7.1 above.
- (iv) At all events, upon the final liquidation of the Fund on the Final Maturity Date (February 25, 2038, or the following Business Day if that is not a Business Day).
- (v) Upon the Fund constitution terminating in the event that Moody's and Fitch should not confirm any of the assigned provisional ratings as final ratings by the start of the Subscription Period. In this event, the Management Company shall terminate the constitution of the Fund, the issue of and subscription for the Pass-Through Certificates and the Bond Issue.

Termination of the constitution of the Fund shall be notified to the CNMV as soon as such termination is confirmed, and shall be publicised by means of the procedure specified in section III.4.2.b) and c) of this Offering Circular. Within not more than one month after the occurrence of the event of termination, the Management Company shall execute a statutory declaration before a Notary Public declaring that the Fund's obligations have been settled and terminated and that the Fund has terminated. Notwithstanding the above, the Fund Management Company shall defray the Fund constitution expenses payable and specified in section II.14 with the Start-Up Loan, the agreement for which shall not be terminated but shall rather be cancelled after those amounts are settled, the repayment of principal being subordinated to fulfilment of all other obligations undertaken by the Management Company, acting for and on the Fund's behalf.

In the event that there should be any remainder upon the Fund being liquidated and after making all payments to the various creditors of the Fund by distributing the Available Funds in the set Liquidation Priority of Payments, that remainder shall be paid to BANCAJA. If that remainder is not a liquid amount, since relating to Pass-Through Certificates that are pending the outcome of legal or notarial proceedings as a result of default by the mortgage obligor on the Mortgage Loan, both their continuation and the proceeds of their termination shall be for BANCAJA.

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 all been liquidated and the Liquidation Available Funds have all been distributed, in the Fund Liquidation Priority of Payments.

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

### **III.8 Management and representation of the Fund and of the Bondholders.**

#### **III.8.1 Description of the duties and responsibilities taken on by the Management Company in managing and legally representing the Fund and the Bondholders.**

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

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

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

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

The Management Company shall notify Bondholders and all other ordinary creditors of the Fund of all and any circumstances that may be relevant to them, by publishing appropriate notices on the terms established in section III.4.2 of this Chapter.

##### **III.8.1.1 Administration and representation of the Fund.**

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

- (i) Keeping the Fund's accounts duly separate from the Management Company's own, rendering accounts and satisfying tax and any other statutory obligations of the Fund.
- (ii) Making such decisions as may be appropriate in connection with the liquidation of the Fund, including the decision to proceed to an Early Liquidation of the Fund and Early Amortisation of the Bond Issue, in accordance with the provisions of the Deed of Constitution and this Offering Circular. Moreover, making all appropriate decisions in the event of the constitution of the Fund terminating.
- (iii) Appointing and, as the case may be, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts.

- (iv) Providing the Bondholders, the CNMV and the Rating Agencies with all such information and notices as may be prescribed by the laws in force for the time being and specifically as established in the Deed of Constitution and in this Offering Circular.
- (v) Complying with the calculation duties and taking the actions laid down in the Deed of Constitution and in this Offering Circular and in the various Fund transaction agreements listed in section V.3 of the Offering Circular, or in such others as the Management Company may enter into in due course for and on behalf of the Fund.
- (vi) The Management Company may extend or amend the agreements entered into on behalf of the Fund, substitute, as the case may be, each of the Fund service providers on the terms provided for in each of the agreements, and indeed, if necessary, enter into additional agreements, including new credit facility agreements, and amend the Deed of Constitution, in accordance with the laws and regulations in force from time to time. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution or the agreements or of the execution of new agreements shall be given by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.
- (vii) Exercising the rights attaching to the ownership of the Pass-Through Certificates subscribed for by the Fund and, in general, carrying out all such acts of administration and disposition as may be required for properly managing and legally representing the Fund. Bringing a foreclosure action where the concurrent circumstances so require.
- (viii) Checking that the amount of income actually received by the Fund matches the amounts that must be received by the Fund, on the terms of the issue of the Pass-Through Certificates and on the terms of the relevant Mortgage Loan, and that the amounts receivable relating to the Credit Rights are provided by the Servicer to the Fund within the time-periods and on the terms provided for under the Servicing Agreement.
- (ix) Determining on each Interest Rate Fixing Date and for the following Interest Accrual Period, the Nominal Interest Rate to be applied for each Bond Series and calculating and settling the amounts payable on each Payment Date for interest accrued.
- (x) Calculating and determining on each Determination Date the principal to be amortised and repaid on each Bond Series on the relevant Payment Date.
- (xi) Determining the interest rate applicable to each of the relevant borrowing, lending and hedge transactions and calculating and settling the interest and fee amounts receivable and payable by the Fund under the same, and the fees payable for the various financial services arranged for.
- (xii) Watching that the amounts credited to the Treasury Account return the yield set in the respective Guaranteed Interest Rate Account Agreement.
- (xiii) Calculating the Available Funds, the Available Funds for Amortisation of Series A, B, C, D and E, Series F Bond principal amortisation, the Liquidation Available Funds and the payment or withholding obligations to be complied with, and applying the same in the Priority of Payments or in the Liquidation Priority of Payments, as the case may be.
- (xiv) Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those designed for servicing the Bonds.
- (xv) The Management Company may, directly or through the Servicer, notify Obligors of the transfer to the Fund of outstanding Mortgage Loans, in accordance with the provisions of the Servicing Agreement.

### **III.8.2 Resignation and substitution of the Management Company.**

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

#### *Resignation.*

- (i) The Management Company may resign its management and legal representation function with respect to all or part of the funds managed whenever it deems this fit, applying to be substituted in a letter addressed to the CNMV, including a designation of the substitute management company. That letter shall enclose a letter from the new management company, declaring its willingness to take over that function and applying for the appropriate authorisation.
- (ii) The CNMV's substitution authorisation shall be subject to meeting of the following requirements:
  - (a) The substituted Management Company's delivery of the accounting records and data files to the new management company. That delivery will only be taken to have been made when the new management company is able to fully take over its function and that circumstance is notified to the CNMV.
  - (b) The rating accorded to the Bonds should not fall as a result of the proposed substitution.
- (iii) The Management Company may in no event resign its duties until and unless all the requirements and formalities have been complied with in order for its substitute to take over its duties.
- (iv) The substitution expenses originated shall be borne by the resigning Management Company and may in no event be passed on to the Fund.
- (v) The substitution shall be published within fifteen days by means of a notice inserted in two nationwide newspapers and in the bulletin of the AIAF or any other organised secondary market on which the Bonds issued by the Fund are listed.

#### *Forced substitution.*

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

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

### **III.8.3 Subcontracting.**

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

released, under that subcontract or delegation, from any of the liabilities undertaken in the Deed of Constitution which may legally be attributed or ascribed to it.

#### **III.8.4 The Management Company's remuneration for discharging its functions.**

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

- (i) An initial fee amounting to EUR fifty thousand (50,000.00) which shall accrue upon the constitution of the Fund and be payable on the Closing Date.
- (ii) A periodic fee, accruing daily from the date of constitution of the Fund until it terminates, and settled and payable by Interest Accrual Periods in arrears on each of the Payment Dates.

The periodic fee on each Payment Date shall be equal to the result of adding the following fixed part and variable part:

- a) Variable part of 0.0145% per annum on the sum of the Outstanding Principal Balance of Series A, B, C, D and E on the Determination Date preceding the relevant Payment Date and calculated on the exact number of days elapsed in each Interest Accrual Period and based on a 360-day year.

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

$$IV = B \times \frac{0.0145}{100} \times \frac{d}{360}$$

where :

*IV = Variable amount payable on a given Payment Date.*

*B = Sum of the Outstanding Principal Balance of Series A, B, C, D and E, on the Determination Date preceding the relevant Payment Date.*

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

- b) Fixed amount of EUR three thousand five hundred (3,500.00) on each of the Payment Dates.

Calculation of the fixed amount for the first Payment Date shall accrue from the date of constitution of the Fund and be calculated on the exact number of days elapsed based on the following formula:

$$IF = [3,500.00] \times \frac{d}{90}$$

where :

*IF= Fixed amount payable on the first Payment Date.*

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

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

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

## CHAPTER IV

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

#### IV.1 Assets pooled in the Fund.

The credit rights making up the Fund assets shall only be credit rights owned by BANCAJA derived from loans granted by BANCAJA to individuals with real estate mortgage security on real properties (homes, business premises, industrial warehouses and country properties) located within Spanish territory (the **Mortgage Loans**). The Mortgage Loans shall be transferred by BANCAJA to the Fund by means of the issue of pass-through certificates (the **Pass-Through Certificates**) in accordance with the respective individual characteristics of each of the Mortgage Loans.

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

The issue by BANCAJA of the Pass-Through Certificates and their subscription by the Fund will make up an as yet indeterminate number whose total principal or capital shall be equal to or slightly in excess of EUR eight hundred million (800,000,000.00).

The Pass-Through Certificates will be issued on the Mortgage Loans as established in Act 2/1981 and additional provision five of Act 3/1994, as worded by article 18 of Act 44/2002.

In accordance with Additional Provision Two of Bankruptcy Act 22/2003, July 9, as worded by Economic Reform Measures Act 36/2003, November 11, (**Bankruptcy Act**), Additional Provision Five of Act 3/1994, April 14, adapting Spanish law in regard to credit institutions to the Second Banking Co-ordination Directive and introducing other changes relating to the financial system, amended by article 18 of Act 44/2002, (**Additional Provision Five**), shall be applied with the objective and subjective scope provided for therein, and therefore, in the event of insolvency of the Originator of the Mortgage Loans pooled in the Fund by means of the issue of the Pass-Through Certificates, the assignment and issue may only be contested in the event of fraud and moreover provided that the Originator's insolvency occurs within two years after conclusion of the assignment transaction and where there is a detriment to the estate. Thus, the Fund shall have an absolute right of separation on the terms established in article 80 of the Bankruptcy Act (and the references to articles 908 and 909 of the Commercial Code referred to in article 15 of Mortgage Market Regulation Act 2/1981, March 25, referred to in Additional Provision Five, shall be deemed to have been replaced with the provision referred to in article 80 of the Bankruptcy Act).

The Mortgage Loans shall be taken from a selection comprised of 8,669 mortgage loans, the outstanding principal of which amounted as of May 31, 2005 to EUR 858,328,689.37, with an overdue principal of EUR 195,101.54, representing 0.023% on the total principal yet to be repaid. The detailed most significant characteristics of the mortgage loans selected are described in section IV.4 of this Chapter.

In this Chapter and elsewhere in the Offering Circular, the term "Mortgage Loans" shall be used in some definitions to generically refer both to the Mortgage Loans and to the Pass-Through Certificates together, other than where reference is specifically made to the Pass-Through Certificates as such.

#### IV.1.1 Representations by BANCAJA.

BANCAJA, as holder of the Mortgage Loans until assigned to the Fund and issuer of the Pass-Through Certificates, shall represent and warrant as follows to the Fund, the Management Company and the Underwriters and Placement Agents in the Deed of Constitution:

##### 1. In relation to itself.

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



- (2) That neither at today's date nor at any time since it was incorporated has it had a creditors' meeting called or been insolvent, in receivership or bankrupt, nor in any circumstance generating a liability which might result in the credit institution authorisation being revoked.
- (3) That it has obtained all necessary authorisations both from the administration and from its corporate bodies and third parties who may be affected by the assignment of the Mortgage Loans to the Fund and the issue of the Pass-Through Certificates, to validly execute the Deed of Constitution, for the undertakings made therein and to execute the agreements relating to the constitution of the Fund.
- (4) That it has audited accounts for the years 2004, 2003 and 2002 with at least a favourable opinion and without any negative notes from the auditors in the last year (2004) and they have been filed with the CNMV. The annual accounts for the year 2004 are currently pending examination and approval by the General Assembly of BANCAJA and filing with the Companies Register.

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

- (1) That the Pass-Through Certificates are issued at arm's length and in accordance with Act 2/1981, Royal Decree 685/1982, amended by Royal Decree 1289/1991, and with the provisions of additional provision 5 of Act 3/1994, as worded by article 18 of Act 44/2002 and other applicable laws.
- (2) That the Pass-Through Certificates are issued for the same term remaining until maturity and for the same interest rate of each of the underlying Mortgage Loans.
- (3) That the Mortgage Loans exist and are valid and enforceable in accordance with the applicable laws, and all applicable laws have also been observed in granting the same.
- (4) That it is the legal and beneficial owner of all the Mortgage Loans and there is no obstacle whatsoever for the Pass-Through Certificates to be issued.
- (5) That the details of the Pass-Through Certificates and the Mortgage Loans included in the schedules to the Deed of Constitution accurately reflect the current status of those Mortgage Loans and Pass-Through Certificates and are full and accurate, and match the data files sent to the Management Company on those Mortgage Loans.
- (6) That the Mortgage Loans are secured with a real estate mortgage on the legal and beneficial ownership of each and every one of the mortgaged properties ranking senior, or, where appropriate, ranking junior although BANCAJA has the documents regarding cancellation of debts originated by previous mortgages, even though their registration cancellation procedure is pending, and is also in a position to proceed to cancel registration of said previous debts.

(Section IV.2.1.10) describes the potential legal implications of that).

- (7) That the Mortgage Loans are all originated in a public deed, and the mortgages are all duly granted and entered in the relevant Land Registries. The registration of the mortgaged properties is in force and has not been howsoever opposed and is subject to no limitation whatsoever taking precedence over the mortgage, in accordance with the applicable regulations.
- (8) That the Mortgage Loans all stand as a valid and binding payment obligation for the relevant Obligor and are enforceable on their own terms.
- (9) That the Mortgage Loans are all denominated and payable exclusively in euros, and the capital or principal has been fully drawn down.
- (10) That none of the Mortgage Loans have clauses allowing deferment of periodic interest payment.
- (11) That all the Mortgage Loan payment obligations are satisfied by directly debiting a bank account.
- (12) That the Obligors are all individuals.

- (13) That the mortgages are granted on real properties wholly owned in fee absolute by the respective mortgagor, and BANCAJA is not aware of the existence of litigation over the ownership of those properties which might detract from the mortgages.
- (14) That the mortgaged properties underlying the Mortgage Loans are not ineligible as assets excluded for standing as security under article 31.1.d) of Royal Decree 685/1982, nor do the Mortgage Loans have any of the credit features excluded or restricted under article 32 of Royal Decree 685/1982.
- (15) That all the mortgaged properties are real properties (homes, business premises, industrial warehouses and country properties) (i) located in Spain, (ii) have been appraised by duly qualified institutions approved by the BANCAJA, evidence of which appraisal has been provided in the form of an appropriate certificate, and (iii) in the case of real properties relating to constructions, building work has been completed. The appraisals made satisfy all the requirements established in the mortgage market laws.
- (16) That the outstanding principal balance on each of the Mortgage Loans does not exceed 100% of the appraisal value of the mortgaged properties as security for the relevant Mortgage Loan.
- (17) That it is not aware of there having been any fall in the value of any of the properties mortgaged as security for the Mortgage Loans in excess of 20% of the appraisal value.
- (18) That the public deeds originating the Mortgage Loans lay down the relevant mortgagor's obligation to take out damage insurance covering at least the risks of fire and ruin for a value equal to or in excess of the value set down in the appraisal done for granting the Mortgage Loan, and to pay the relevant premiums.
- (19) That the Mortgage Loans are not perfected in registered, negotiable or bearer securities, other than the Pass-Through Certificates issued to be pooled in the Fund.
- (20) That none of the Mortgage Loans have any overdue payments on the date of issue of the Pass-Through Certificates for a period in excess of one (1) month.
- (21) That it is not aware that any of the Mortgage Loan Obligors holds any credit right against BANCAJA whereby that Obligor might be entitled to a set-off which might adversely affect the rights conferred by the Pass-Through Certificates.
- (22) That BANCAJA has strictly adhered to the policies for granting credit in force at the time in granting each and every one of the Mortgage Loans and in accepting, as the case may be, the subrogation of subsequent borrowers in the position of the initial borrower, and a "BANCAJA memorandum on policies for granting credits and loans on with real estate security to individuals", currently in force, shall be attached to the Deed of Constitution in that respect.
- (23) That the deeds for the mortgages granted on the properties to which the Mortgage Loans relate have all been duly filed in the records of BANCAJA suitable therefor, and are at the Management Company's disposal, for and on behalf of the Fund, and the Mortgage Loans are all clearly identified both in data files and by means of their deeds.
- (24) That the outstanding capital balance of each of the Mortgage Loans on the date of issue is equivalent to the principal figure of the relevant Pass-Through Certificate and that, in turn, the total capital of the Pass-Through Certificates shall be at least equivalent to EUR eight hundred million (800,000,000.00).
- (25) That the final maturity date of the Mortgage Loans is at no event after January 15, 2035.
- (26) That after being granted, the Mortgage Loans have been serviced and are still being serviced by BANCAJA in accordance with its set customary procedures.
- (27) That it has no knowledge of the existence of any litigation whatsoever in relation to the Mortgage Loans which may detract from their validity or which may result in the application of Civil Code article 1535, or of the existence of circumstances which may result in the purchase agreement of the home mortgaged as security for the Mortgage Loans being ineffective.

- (28) That it is not aware of any of the Obligors being able to make any objection whatsoever to paying any Mortgage Loan amount.
- (29) That on the date of issue it has received no notice of full prepayment of the Mortgage Loans.
- (30) That, on the date of the issue, none of the Mortgage Loans has any clauses establishing interest rate caps limiting the interest rate amount applicable to the Mortgage Loan.
- (31) That, on the date of the issue, at least two instalments have fallen due on each of the Mortgage Loans.
- (32) That the Pass-Through Certificate and Mortgage Loan information contained in the Offering Circular is accurate and strictly true.
- (33) That it is not aware of the existence of any circumstance whatsoever which might prevent the mortgage security from being enforced.
- (34) That the Mortgage Loans are not earmarked for any issue whatsoever of mortgage bonds or mortgage certificates, other than the issue of the Pass-Through Certificates, and after their issue the Mortgage Loans shall not be earmarked for any issue whatsoever of mortgage debentures, mortgage bonds or other mortgage certificates and pass-through certificates.
- (35) That upon the issue of the Pass-Through Certificates being made, the outstanding principal balance of the mortgage debentures issued by BANCAJA is not in excess of 90 percent of the sum of the capitals not repaid on its portfolio mortgage loans, deducting those earmarked for other mortgage securities. There is moreover no issue whatsoever of mortgage bonds outstanding made by BANCAJA.
- (36) That nobody has a preferred right over the Fund in and to the Mortgage Loans, as holder of the Pass-Through Certificates.
- (37) That based on its internal records none of the Loans are in the nature of financing granted to real estate developers for building or renovating homes and/or business premises designed to be sold, or for finance lease transactions.
- (38) That, on the issue date, the interest rate applicable to each of the Mortgage Loans has been fixed during the last twelve (12) months preceding this date.

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

- 1. The Mortgage Loans will be fully and unconditionally assigned, perfected by means of the issue of the Pass-Through Certificates, for the entire term remaining until maturity.
- 2. The issue of the Pass-Through Certificates shall be made in respect of 100 percent of the outstanding principal, interest not due and overdue interest and all and any other amounts, assets or rights attaching to each of the relevant Mortgage Loans, excluding the fees established in each of the Mortgage Loans, which shall remain for the benefit of BANCAJA, as detailed in section IV.1.3 below.
- 3. The Pass-Through Certificates shall be issued for the same term remaining until maturity of each of the underlying Mortgage Loans.
- 4. BANCAJA shall be liable to the Fund for the existence and lawfulness of the Mortgage Loans to the same extent laid down in articles 348 of the Commercial Code and 1529 of the Civil Code.
- 5. BANCAJA shall not bear the risk of default on the Mortgage Loans and shall therefore have no liability whatsoever for default by the mortgagors of principal, interest or any other amount owing to them by the Obligors under the Mortgage Loans. It will moreover have no liability whatsoever to directly or indirectly guarantee that the transaction will be properly performed, nor give any guarantees or security, nor indeed agree to replace or repurchase the Pass-Through Certificates, other than as provided in section IV.1.6 below.

6. The Pass-Through Certificates shall be represented by registered certificates as established in section IV.1.5 below.
7. Until the execution of the Deed of Constitution, BANCAJA shall be the beneficiary of the damage insurance contracts taken out by the Obligors in relation to the mortgaged properties as security for the Mortgage Loans, up to the insured amount, and each of the Mortgage Loan documents shall, in the event of default on the relevant premium by the Obligor (holder) of the insurance, authorise BANCAJA, the mortgagee, to pay the premium amount for the Obligor in order that the premiums are always paid.
8. BANCAJA shall thereupon perfect the assignment attached to the issue of the Pass-Through Certificates of the rights BANCAJA has as the beneficiary of those damage insurance contracts taken out by the Obligors. As the holder of the Pass-Through Certificates, the Fund shall be entitled to all the amounts BANCAJA would have received in this connection.
9. The transfer and holding of the Pass-Through Certificates shall be limited to institutional investors, and they may not be acquired by the unspecialised public.
10. Given the above and that the Fund is an institutional investor, the issue of the Pass-Through Certificates shall not be subject to a marginal note on each entry of the mortgages in the Land Registry.
11. The Originator shall, in mortgage foreclosure events, when the property burdened with the foreclosed mortgage has mortgages entered in the Land Register that are senior to the foreclosed mortgage which however shall have been repaid, previously or upon bringing the action, do whatever may be legally appropriate to restore consistency between the Register and legal reality outside the Register. Where the relevant documents are available, this shall be done in accordance with the provisions of article 40 and Title IV of the Mortgage Act and in all other cases this shall be done in accordance with article 209 of that same Act. The Originator shall bear all the costs incurred by the aforesaid legal actions that are not borne by the affected third parties.

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

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

- a) To receive all amounts accruing as repayment of Mortgage Loan capital or principal.
- b) To receive all amounts accruing as ordinary interest on the Mortgage Loans.
- c) To receive all amounts accruing as late-payment interest on the Mortgage Loans.
- d) To receive any other amounts, assets or rights received as payment of the Mortgage Loan principal, interest or expenses, either in the form of the knock-down price or amount determined by a court decision or notarial procedure in foreclosing the mortgage securities, on the sale or utilisation of properties awarded or, upon foreclosing, in the administration or interim possession of the properties in foreclosure proceedings.
- e) To receive all possible rights or compensations accruing for BANCAJA, including not only those derived from the insurance contracts attached to the Mortgage Loans which are also assigned to the Fund, but also those derived from any ancillary right attached to the Mortgage Loan, excluding the fees established for each of the Mortgage Loans, which shall remain to the benefit of BANCAJA.

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

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

Returns on the Pass-Through Certificates constituting Fund income shall not be subject to a Corporation Tax withholding as established in Royal Decree 177/2004, July 30, approving the Corporation Tax Regulations.

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

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

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

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

- (i) The part consisting of the face value of the capital of all the Mortgage Loans, subparagraph (i) of paragraph one of this section, shall be paid by the Fund on the Bond Closing Date, for same day value, upon the subscription for the Bond Issue being paid up. The Originator shall receive no interest on the deferment of payment until the Closing Date.
- (ii) The part of the price consisting of the interest accrued on each of the Mortgage Loans, subparagraph (ii) of paragraph one of this section, shall be paid by the Fund on the Collection Date falling on the first interest settlement date of each of the Mortgage Loans after the issue date of the Pass-Through Certificates or in the case of overdue interest on the date on which they are paid by the Obligor, and will not be subject to the Fund Priority of Payments.

If the Fund constitution and hence the Pass-Through Certificate issue and subscription should terminate, (i) the Fund's obligation to pay the Pass-Through Certificates shall terminate, and (ii) the Management Company shall be obliged to restore to BANCAJA any rights whatsoever accrued for the Fund upon subscribing for the Pass-Through Certificates.

#### **IV.1.5 Pass-Through Certificate representation and custody.**

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

Both in the event that the Management Company should, for and on behalf of the Fund, proceed to foreclose a Mortgage Loan, as provided for in section IV.2.11, and because of an Early Liquidation of the Fund, in the events and on the terms of section III.7.1, there is to be a sale of Pass-Through Certificates, and in any other event so requiring, BANCAJA agrees to split any multiple certificate issued representing Pass-Through Certificates into such unit or multiple certificates as may be necessary, replacing or exchanging the same for the attainment of the above purposes.

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

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

- 1. In the event of early amortisation of Pass-Through Certificates due to a prepayment of the Mortgage Loan capital, there will be no substitution of the Pass-Through Certificates affected thereby.
- 2. In the event that it should be observed throughout the life of the Pass-Through Certificates that any of them or of the underlying Mortgage Loans fails to meet the representations contained in section IV.1.1 of this Offering Circular upon the Fund being constituted, BANCAJA agrees, subject to the Management

Company's consent, to proceed forthwith to remedy and, if that is not possible, to a substitution or, as the case may be, early amortisation of the Pass-Through Certificate in that situation, subject to the following rules:

- a) The party becoming aware of the existence of a non-conforming Pass-Through Certificate, whether BANCAJA or the Management Company, shall notify the other party of this circumstance. BANCAJA shall have five (5) Business Days from said notice to proceed to remedy that circumstance if it may be remedied.
- b) The substitution shall be made for the outstanding principal plus interest accrued and not due and overdue interest and any amount owing to the Fund until that date on the relevant Mortgage Loan underlying the substituted Pass-Through Certificate.

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

- c) The substitution shall be recorded in a notarial certificate setting forth all the particulars both of the Pass-Through Certificate to be replaced and the Mortgage Loan attached thereto, and the new pass-through certificate(s) issued, along with details of the Mortgage Loans, and the reason for substituting and characteristics determining their homogenous nature as described in the last paragraph of section b) above, a copy of which shall be filed by the Management Company with the CNMV, the organisation in charge of the accounting record for the Bonds and the AIAF Governing Body, notifying the Rating Agencies.
- d) In the event that any Pass-Through Certificate should not be substituted by issuing new ones on the terms set in rule b) of this section, BANCAJA shall proceed to an early amortisation of the affected Pass-Through Certificate. That early amortisation shall take place by a repayment in cash to the Fund of the outstanding principal, interest accrued and not due and overdue interest, and any other amount owing to the Fund until that date on the Mortgage Loan underlying the relevant Pass-Through Certificate.
- e) In the event of early amortisation of Pass-Through Certificates by BANCAJA due to both substitution and repayment, BANCAJA shall be vested in all the rights attaching to those Mortgage Loans accruing from the amortisation date or accrued and not due, and overdue amounts on that same date.

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

As prescribed by Royal Decree 685/1982, the Pass-Through Certificates may be transferred by a written statement on the very certificate and, in general, by any of the means admitted by Law, in accordance with the provisions of article 67.1 of Royal Decree 685/1982, their acquisition or holding being limited to institutional or professional investors for they may not be acquired by the unspecialised public, in accordance with the provisions of article 64.1 of Royal Decree 685/1982. Both the transfer and the new holder's address shall be notified by the transferee to the issuer.

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

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

The book shall moreover include the following particulars:

- a) Mortgage Loan origination and maturity date, initial amount and settlement method.
- b) Mortgage registration particulars.

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

The Management Company represents that the summary of the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement contained in this section, which it shall enter into, for and on behalf of the Fund, with BANCAJA, contains the most substantial and relevant information of the agreement and fairly presents its contents.

BANCAJA, originator of the Mortgage Loans, in accordance with the provisions of article 2.2.b) of Royal Decree 658/1982, and as issuer of the Pass-Through Certificates to be subscribed for by the Fund, in accordance with the provisions of article 61.3 of Royal Decree 685/1982, agrees to be the custodian and servicer of the Mortgage Loans, and the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement (the “**Servicing Agreement**”) shall govern the relations between BANCAJA (hereinafter in regard to this Agreement the “**Servicer**”) and the Fund, represented by the Management Company, in regard to the custody and servicing of the Mortgage Loans and the custody of the documents representing the Pass-Through Certificates. In consideration of the custody, servicing and management of the Mortgage Loans and custody of the documents representing the Pass-Through Certificates, the Servicer shall be entitled to receive in arrears on each of the Payment Dates and during the term of the Servicing Agreement, a subordinated servicing fee equal to 0.01% per annum, inclusive of VAT if there is no exemption, which shall accrue on the exact number of days elapsed and on the average daily Outstanding Balance of the Mortgage Loans serviced during each Determination Period. If the Servicer should be substituted in that servicing task, because that is legally possible and is appropriate in view of circumstances of the Servicer which might prevent or make it difficult for that servicing to be properly performed, the Management Company will be entitled to change the above percentage fee in favour of the substitute institution, which fee may be higher than that agreed with BANCAJA under the Servicing Agreement.

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

Furthermore, on each Payment Date, the Servicer shall be entitled to a reimbursement of all expenses of an exceptional nature incurred in relation to the servicing of the Mortgage Loans, such as expenses or court costs arising in connection with foreclosure, or administering or managing the sale of properties and assets awarded, and after first justifying the same. Those expenses will be paid whenever the Fund has sufficient liquidity and in the Fund Priority of Payments.

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

BANCAJA shall continue servicing the Mortgage Loans, devoting as Servicer the same time and effort to them and the same degree of skill, care and diligence in servicing the same as it would devote and use to service its own mortgage loans, and will in any event exercise a suitable degree of skill, care and diligence in providing the services for which provision is made in said Servicing Agreement.

In any event, the Servicer waives the privileges and authorities conferred on it by law as the manager of collections for the Fund and as servicer of the Mortgage Loans, and in particular those for which provision is made in articles 1730 and 1780 of the Civil Code and 276 of the Commercial Code.

The most outstanding terms of the Servicing Agreement are set out hereinafter in the following subparagraphs of this section.

#### **IV.2.1 Ordinary system and procedures for servicing and managing the Mortgage Loans.**

The following is the succinct and short description of the ordinary system and procedures (hereinafter the “**services**”) for service and custody of the Mortgage Loans governed by said Servicing Agreement:

##### **1. Term.**

The services shall be provided by the Servicer until all the obligations undertaken by the Servicer as issuer of the Pass-Through Certificates terminate in relation to all the Mortgage Loans, once they have been repaid, or when the liquidation of the Fund concludes after it terminates, without prejudice to a potential early termination of the Servicing Agreement, if that is legally possible in accordance with its terms.

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

The Servicer shall keep all deeds, documents and data files relating to the Mortgage Loans and the damage insurance policies of the mortgage properties under safe custody and shall not give up their possession, custody or control other than with the Management Company's prior written consent for it to do so, unless a document should be required to institute proceedings to foreclose a Mortgage Loan, or any competent authority should so require and after first informing the Management Company.

The Servicer shall allow the Management Company or the auditors of the Fund duly authorised thereby reasonable access at all times to said deeds, documents and records. Furthermore, whenever it is required to do so by the Management Company, it shall provide within two (2) Business Days of that request and clear of expenses, a copy or photocopy of any of such deeds and documents.

##### **3. Collection management.**

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

The amounts received by the Servicer derived from the Mortgage Loans shall be paid by the Servicer into the Fund's Treasury Account on the seventh day after the date on which they were received by the Servicer, or the following business day, for same day value, if that is not a business day, (“**Collection Dates**”) in accordance with the set terms and conditions. In this connection, business days shall be taken to be all those that are business days in accordance with the Savings Bank sector in the city of Valencia.

In the event of a fall in the Servicer's unsubordinated and unsecured short-term debt rating below F2 or P-1 respectively in Fitch's and Moody's rating scales, or its credit quality resulting in the ratings given by the Rating Agencies to each of the Bond Series falling, the Management Company may, in a written notice addressed to the Servicer, change the Collection Dates and payment method at any time during the term of the Servicing Agreement, thereby for the amounts received by the Servicer derived from the Mortgage Loans to be previously paid to the Fund, which may indeed occur on the same day of being received by the Servicer.

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

##### **4. Fixing the interest rate.**

Because the Mortgage Loans have a floating interest rate, the Servicer will continue fixing the interest rates applicable to each of the interest periods in accordance with the provisions of the relevant Mortgage Loan agreements, submitting such relevant communications and notices as may be established therein.

##### **5. Mortgaged property damage insurance.**

The Servicer shall not take or fail to take any action resulting in the cancellation of any property damage insurance policy covering the mortgaged properties or reducing the amount payable in any claim thereunder. The Servicer shall act due diligently and in any event use the rights conferred under the insurance policies or the Mortgage Loans in order to keep those policies in full force and effect in relation to each Mortgage Loan and the respective property subject of the Mortgage Loan.



The Servicer shall be bound to advance payment of policy premiums not paid by the Obligor whenever it is fully acquainted with this circumstance, without prejudice to its right to be reimbursed by the Fund for amounts so paid.

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

#### **6. Information.**

The Servicer shall regularly communicate to the Management Company the information concerning the individual characteristics of each of the Mortgage Loans, fulfilment by the Obligor of their obligations under the Mortgage Loans, delinquency status, changes in the characteristics of the Mortgage Loans, actions in the event of late payment, legal actions and auction of properties, the foregoing subject to the procedures and within the time-periods established in the Servicing Agreement.

Furthermore, the Servicer shall prepare and hand to the Management Company such additional information concerning the Mortgage Loans or the rights attaching thereto as the Management Company may reasonably request, and in particular the documents required for the Management Company, as the case may be, to bring legal actions.

#### **7. Liability of the Servicer.**

The Servicer shall at no time have any liability whatsoever in relation to the obligations of the Management Company as manager of the Fund and manager of Bondholders' interests, nor in relation to the obligations of the Obligor derived from the Mortgage Loans, without prejudice to the liabilities undertaken thereby in the Deed of Constitution as issuer of the Pass-Through Certificates subscribed for by the Fund.

The Servicer shall be liable to indemnify the Fund or its Management Company against any damage, loss or expense incurred by the latter due to a breach by the Servicer of its duties to safe-keep, service and report on the Mortgage Loans and to custody the documents representing the Pass-Through Certificates.

#### **8. Mortgage Loan subrogation.**

The Servicer shall be authorised to permit substitutions in the position of the Obligor under the Mortgage Loan agreements, exclusively where the characteristics of the new mortgagor are similar to those of the former mortgagor and those characteristics observe the policies for granting mortgage loans described in the BANCAJA memorandum on policies for granting mortgage loans, which shall be attached to the Fund Deed of Constitution, and moreover provided that the expenses derived from that change are fully borne by the Obligor. The Management Company may fully or partially limit this authority of the Servicer or lay down conditions therefor, in the event that there might be consequences being howsoever detrimental to the rating accorded to the Bonds by the Rating Agencies.

The Obligor may apply to the Servicer for subrogation in connection with the Mortgage Loans pursuant to Mortgage Loan Subrogation and Amendment Act 2/1994. Subrogation of a new creditor under the Mortgage Loan and the ensuing payment of the amount due shall result in a prepayment of a Mortgage Loan and of the relevant Pass-Through Certificate.

#### **9. Authorities and actions in relation to Mortgage Loan renegotiation procedures.**

The Servicer may not voluntarily cancel the mortgages securing the Mortgage Loans for any reason other than payment of the Mortgage Loan, relinquish or settle in regard thereto, forgive the Mortgage Loans in full or in part or extend the same, or in general do anything that may diminish the status, enforceability at law or economic value of the mortgage or of the Mortgage Loans, without prejudice to its proceeding to heed requests by the Obligor with the same diligence and procedure as if the loans should not have been assigned.

Notwithstanding the above, the Management Company may, as manager of third-party funds and bearing in mind the Obligor's requests to the Servicer directly or under Act 2/1994, previously issue instructions to or authorise the Servicer to agree with the Obligor, subject to the terms and conditions of this section, for a novation changing the relevant Mortgage Loans, either by renegotiation of the margin applicable for

determining the interest rate or by an extension of the maturity period, provided that those novations are not detrimental to the ranking of the Mortgage Loans.

**a) Renegotiating the margin applicable for determining the floating interest rate.**

1. The Servicer may under no circumstance entertain on its own account and without being so requested by the Obligor, renegotiations of the margin applicable for determining the interest rate which may result in a decrease in the interest rate applicable to a Mortgage Loan. In any event, whether or not it was generically authorised, any renegotiation of the margin applicable for determining the Mortgage Loan interest rate shall be taken on and settled bearing in mind the interests of the Fund.

Without prejudice to the provisions hereinafter, any renegotiation subscribed by the Servicer shall be made exclusively with the prior written consent of the Management Company, on behalf of the Fund, and the Servicer agrees to seek such consent from the Management Company as soon as it is aware that an Obligor has requested a renegotiation. The Management Company may nevertheless initially authorise the Servicer to entertain and accept renegotiations of the margin applicable for determining the interest rate applicable to the Mortgage Loans, requested by the Obligors, without requiring the prior consent of the Management Company, subject to a number of general requirements established hereinafter in section 2 below.

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 the margin applicable for determining the interest rate which it may previously have determined for the Servicer.

The Servicer shall in renegotiating the margin applicable for determining the Mortgage Loan interest rate clause observe that the new interest rate terms are at arm's length and no different from those applied by the Servicer proper in renegotiating or granting its floating-rate mortgage loans. In this connection, arm's length interest rate shall be deemed to be the interest rate offered by the Servicer on the Spanish market for loans granted to individuals with real estate mortgage security with amounts, class of mortgaged real property and terms substantially similar to the renegotiated Mortgage Loan.

2. Renegotiating the margin applicable for determining the interest rate for a Mortgage Loan shall in no event (i) result in its being changed to a floating interest rate with a benchmark index for determination other than the 1-year Euribor or Mibor reference rates or indices or where there is a revision period different from the one the Mortgage Loan had upon the Fund being constituted, and (ii) take place if previously or as a result of the renegotiation the average margin or spread weighted by the outstanding principal of the Mortgage Loans over their respective benchmark 1-year Euribor or Mibor indices is below 80 basic percentage points.

**b) Extending the period of maturity.**

The final maturity or final amortisation date of the Mortgage Loans may be extended (hereinafter "**extending the term**") subject to the following rules and limitations:

- (i) The Servicer may in no case entertain on its own account, i.e. without it being so requested by the Obligor, a change in the final maturity date of the Mortgage Loan which may result in an extension of that date. The Servicer, without encouraging an extension of the term, shall act in relation to such extension bearing in mind at all times the Fund's interests.
- (ii) The aggregate of the initial capital or principal of the Mortgage Loans assigned to the Fund with respect to which the maturity date is extended may not exceed 10.00% of the initial Outstanding Balance of the Mortgage Loans upon the Fund being constituted.
- (iii) The term of a specific Mortgage Loan may be extended provided that the following requirements are met:

- a) That the periodicity of repayment instalments of the capital or principal of the Mortgage Loan is at all events maintained, and the same repayment system is in place.
- b) That the new final maturity or final amortisation date does not extend beyond January 15, 2035.
- c) That the Mortgage Loan is in good standing in payment of amounts due and payable.
- (iv) The Management Company may at any time during the term of the Servicing Agreement, on the Fund's behalf, cancel or suspend the Servicer's authorisation to extend the term.

If there should be any renegotiation of the interest rate of a Mortgage Loan or its due dates, the Servicer shall forthwith notify the Management Company of the terms resulting from each renegotiation. Such notice shall be made through the software or data file provided for the terms of the Mortgage Loans to be updated. Both the public deeds and the private agreements pertaining to a novation of the terms of the Mortgage Loans will be kept by the Servicer, in accordance with the provisions of paragraph 2 of this section.

In the event of a renegotiation of the interest rate of the Mortgage Loans, or their due dates, consented to by the Management Company, for and on behalf of the Fund, the change in the terms shall affect the Fund.

#### **10. Action against the Obligor in the event of default on the Mortgage Loans and powers of the holder of the Pass-Through Certificates.**

##### ***Actions in the event of late payment.***

The Servicer shall apply an identical diligence and procedure for claiming overdue amounts not paid on the Mortgage Loans as with the rest of its portfolio mortgage loans.

In the event of default by the Obligor of the payment obligations, the Servicer shall take the actions described in the Servicing Agreement, taking for that purpose the steps it would ordinarily take if they were its portfolio loans and in accordance with standard banking usage and practice for collecting overdue amounts, and shall be bound to advance such expenses as may be necessary for those actions to be taken, without prejudice to its right to be reimbursed by the Fund. Needless to say, these actions include all such legal or other actions as the Servicer may deem necessary to claim and collect the amounts due by the Obligors.

##### ***Legal actions.***

The Servicer, using its fiduciary title to the Mortgage Loans or using the power referred to in the following paragraph, shall take all relevant actions against Obligors failing to meet their payment obligations derived from the Mortgage Loans. Such an action shall be brought using the appropriate court enforcement procedures prescribed in articles 517 et seq. of the Civil Procedure Act.

For the above purposes, and for the purposes of the provisions of articles 581.2 and 686.2 of the Civil Procedure Act if this should be necessary, the Management Company grants in the Deed of Constitution as full and extensive a power of attorney as may be required at Law to BANCAJA in order that the latter may, acting through any of its attorneys properly empowered for those purposes, for and on behalf of the Management Company, as the authorised representative of the Fund, demand by any judicial or other means the obligor of any of the Mortgage Loans to pay his debt and take legal action against the same, in addition to other authorities required to discharge its duties as Servicer.

The Servicer shall as a general rule apply for foreclosure, advancing all necessary expenses to do so, if, for a period of six (6) months, the Obligor under a Mortgage Loan in default of payment obligations should fail to resume payments or the Servicer, with the Management Company's consent, should fail to obtain a payment undertaking satisfactory to the interests of the Fund, and shall in any event forthwith proceed to apply for such foreclosure if the Management Company, on behalf of the Fund, should deem this fit after analysing the specific circumstances of the case.

Some of the Mortgage Loans backing the Pass-Through Certificates may have validly registered in respect of the mortgaged properties underlying the Mortgage Loans, mortgages predating the Mortgage Loan, even though, as BANCAJA has declared in section IV.1.1.(6), the loans referred to in those mortgages have been fully repaid.

Therefore, for registration purposes, those Mortgage Loans do not have a mortgage ranking senior. The mortgage will rank junior to registered mortgages. Notwithstanding that, the loans underlying the previous mortgages have been fully repaid.

The Servicer shall, in mortgage foreclosure events, when the property burdened with the foreclosed mortgage has mortgages entered in the Land Register that are senior to the foreclosed mortgage which however shall have been terminated, previously or upon bringing the action, do whatever may be legally appropriate to restore consistency between the Register and legal reality outside the Register. Where the relevant documents are available, this shall be done in accordance with the provisions of article 40 and Title IV of the Mortgage Act and in all other cases this shall be done in accordance with article 209 of that same Act.

In the event of default by any Obligor, the Management Company, acting for and on behalf of the Fund, shall have the following remedies provided for mortgage certificates in article 66 of Royal Decree 685/1982, which also apply to pass-through certificates :

- (i) To demand the Servicer to apply for foreclosure.
- (ii) To take part on an equal standing with BANCAJA, as issuer of the Pass-Through Certificates, in the foreclosure the latter shall have instituted against the Obligor, intervening to that end in any foreclosure proceedings commenced by the former.
- (iii) If the Servicer should fail to take that action within sixty (60) calendar days of a notice served through a Notary demanding payment of the debt, the Management Company, for and on behalf of the Fund, shall be secondarily entitled to bring the foreclosure action on the Mortgage Loan for both principal and interest.
- (iv) In the event that the proceedings instituted by the Servicer should come to a standstill, the Fund, duly represented by the Management Company, may be subrogated in the position of the former and continue the foreclosure proceedings, without the above period having to elapse.

In the cases provided in paragraphs (iii) and (iv), the Management Company, for and on behalf of the Fund, may apply to the Judge or Notary with jurisdiction to commence or continue with the respective foreclosure proceedings, attaching to the application the original Pass-Through Certificate, the notice served through a Notary Public provided in section (iii) above and an office certificate as to the registration and subsistence of the mortgage. The Servicer shall be bound to issue a certification of the balance outstanding on the Mortgage Loan.

If this should be required by law, and for the purposes of the provisions of the Civil Procedure Act, BANCAJA shall confer in the Deed of Constitution an irrevocable and as extensive and sufficient a power of attorney as may be required by Law in order for the Management Company, acting for and on behalf of BANCAJA, to demand through a Notary Public payment of the debt by the Obligor under any of the Mortgage Loans.

The Management Company, for and on behalf of the Fund as holder of the Pass-Through Certificates, may also take part with equal rights with BANCAJA in the foreclosure proceedings and may in this sense, on the terms for which provision is made in the Civil Procedure Act, request the award of the mortgaged property as payment of the Mortgage Loan. The Management Company shall proceed to sell the property awarded within the shortest possible space of time and at arm's length.

Additionally, the Servicer will provide the Management Company with all such documents as the latter may request in relation to the Mortgage Loans and in particular the documents required for the Management Company to take legal actions, as the case may be.

#### **11. Recovery action against the Servicer.**

The Management Company shall, for and on behalf of the Fund, be entitled to file a recovery action against the Servicer claiming the principal and interest falling due under the Pass-Through Certificates, where the breach of the obligation to pay those amounts does not result from a default by the Mortgage Loan Obligors.

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

#### **12. Set-off.**

In the event that any of the Obligors under the Mortgage Loans should have a liquid credit right, due and payable vis-à-vis the Servicer, and because the assignment is made without the Obligor's knowledge, any of the Mortgage Loans should be fully or partially set-off against that credit right, the Servicer shall remedy such circumstance or, if it cannot be remedied, the Servicer shall proceed to pay to the Fund the amount set off plus the accrued interest which would have been payable to the Fund until the date on which the payment is made, calculated on the terms applicable to the relevant Mortgage Loan.

#### **13. Subcontracting.**

The Servicer may subcontract any of the services it may have agreed to provide under the Servicing Agreement other than those that may not be so delegated in accordance with the laws in force for the time being. That subcontracting may in no event result in an additional cost or expense for the Fund or the Management Company, and may not result in the rating assigned to each of the Bond Series being adversely revised. Notwithstanding any subcontracting or delegation, the Servicer shall not be exonerated or released under that subcontract or delegation from any of the liabilities undertaken in the Servicing Agreement which may legally be attributed or ascribed to it.

#### **14. Substitution.**

In the event of a breach by the Servicer of the obligations imposed in the Servicing Agreement on the Servicer or in the event that the Servicer's credit rating should fall or there should be a change in its financial position which may be detrimental to or place the financial structure of the Fund or the rights and interests of the Bondholders at risk, the Management Company shall, in addition to demanding that the Servicer fulfil its obligations under the Servicing Agreement, proceed to put in place, inter alia and after notifying the Rating Agencies, any of the following actions: (i) to demand that the Servicer subcontract or delegate to another institution fulfilment of the obligations and commitments undertaken in the Servicing Agreement; (ii) to have a third-party institution whose credit rating and quality is sufficient and not detrimental to the rating given to the Bonds by the Rating Agencies guarantee all or part of the Servicer's obligations; (iii) to terminate the Servicing Agreement if that is possible by Law, in which case the Management Company shall previously designate a new Servicer, provided that it has an acceptable credit quality that is not detrimental to the rating given to the Bonds by the Rating Agencies and that the new Servicer accepts the obligations contained in the Servicing Agreement or, as the case may be, in a new servicing agreement.

Furthermore, in the event of insolvency, or indications thereof, of administration by the Bank of Spain, of liquidation or of substitution of the Servicer, the Management Company may demand the Servicer to notify Obligors of the transfer to the Fund of the outstanding Mortgage Loans, and that the payments derived therefrom will only be effective as a discharge if made into the Treasury Account opened in the name of the Fund. However, both in the event of the Servicer failing to notify Obligors within five (5) Business Days of receiving the request and in the event of the Servicer becoming insolvent or going into liquidation, the Management Company itself shall directly or, as the case may be, through a new Servicer it shall have designated, notify Obligors.

Upon the early termination of the Servicing Agreement, the Servicer shall provide the new Servicer, on demand by the Management Company and as determined thereby, with the necessary documents and data files for it to carry on the relevant activities.

### **IV.3 General policies for granting and terms for perfecting established in regard to mortgage loans by the Originator.**

#### **IV.3.1 Procedures established by BANCAJA, issuer of the Pass-Through Certificates, for analysing risks and granting selected mortgage loans.**

The mortgage loans selected to be assigned to the Fund have been granted by BANCAJA in accordance with its usual procedures from time to time. The current procedures shall be described in the BANCAJA memorandum on policies for granting credits and loans with real estate mortgage security to individuals" attached to the Fund Deed of Constitution.

#### **IV.3.2 Statistical information on the evolution of the amounts and number, balances outstanding, average amount, average interest, and average term, of the mortgage loan portfolio.**

The following table shows the evolution in recent years of a segment of the credit investment by BANCAJA, representing the mortgage loans selected to be assigned to the Fund, being loans with real estate mortgage security granted to individuals excluding mortgage loans secured with homes granted for purchasing family homes (usual residence) and including mortgage loans for any other purpose and type of mortgaged property.

| Year                                                                             | Mortgage Loan Segment Credit Investment |                       |                         |                          |                            |                    |
|----------------------------------------------------------------------------------|-----------------------------------------|-----------------------|-------------------------|--------------------------|----------------------------|--------------------|
|                                                                                  | Loan Number                             | Outstanding Principal | % Nominal Interest rate | Doubtful Asset (balance) | Gross Investment (balance) | % Delinquency Rate |
| 1                                                                                | 2                                       | 3                     | 4                       | 5                        | 6                          | 7                  |
| 2004                                                                             | 31,395                                  | 1,937.9               | 3.7%                    | 8.5                      | 1,946.4                    | 0.43%              |
| 2003                                                                             | 27,979                                  | 1,443.4               | 4.3%                    | 7.9                      | 1,451.4                    | 0.55%              |
| 2002                                                                             | 24,672                                  | 1,066.5               | 4.8%                    | 7.4                      | 1,073.9                    | 0.69%              |
| 2001                                                                             | 24,734                                  | 992.2                 | 5.6%                    | 8.4                      | 1,000.6                    | 0.84%              |
| 2000                                                                             | 24,035                                  | 899.5                 | 5.6%                    | 11.3                     | 910.8                      | 1.24%              |
| Balances in EUR million                                                          |                                         |                       |                         |                          |                            |                    |
| 4: Average nominal interest rate weighted by the outstanding principal           |                                         |                       |                         |                          |                            |                    |
| 5: Asset qualifying as doubtful in accordance with Bank of Spain Circular 4/1991 |                                         |                       |                         |                          |                            |                    |
| 6: 3+5                                                                           |                                         |                       |                         |                          |                            |                    |
| 7: 5/6*100                                                                       |                                         |                       |                         |                          |                            |                    |

### **IV.4 Description of the mortgage loan portfolio selected to be assigned to the Fund through the issue of the Pass-Through Certificates.**

#### **a) Number of mortgage loans and amount or outstanding balance thereon at present.**

The portfolio of selected mortgage loans from which the Mortgage Loans backing the issue of the Pass-Through Certificates shall be taken, comprises 8,669 mortgage loans, the outstanding principal of which amounted as of May 31, 2005 to EUR 858,328,689.37, with an overdue principal of EUR 195,101.54, which represents 0.023% of the total outstanding principal.

These selected mortgage loans were audited as specified in section I.3 of this Offering Circular, and the audit made by Ernst & Young is attached as Appendix V hereto.

#### **b) Distribution by mortgage real property type.**

The following table shows the distribution type of real property mortgaged as security for the mortgage loans.

| Loan portfolio as of 31.05.2005                |              |               |                       |               |
|------------------------------------------------|--------------|---------------|-----------------------|---------------|
| Classification by mortgaged real property type |              |               |                       |               |
|                                                | Loans        |               | Outstanding Principal |               |
|                                                |              | %             | (EUR)                 | %             |
| Homes, parking spaces and lumber rooms         | 7,969        | 91.93         | 762,763,853.30        | 88.87         |
| Business premises                              | 510          | 5.88          | 66,036,258.56         | 7.69          |
| Industrial warehouses                          | 131          | 1.51          | 22,165,721.56         | 2.58          |
| Country properties                             | 59           | 0.68          | 7,362,855.95          | 0.86          |
| <b>Total Portfolio</b>                         | <b>8,669</b> | <b>100.00</b> | <b>858,328,689.37</b> | <b>100.00</b> |

**c) Maximum, minimum and average mortgage loan principal values.**

The outstanding principal of the mortgage loans as of May 31, 2005 ranges between EUR 308.70 and EUR 1,825,200.55.

The following table shows the distribution of the outstanding principal balance of the mortgage loans in EUR 30,000 intervals.

| Mortgage loan portfolio as of 31.05.2005   |              |               |                       |               |
|--------------------------------------------|--------------|---------------|-----------------------|---------------|
| Classification by outstanding principal    |              |               |                       |               |
| Outstanding principal interval<br>(in EUR) | Loans        |               | Outstanding Principal |               |
|                                            | No.          | %             | (EUR)                 | %             |
| 0.00 - 29,999.99                           | 529          | 6.10          | 11,298,369.62         | 1.32          |
| 30,000.00 - 59,999.99                      | 1,987        | 22.92         | 93,081,651.12         | 10.84         |
| 60,000.00 - 89,999.99                      | 2,430        | 28.03         | 181,387,347.02        | 21.13         |
| 90,000.00 - 119,999.99                     | 1,582        | 18.25         | 164,816,328.08        | 19.20         |
| 120,000.00 - 149,999.99                    | 902          | 10.40         | 121,386,138.01        | 14.14         |
| 150,000.00 - 179,999.99                    | 478          | 5.51          | 78,364,204.01         | 9.13          |
| 180,000.00 - 209,999.99                    | 273          | 3.15          | 52,761,931.19         | 6.15          |
| 210,000.00 - 239,999.99                    | 164          | 1.89          | 36,687,269.32         | 4.27          |
| 240,000.00 - 269,999.99                    | 109          | 1.26          | 27,734,117.44         | 3.23          |
| 270,000.00 - 299,999.99                    | 63           | 0.73          | 17,963,539.02         | 2.09          |
| 300,000.00 - 329,999.99                    | 37           | 0.43          | 11,545,758.73         | 1.35          |
| 330,000.00 - 359,999.99                    | 26           | 0.30          | 8,945,839.97          | 1.04          |
| 360,000.00 - 389,999.99                    | 17           | 0.20          | 6,389,493.64          | 0.74          |
| 480,000.00 - 509,999.99                    | 6            | 0.07          | 2,927,594.10          | 0.34          |
| 510,000.00 - 539,999.99                    | 1            | 0.01          | 526,848.56            | 0.06          |
| 540,000.00 - 569,999.99                    | 1            | 0.01          | 559,675.81            | 0.07          |
| 570,000.00 - 599,999.99                    | 1            | 0.01          | 575,905.28            | 0.07          |
| 600,000.00 - 629,999.99                    | 2            | 0.02          | 1,239,178.37          | 0.14          |
| 660,000.00 - 689,999.99                    | 1            | 0.01          | 672,736.77            | 0.08          |
| 690,000.00 - 719,999.99                    | 5            | 0.06          | 3,505,573.19          | 0.41          |
| 720,000.00 - 749,999.99                    | 1            | 0.01          | 740,418.09            | 0.09          |
| 780,000.00 - 809,999.99                    | 3            | 0.03          | 2,392,950.37          | 0.28          |
| 810,000.00 - 839,999.99                    | 1            | 0.01          | 817,077.83            | 0.10          |
| 930,000.00 - 959,999.99                    | 1            | 0.01          | 937,157.35            | 0.11          |
| 960,000.00 - 989,999.99                    | 1            | 0.01          | 975,670.42            | 0.11          |
| 990,000.00 - 1,019,999.99                  | 2            | 0.02          | 2,012,912.06          | 0.23          |
| 1,050,000.00 - 1,079,999.99                | 1            | 0.01          | 1,055,321.75          | 0.12          |
| 1,320,000.00 - 1,349,999.99                | 1            | 0.01          | 1,327,826.25          | 0.15          |
| 1,380,000.00 - 1,409,999.99                | 1            | 0.01          | 1,384,836.24          | 0.16          |
| 1,530,000.00 - 1,559,999.99                | 2            | 0.02          | 3,108,577.19          | 0.36          |
| 1,590,000.00 - 1,619,999.99                | 2            | 0.02          | 3,218,647.45          | 0.37          |
| 1,800,000.00 - 1,829,999.99                | 1            | 0.01          | 1,825,200.55          | 0.21          |
| <b>Total</b>                               | <b>8,669</b> | <b>100.00</b> | <b>858,328,689.37</b> | <b>100.00</b> |
| <b>Average principal:</b>                  |              |               | <b>99,011.27</b>      |               |
| <b>Minimum principal:</b>                  |              |               | <b>308.70</b>         |               |
| <b>Maximum principal:</b>                  |              |               | <b>1,825,200.55</b>   |               |

**d) Applicable nominal interest rates: maximum, minimum and average mortgage loan rates.**

The provisional portfolio mortgage loans all have a floating interest rate. The nominal interest rates applicable to the mortgage loans as of May 31, 2005 range between 2.05% and 4.88%, and the average nominal interest rate weighted by the outstanding principal is 3.29%.

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

| Mortgage loan portfolio as of 31.05.2005<br>Classification by Nominal Interest Rates  |       |              |               |                                  |               |                 |
|---------------------------------------------------------------------------------------|-------|--------------|---------------|----------------------------------|---------------|-----------------|
| % Interest Rate Interval                                                              |       | Loans<br>%   |               | Outstanding Principal<br>(EUR) % |               | %Interest Rate* |
| 4                                                                                     | 0.05  | 493,105.     | 0.06          | 2.23                             | 0,03          | 2,32            |
| 464                                                                                   | 5.35  | 64,906,4     | 7.56          | 2.88                             | 11,20         | 2,86            |
| 5,953                                                                                 | 68.67 | 614,033,     | 71.54         | 3.23                             | 69,11         | 3,21            |
| 2,061                                                                                 | 23.77 | 166,913,     | 19.45         | 3.62                             | 17,65         | 3,63            |
| 172                                                                                   | 1.98  | 11,262,7     | 1.31          | 4.07                             | 1,90          | 4,03            |
| 15                                                                                    | 0.17  | 719,859.     | 0.08          | 4.55                             | 0,09          | 4,51            |
| <b>Total</b>                                                                          |       | <b>8,669</b> | <b>100.00</b> | <b>858,328,689.37</b>            | <b>100.00</b> |                 |
| Weighted average:                                                                     |       |              |               |                                  |               | <b>3.29 %</b>   |
| Simple Average:                                                                       |       |              |               |                                  |               | <b>3.33 %</b>   |
| Minimum:                                                                              |       |              |               |                                  |               | <b>2.05 %</b>   |
| Maximum:                                                                              |       |              |               |                                  |               | <b>4.88 %</b>   |
| *Average nominal interest rate of the interval weighted by the outstanding principal. |       |              |               |                                  |               |                 |

**e) Benchmark indices applicable at present to the mortgage loans.**

The following table shows the distribution of mortgage loans according to the benchmark index applicable to them for determining the nominal interest rate, specifying the weighted average margin which is added to the benchmark index relevant to that determination.

| Mortgage loan portfolio as of 31.05.2005<br>Classification by Interest Rate Benchmark Index |              |               |                                  |               |                      |
|---------------------------------------------------------------------------------------------|--------------|---------------|----------------------------------|---------------|----------------------|
| Benchmark Index                                                                             | Loans<br>%   |               | Outstanding Principal<br>(EUR) % |               | %Margin *<br>o/index |
| 1-year Euribor/Mibor                                                                        | 8,669        | 100.00        | 858,328,689.37                   | 100.00        | 0.97                 |
| <b>Total</b>                                                                                | <b>8,669</b> | <b>100.00</b> | <b>858,328,689.37</b>            | <b>100.00</b> | <b>0.97</b>          |
| *Average margin weighted by the outstanding principal.                                      |              |               |                                  |               |                      |



**f) Mortgage loan origination dates and first and last final maturity dates, specifying the residual life of the mortgage loans as a whole.**

**Origination date.**

The provisional portfolio mortgage loans were originated on dates comprised between September 27, 1994 and December 31, 2004, average portfolio age being 13.04 months as of May 31, 2005.

The following table shows the distribution of the mortgage loans arranged by six-monthly origination date intervals.

| <b>Mortgage loan portfolio as of 31.05.2005</b>         |                   |               |                              |               |
|---------------------------------------------------------|-------------------|---------------|------------------------------|---------------|
| <b>Classification by mortgage loan origination date</b> |                   |               |                              |               |
| <b>Date Interval</b>                                    | <b>Loans</b>      |               | <b>Outstanding Principal</b> |               |
|                                                         |                   | <b>%</b>      | <b>(EUR)</b>                 | <b>%</b>      |
| 01/07/1994 to 31/12/1994                                | 3                 | 0.03          | 42,389.07                    | 0.00          |
| 01/01/1995 to 30/06/1995                                | 1                 | 0.01          | 25,408.42                    | 0.00          |
| 01/07/1995 to 31/12/1995                                | 2                 | 0.02          | 13,488.18                    | 0.00          |
| 01/01/1996 to 30/06/1996                                | 1                 | 0.01          | 16,515.20                    | 0.00          |
| 01/07/1996 to 31/12/1996                                | 8                 | 0.09          | 169,688.93                   | 0.02          |
| 01/01/1997 to 30/06/1997                                | 28                | 0.32          | 840,597.35                   | 0.10          |
| 01/07/1997 to 31/12/1997                                | 25                | 0.29          | 1,025,818.27                 | 0.12          |
| 01/01/1998 to 30/06/1998                                | 25                | 0.29          | 1,169,157.94                 | 0.14          |
| 01/07/1998 to 31/12/1998                                | 14                | 0.16          | 528,448.52                   | 0.06          |
| 01/01/1999 to 30/06/1999                                | 5                 | 0.06          | 212,973.75                   | 0.02          |
| 01/07/1999 to 31/12/1999                                | 8                 | 0.09          | 584,333.27                   | 0.07          |
| 01/01/2000 to 30/06/2000                                | 22                | 0.25          | 1,207,644.33                 | 0.14          |
| 01/07/2000 to 31/12/2000                                | 24                | 0.28          | 2,355,989.11                 | 0.27          |
| 01/01/2001 to 30/06/2001                                | 50                | 0.58          | 3,504,543.66                 | 0.41          |
| 01/07/2001 to 31/12/2001                                | 35                | 0.40          | 2,485,673.56                 | 0.29          |
| 01/01/2002 to 30/06/2002                                | 46                | 0.53          | 4,173,254.28                 | 0.49          |
| 01/07/2002 to 31/12/2002                                | 78                | 0.90          | 7,153,364.36                 | 0.83          |
| 01/01/2003 to 30/06/2003                                | 109               | 1.26          | 13,462,078.60                | 1.57          |
| 01/07/2003 to 31/12/2003                                | 980               | 11.30         | 95,148,588.37                | 11.09         |
| 01/01/2004 to 30/06/2004                                | 3,597             | 41.49         | 347,958,845.29               | 40.54         |
| 01/07/2004 to 31/12/2004                                | 3,608             | 41.62         | 376,249,888.91               | 43.84         |
| <b>Total</b>                                            | <b>8,669</b>      | <b>100.00</b> | <b>858,328,689.37</b>        | <b>100.00</b> |
| <b>Weighted average age</b>                             |                   | <b>13.04</b>  | <b>Months</b>                |               |
| <b>Maximum age</b>                                      | <b>27.09.1994</b> | <b>128.19</b> | <b>Months</b>                |               |
| <b>Minimum age</b>                                      | <b>31.12.2004</b> | <b>4.96</b>   | <b>Months</b>                |               |

**Final maturity date and residual life.**

The final maturity of provisional portfolio mortgage loans falls on dates comprised between June 29, 2005 and January 15, 2035.

Loans are repaid throughout the life remaining until full repayment, during which period mortgagors must pay monthly instalments comprising capital repayment and interest.

At any time during the life of the loans, mortgagors may prepay all or part of the outstanding capital, in which case the accrual of interest on the part prepaid will cease as of the date on which the repayment occurs.

The following table shows the distribution of the mortgage loans according to final maturity date in yearly intervals.

| Mortgage loan portfolio as of 31.05.2005<br>Classification by Final Maturity Date |              |               |                       |               |                |                   |
|-----------------------------------------------------------------------------------|--------------|---------------|-----------------------|---------------|----------------|-------------------|
| Final Maturity Year                                                               | Loans        |               | Outstanding Principal |               | Residual Life* |                   |
|                                                                                   |              | %             | (EUR)                 | %             | Months         | Date              |
| 2005                                                                              | 5            | 0.06          | 875,802.58            | 0.10          | 1.22           | 7/07/2005         |
| 2006                                                                              | 4            | 0.05          | 32,309.23             | 0.00          | 14.71          | 22/08/2006        |
| 2007                                                                              | 15           | 0.17          | 532,190.49            | 0.06          | 27.77          | 23/09/2007        |
| 2008                                                                              | 17           | 0.20          | 354,043.87            | 0.04          | 37.69          | 21/07/2008        |
| 2009                                                                              | 25           | 0.29          | 710,542.83            | 0.08          | 49.40          | 13/07/2009        |
| 2010                                                                              | 21           | 0.24          | 994,731.15            | 0.12          | 62.74          | 23/08/2010        |
| 2011                                                                              | 31           | 0.36          | 1,359,188.21          | 0.16          | 72.44          | 14/06/2011        |
| 2012                                                                              | 59           | 0.68          | 3,947,587.35          | 0.46          | 86.21          | 6/08/2012         |
| 2013                                                                              | 49           | 0.57          | 3,837,132.46          | 0.45          | 97.44          | 14/07/2013        |
| 2014                                                                              | 288          | 3.32          | 19,169,269.26         | 2.23          | 109.29         | 9/07/2014         |
| 2015                                                                              | 46           | 0.53          | 4,773,410.86          | 0.56          | 121.04         | 2/07/2015         |
| 2016                                                                              | 110          | 1.27          | 10,392,168.76         | 1.21          | 133.27         | 8/07/2016         |
| 2017                                                                              | 72           | 0.83          | 6,824,972.32          | 0.80          | 145.55         | 17/07/2017        |
| 2018                                                                              | 156          | 1.80          | 16,166,780.11         | 1.88          | 159.67         | 20/09/2018        |
| 2019                                                                              | 915          | 10.55         | 89,520,804.60         | 10.43         | 169.50         | 16/07/2019        |
| 2020                                                                              | 60           | 0.69          | 6,110,824.74          | 0.71          | 180.29         | 9/06/2020         |
| 2021                                                                              | 78           | 0.90          | 6,657,880.28          | 0.78          | 193.62         | 19/07/2021        |
| 2022                                                                              | 130          | 1.50          | 10,849,620.18         | 1.26          | 206.24         | 7/08/2022         |
| 2023                                                                              | 407          | 4.69          | 38,712,732.52         | 4.51          | 219.54         | 16/09/2023        |
| 2024                                                                              | 2,333        | 26.91         | 204,905,224.89        | 23.87         | 229.06         | 2/07/2024         |
| 2025                                                                              | 100          | 1.15          | 9,876,952.70          | 1.15          | 239.76         | 24/05/2025        |
| 2026                                                                              | 93           | 1.07          | 8,999,676.58          | 1.05          | 253.21         | 7/07/2026         |
| 2027                                                                              | 156          | 1.80          | 16,294,161.34         | 1.90          | 266.04         | 2/08/2027         |
| 2028                                                                              | 269          | 3.10          | 27,855,686.39         | 3.25          | 279.40         | 11/09/2028        |
| 2029                                                                              | 1,345        | 15.52         | 139,008,646.66        | 16.20         | 289.10         | 3/07/2029         |
| 2030                                                                              | 90           | 1.04          | 9,911,480.75          | 1.15          | 300.30         | 9/06/2030         |
| 2031                                                                              | 118          | 1.36          | 13,984,911.92         | 1.63          | 313.68         | 22/07/2031        |
| 2032                                                                              | 192          | 2.21          | 23,666,788.52         | 2.76          | 324.52         | 16/06/2032        |
| 2033                                                                              | 224          | 2.58          | 27,615,761.21         | 3.22          | 338.52         | 16/08/2033        |
| 2034                                                                              | 1,237        | 14.27         | 151,118,312.73        | 17.61         | 349.30         | 10/07/2034        |
| 2035                                                                              | 24           | 0.28          | 3,269,093.88          | 0.38          | 355.25         | 7/01/2035         |
| <b>Total</b>                                                                      | <b>8,669</b> | <b>100.00</b> | <b>858,328,689.37</b> | <b>100.00</b> |                |                   |
| <b>Weighted average:</b>                                                          |              |               |                       |               | <b>255.26</b>  |                   |
| <b>Simple Average:</b>                                                            |              |               |                       |               | <b>245.66</b>  |                   |
| <b>Minimum:</b>                                                                   |              |               |                       |               | <b>0.95</b>    | <b>29.06.2005</b> |
| <b>Maximum:</b>                                                                   |              |               |                       |               | <b>355.52</b>  | <b>15.01.2035</b> |

\*Residual life (months and date) are averages weighted by the outstanding principal.

**g) Specification of the maximum, minimum and average value of the “current loan principal/appraisal value” ratio.**

The ratio, expressed as a percentage, of the outstanding principal amount as of May 31, 2005 to the appraisal value of the mortgaged properties securing the provisional portfolio mortgage loans ranged between 0.39% and 99.84%, the average ratio weighted by the outstanding principal on each loan being 65.82%.

The following table shows the distribution of mortgage loans according to 5.00% ratio intervals.

| Mortgage loan portfolio as of 31.05.2005                                   |              |               |                       |               |                |
|----------------------------------------------------------------------------|--------------|---------------|-----------------------|---------------|----------------|
| Classification by Loan-to-Value Ratio                                      |              |               |                       |               |                |
| Ratio Intervals                                                            | Loans        |               | Outstanding Principal |               | Loan-to-Value* |
|                                                                            |              | %             | (EUR)                 | %             | (%)            |
| 0.01 - 5.00                                                                | 13           | 0.15          | 180,429.47            | 0.02          | 3.75           |
| 5.01 - 10.00                                                               | 21           | 0.24          | 531,519.45            | 0.06          | 8.52           |
| 10.01 - 15.00                                                              | 51           | 0.59          | 2,348,335.37          | 0.27          | 12.76          |
| 15.01 - 20.00                                                              | 86           | 0.99          | 3,659,219.34          | 0.43          | 17.93          |
| 20.01 - 25.00                                                              | 143          | 1.65          | 6,519,795.96          | 0.76          | 22.67          |
| 25.01 - 30.00                                                              | 175          | 2.02          | 10,508,062.71         | 1.22          | 27.67          |
| 30.01 - 35.00                                                              | 237          | 2.73          | 13,858,676.85         | 1.61          | 32.70          |
| 35.01 - 40.00                                                              | 270          | 3.11          | 23,720,010.37         | 2.76          | 37.58          |
| 40.01 - 45.00                                                              | 379          | 4.37          | 32,289,903.09         | 3.76          | 42.49          |
| 45.01 - 50.00                                                              | 443          | 5.11          | 39,701,732.88         | 4.63          | 47.60          |
| 50.01 - 55.00                                                              | 542          | 6.25          | 54,901,482.44         | 6.40          | 52.69          |
| 55.01 - 60.00                                                              | 726          | 8.37          | 78,967,041.58         | 9.20          | 57.69          |
| 60.01 - 65.00                                                              | 784          | 9.04          | 84,734,448.05         | 9.87          | 62.63          |
| 65.01 - 70.00                                                              | 1,355        | 15.63         | 147,080,724.90        | 17.14         | 67.66          |
| 70.01 - 75.00                                                              | 1,014        | 11.70         | 103,362,349.33        | 12.04         | 72.57          |
| 75.01 - 80.00                                                              | 1,447        | 16.69         | 147,401,642.62        | 17.17         | 77.49          |
| 80.01 - 85.00                                                              | 322          | 3.71          | 35,452,963.68         | 4.13          | 82.55          |
| 85.01 - 90.00                                                              | 209          | 2.41          | 23,052,858.47         | 2.69          | 87.39          |
| 90.01 - 95.00                                                              | 182          | 2.10          | 20,520,109.48         | 2.39          | 92.57          |
| 95.01 - 100.00                                                             | 270          | 3.11          | 29,537,383.33         | 3.44          | 97.31          |
| <b>Total</b>                                                               | <b>8,669</b> | <b>100.00</b> | <b>858,328,689.37</b> | <b>100.00</b> |                |
| Weighted average:                                                          |              |               |                       |               | <b>65.82 %</b> |
| Simple Average:                                                            |              |               |                       |               | <b>63.45 %</b> |
| Minimum:                                                                   |              |               |                       |               | <b>0.39 %</b>  |
| Maximum:                                                                   |              |               |                       |               | <b>99.84 %</b> |
| *Loan-to-Value Ratio lists averages weighted by the outstanding principal. |              |               |                       |               |                |

#### h) Specification of the geographical distribution by Provinces of the mortgage loans.

The following table shows the geographical distribution of the mortgage loans, arranged by provinces in which the homes securing the same are located. In the case of mortgage loans with several mortgaged properties, the type of property with the highest appraisal value has been used for geographical distribution purposes.

| Mortgage loan portfolio as of 31.05.2005 |       |      |                       |      |
|------------------------------------------|-------|------|-----------------------|------|
| Classification by Provinces              |       |      |                       |      |
| Province                                 | Loans |      | Outstanding Principal |      |
|                                          |       | %    | (EUR)                 | %    |
| Corunna                                  | 90    | 0.59 | 10,512,805.82         | 0.60 |
| Álava                                    | 20    | 0.13 | 4,042,979.81          | 0.23 |
| Albacete                                 | 78    | 0.51 | 5,919,862.77          | 0.34 |
| Alicante                                 | 660   | 4.33 | 70,198,356.01         | 4.01 |
| Almería                                  | 94    | 0.62 | 10,276,733.81         | 0.59 |
| Asturies                                 | 19    | 0.12 | 1,425,171.26          | 0.08 |
| Ávila                                    | 1     | 0.01 | 49,170.47             | 0.00 |
| Badajoz                                  | 5     | 0.03 | 565,925.52            | 0.03 |
| Balearic Isles                           | 535   | 3.51 | 81,227,285.21         | 4.65 |
| Barcelona                                | 1,061 | 6.95 | 166,800,891.48        | 9.54 |
| Burgos                                   | 16    | 0.10 | 2,295,197.44          | 0.13 |
| Cáceres                                  | 11    | 0.07 | 1,888,624.75          | 0.11 |
| Cádiz                                    | 86    | 0.56 | 10,199,485.74         | 0.58 |
| Cantabria                                | 4     | 0.03 | 682,235.01            | 0.04 |

| Mortgage loan portfolio as of 31.05.2005 |              |               |                       |               |
|------------------------------------------|--------------|---------------|-----------------------|---------------|
| Classification by Provinces              |              |               |                       |               |
| Province                                 | Loans        |               | Outstanding Principal |               |
|                                          |              | %             | (EUR)                 | %             |
| Corunna                                  | 12           | 0.14          | 1,483,344.92          | 0.17          |
| Álava                                    | 3            | 0.03          | 376,444.39            | 0.04          |
| Albacete                                 | 174          | 2.01          | 14,646,132.44         | 1.71          |
| Alicante                                 | 867          | 10.00         | 89,105,946.57         | 10.38         |
| Almería                                  | 29           | 0.33          | 3,606,089.33          | 0.42          |
| Asturies                                 | 13           | 0.15          | 943,387.99            | 0.11          |
| Ávila                                    | 3            | 0.03          | 159,472.73            | 0.02          |
| Badajoz                                  | 3            | 0.03          | 187,797.41            | 0.02          |
| Balearic Isles                           | 193          | 2.23          | 29,242,864.29         | 3.41          |
| Barcelona                                | 401          | 4.63          | 54,889,677.13         | 6.39          |
| Burgos                                   | 1            | 0.01          | 109,883.88            | 0.01          |
| Cáceres                                  | 8            | 0.09          | 2,217,966.49          | 0.26          |
| Cádiz                                    | 20           | 0.23          | 2,805,647.55          | 0.33          |
| Cantabria                                | 2            | 0.02          | 197,496.13            | 0.02          |
| Castellón                                | 986          | 11.37         | 81,528,050.49         | 9.50          |
| Ceuta                                    | 1            | 0.01          | 92,605.67             | 0.01          |
| Ciudad Real                              | 13           | 0.15          | 1,040,039.11          | 0.12          |
| Cuenca                                   | 13           | 0.15          | 1,044,871.56          | 0.12          |
| Girona                                   | 41           | 0.47          | 5,267,578.51          | 0.61          |
| Granada                                  | 18           | 0.21          | 3,248,306.11          | 0.38          |
| Guadalajara                              | 26           | 0.30          | 3,408,912.02          | 0.40          |
| Guipúzcoa                                | 2            | 0.02          | 371,772.23            | 0.04          |
| Huelva                                   | 26           | 0.30          | 4,811,520.69          | 0.56          |
| Huesca                                   | 5            | 0.06          | 814,552.75            | 0.09          |
| Jaén                                     | 3            | 0.03          | 142,768.41            | 0.02          |
| La Rioja                                 | 4            | 0.05          | 347,157.17            | 0.04          |
| Las Palmas                               | 194          | 2.24          | 23,083,463.83         | 2.69          |
| León                                     | 8            | 0.09          | 556,233.75            | 0.06          |
| Lleida                                   | 16           | 0.18          | 1,970,263.89          | 0.23          |
| Madrid                                   | 714          | 8.24          | 95,519,163.04         | 11.13         |
| Málaga                                   | 155          | 1.79          | 24,499,904.18         | 2.85          |
| Melilla                                  | 1            | 0.01          | 50,959.12             | 0.01          |
| Murcia                                   | 52           | 0.60          | 5,810,880.16          | 0.68          |
| Navarre                                  | 78           | 0.90          | 7,862,401.80          | 0.92          |
| Orense                                   | 29           | 0.33          | 2,638,408.43          | 0.31          |
| Palencia                                 | 8            | 0.09          | 561,806.13            | 0.07          |
| Pontevedra                               | 72           | 0.83          | 5,441,415.99          | 0.63          |
| Salamanca                                | 56           | 0.65          | 6,389,531.85          | 0.74          |
| Seville                                  | 97           | 1.12          | 11,043,039.53         | 1.29          |
| Sta. Cruz Tenerife                       | 80           | 0.92          | 6,013,930.38          | 0.70          |
| Tarragona                                | 67           | 0.77          | 7,959,262.30          | 0.93          |
| Teruel                                   | 8            | 0.09          | 476,470.66            | 0.06          |
| Toledo                                   | 54           | 0.62          | 5,725,258.63          | 0.67          |
| Valencia                                 | 4,048        | 46.70         | 342,039,703.70        | 39.85         |
| Valladolid                               | 7            | 0.08          | 1,094,029.27          | 0.13          |
| Biscay                                   | 23           | 0.27          | 3,090,939.38          | 0.36          |
| Zaragoza                                 | 35           | 0.40          | 4,411,337.38          | 0.51          |
| <b>Total</b>                             | <b>8,669</b> | <b>100.00</b> | <b>858,328,689.37</b> | <b>100.00</b> |

- i) **Specification as to whether there are delays in collecting mortgage loan principal or interest instalments and, as the case may be, amount of the current principal of the delayed loans in excess of 30, 60 and 90 days.**

The following table shows the number of loans, the outstanding principal and the overdue principal on provisional portfolio loans in regard to which there was any delay in payment of amounts due as of May 31, 2005.

| <b>Arrears in payment of instalments due as of 31.05.2005</b> |              |                              |                          |                                         |
|---------------------------------------------------------------|--------------|------------------------------|--------------------------|-----------------------------------------|
| <b>Day Interval</b>                                           | <b>Loans</b> | <b>Outstanding Principal</b> | <b>Overdue Principal</b> |                                         |
|                                                               |              |                              |                          | <b>% of Total Outstanding Principal</b> |
| <b>1 to 15 days</b>                                           | 211          | 19,723,245.40                | 58,518.09                | 0.007%                                  |
| <b>16 to 30 days</b>                                          | 236          | 25,501,343.85                | 50,500.26                | 0.006%                                  |
| <b>31 to 60 days</b>                                          | 115          | 11,868,748.46                | 61,663.54                | 0.007%                                  |
| <b>61 to 90 days</b>                                          | 24           | 1,755,511.90                 | 24,419.65                | 0.003%                                  |
| <b>Total</b>                                                  | <b>8,669</b> | <b>58,848,849.61</b>         | <b>195,101.54</b>        | <b>0.023%</b>                           |

As declared by BANCAJA in section IV.1.1.2 (20), none of the Mortgage Loans that will finally back the issue of the Pass-Through Certificates for the Fund to be constituted shall have overdue payments on the date of issue for a period in excess of one (1) month.

## CHAPTER V

### INFORMATION ON THE ECONOMIC AND FINANCIAL OPERATION OF THE FUND

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

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

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

| ASSETS                           |                       | LIABILITIES                        |                         |
|----------------------------------|-----------------------|------------------------------------|-------------------------|
| <b>Fixed Assets</b>              | <b>801,250,000.00</b> | <b>Bond Issue</b>                  | <b>809,200,000.00</b>   |
| Mortgage Loans (PTCs)            | 800,061,392.61        | Series A Bonds                     | 754,400,000.00          |
| (adjustment excess to 61,392.61) |                       | Series B Bonds                     | 13,200,000.00           |
|                                  |                       | Series C Bonds                     | 10,400,000.00           |
|                                  |                       | Series D Bonds                     | 8,800,000.00            |
|                                  |                       | Series E Bonds                     | 13,200,000.00           |
|                                  |                       | Series F Bonds***                  | 9,200,000.00            |
| Start-up expenses                | 1,188,607.39          | <b>Other long-term liabilities</b> | <b>2,350,000.00</b>     |
| (constitution and issue)         |                       | Start-Up Loan                      | 2,350,000.00            |
| <b>Current assets</b>            | <b>10,300,000.00</b>  | <b>Short-term creditors</b>        | <b>to be determined</b> |
| Treasury Account * ***           | 10,300,000.00         | Mortgage Loan interest accrued **  | to be determined        |
| Accrued interest receivable **   |                       |                                    |                         |
| <b>Total assets</b>              | <b>811,550,000.00</b> | <b>Total liabilities</b>           | <b>811,550,000.00</b>   |
| <b>MEMORANDUM ACCOUNTS</b>       |                       |                                    |                         |
| Cash Reserve***                  | 9,200,000.00          |                                    |                         |
| Interest Flow Swap collections   | To be determined      |                                    |                         |
| Interest Flow Swap payments      | To be determined      |                                    |                         |

##### (Amounts in EUR)

\* Assuming that all Fund constitution and Bond issuance expenses are met on the Closing Date.

\*\* As set forth in section IV.1.4 of this Offering Circular.

\*\*\* Assuming that the face amount of Series F and the Initial Cash Reserve shall be determined at €9,200,000.00, their amount being at all events comprised between €10,000,000.00 and €8,400,000.00, respectively in accordance with sections II.6.f) and III.2.3.1 of this Offering Circular.

#### V.1.1 Assumptions made in relation to the main or most likely rates of such factors as prepayment, late payments, delinquencies and defaults, with respect to the Mortgage Loans.

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

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

##### a) Mortgage Loans.

- Outstanding principal of the portfolio as of May 31, 2005 from which the Mortgage Loans assigned to the Fund will be taken: EUR 858,328,689.37.
- Interest Rate: 3.29% (% weighted average interest rate of the selected mortgage loan portfolio as of May 31, 2005).

- CPR: 12%, 14% and 16% per annum.
- Delinquency rate: 0.10% of the Outstanding Balance of the Pass-Through Certificates, with 100% recoveries within 15 months of becoming delinquent.
- Defaults considered bad debts: 0%.

**b) Pass-Through Certificates.**

- Principal: 100% participation in the Mortgage Loan outstanding principal.
- Interest: 100% participation in the interest rate applicable to the Mortgage Loans.

**c) Bond Issue.**

- (i) Total face amount: EUR 809,200,000.00.

|                        | <b>Face Amount (EUR)</b> |
|------------------------|--------------------------|
| <b>Series A Bonds</b>  | 754,400,000.00           |
| <b>Series B Bonds</b>  | 13,200,000.00            |
| <b>Series C Bonds</b>  | 10,400,000.00            |
| <b>Series D Bonds</b>  | 8,800,000.00             |
| <b>Series E Bonds</b>  | 13,200,000.00            |
| <b>Series F Bonds*</b> | 9,200,000.00             |
| <b>Total</b>           | <b>809,200,000.00</b>    |

\* Assuming that the face amount of Series F shall be determined at €9,200,000.00, its amount being at all events comprised between €10,000,000.00 and €8,400,000.00, in accordance with section II.6.f) of this Offering Circular.

- (ii) Nominal Interest Rate: floating interest rate for the outstanding balances of each of the Series.

- The following are the interest rates in each Series assumed for the first Interest Accrual Period, as specified in sections II.10.1.5.a) and II.12.a):

|                              | <b>Series A Bonds</b> | <b>Series B Bonds</b> | <b>Series C Bonds</b> | <b>Series D Bonds</b> | <b>Series E Bonds</b> | <b>Series F Bonds</b> |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Nominal interest rate</b> | 2.283%                | 2.358%                | 2.433%                | 2.708%                | 4.108%                | 6.108%                |

- For successive Interest Accrual Periods, the following are the floating interest rates for the Bonds in each Series, which are assumed constant, as specified in section II.12.a):

|                              | <b>Series A Bonds</b> | <b>Series B Bonds</b> | <b>Series C Bonds</b> | <b>Series D Bonds</b> | <b>Series E Bonds</b> | <b>Series F Bonds</b> |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Nominal interest rate</b> | 2.291%                | 2.366%                | 2.441%                | 2.716%                | 4.116%                | 6.116%                |

Exercise by the Management Company of the early amortisation option of the Bonds in each of the Series is assumed when the Outstanding Balance of the Mortgage Loans is less than 10% of their initial amount.

**d) Ancillary agreements.**

**(i) Treasury Account.**

- It is assumed that the Treasury Account shall be maintained at BANCAJA.
- Interest rate: it is assumed to remain constant at 2.116% for remunerating amounts credited to the Treasury Account.

**(ii) Start-Up Loan.**

- Amount: EUR 2,350,000.00 which shall be allocated to financing the expenses of setting up the Fund and issuing the Bonds (approximately EUR 1,188,607.39) and to partially financing the subscription for the Pass-Through Certificates (up to EUR 61,392.61) and the balance to covering the timing difference existing between Pass-Through Certificate interest collection and Bond interest payment (EUR 1,100,000.00).
- Interest rate: it is assumed to remain constant at 4.116%.
- Repayment of principal designed for financing the expenses of setting up the Fund and issuing the Bonds shall consist of quarterly straight-line payments until the Payment Date falling on May 25, 2010 (inclusive). The remaining principal is repaid on the first Payment Date.

**e) Cash Reserve.**

- Amount: EUR 9,200,000.00. It is assumed that Initial Cash Reserve shall be determined at €9,200,000.00, its amount being at all events comprised between €10,000,000.00 and €8,400,000.00, in accordance with section III.2.3.1 of this Offering Circular.
- Reduction: it is assumed that its amount may be decreased down to the Required Cash Reserve on each Payment Date.

**f) Expenses, fees and margin.**

- Servicing Agreement fee: 0.01% per annum on the average daily Outstanding Balance of the Mortgage Loans during each relevant Interest Accrual Period, inclusive of VAT if there is no exemption.
- Financial Intermediation Margin: variable amount to be settled quarterly on each Payment Date, and to accrue upon the expiration of each quarterly period in an amount equal to the positive difference, if any, between the Fund's income and expenditure as of the last day of the calendar month preceding each Payment Date.
- Management Company Fee: variable amount equal to 0.0145% per annum on the Outstanding Principal Balance of Series A, B, C, D and E Bonds, and fixed amount of EUR 3,500 on each Payment Date.
- Annual expenses of the Fund for auditing accounts, monitoring the rating and publishing notices, approximately EUR 20,894.50 and an assumed yearly Retail Price Index of 2.50%.
- Bond Paying Agent Fee: 0.01% on the amount to be distributed to Bondholders on each Payment Date.

**V.1.2**

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

In order to hedge the contingent credit risk due to delinquency and default on the Mortgage Loans, it has been resolved to set up a Cash Reserve, initially provisioned with the payment for subscribing for the Series F Bonds in order to fulfil on each Payment Date, upon a shortage of Available Funds, certain of the Fund's payment or withholding obligations, which include payment of interest and principal on the Bonds. Moreover, the deferred interest payment and principal repayment between the Bonds in the different Series derived from their position in the application of the Available Funds and from the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E in the Priority of Payments or in the application of the Liquidation Available Funds in the Liquidation Priority of Payments, is a mechanism for distinctly hedging the different Series.

The base interest risk resulting in the Fund between Mortgage Loan interest, floating with different benchmark indices (mortgage market 1-year Mibor/Euribor), and different revision periods and instalment settlement date, and the floating interest on the Bond Issue based on 3-month Euribor and with quarterly accrual and settlement periods, is neutralised by means of the Interest Swaps, which does not neutralise the credit risk remaining in the Fund, since calculation of amounts payable and receivable by the Fund is based on a single notional which includes the Outstanding Balance of Mortgage Loans in good standing in payment of amounts due and with a default over a term not in excess of eighteen (18) months.



As for the incidence the prepayment of the Mortgage Loans might have on the Bonds, section II.12.a) of this Offering Circular contains a table showing the performance as to average life and duration of the Bonds for different effective constant annual early amortisation or prepayment rates (CPRs).

In general, the quality of the Mortgage Loans and the mechanisms and financial hedge transactions in place for maintaining the financial balance of the Fund are such that they have been considered sufficient by the Rating Agencies to assign the ratings to each of the Bond Series contained in section II.3 of this Offering Circular. These ratings express the Rating Agencies' opinion about the Fund's capacity to meet interest payments as they fall due on each set Payment Date and principal repayment during the life of the Fund and, in any event, by the Final Maturity Date.

#### **V.1.3 Number outline of the cash flows of funds.**

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

This outline is based not only on the assumptions referred to in section V.1.1 above but also on those assumptions remaining constant throughout the life of the Fund, whereas it is well-known that the relevant variables, particularly interest rates of the Bonds in all Series, and actual interest rates and delinquency, default and prepayment rates of the Mortgage Loans are subject to continual changes.

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

[illegible]

[illegible]

[illegible]

**Key to the number outline.**

- (1) Required Cash Reserve.
- (2) Outstanding Balance of the Mortgage Loans on each quarterly Payment Date, upon the principal being repaid (4).
- (3) Quarterly Payment Dates.

**a) Collections.**

- (4) Mortgage Loan principal amount repaid from the immediately preceding quarterly date until the date given.
- (5) Interest received on the Mortgage Loans.
- (6) Interest Swap collection amounts.
- (7) Treasury Account interest.
- (8) Required Cash Reserve reduction.
- (9) Total income on each payment date, being the sum of amounts (4) to (8).

**b) Payments.**

- (10) Amounts for the Fund's current expenses.
- (11) Interest Swap payment amounts.
- (12) Interest amount payable to the Series A Bonds.
- (13) Interest amount payable to the Series B Bonds.
- (14) Interest amount payable to the Series C Bonds.
- (15) Interest amount payable to the Series D Bonds.
- (16) Interest amount payable to the Series E Bonds.
- (17) Interest amount payable to the Series F Bonds.
- (18) Series A Bond principal repayment amount.
- (19) Series B Bond principal repayment amount.
- (20) Series C Bond principal repayment amount.
- (21) Series D Bond principal repayment amount.
- (22) Series E Bond principal repayment amount.
- (23) Series F Bond principal repayment amount.
- (24) Start-Up Loan interest payment amounts.
- (25) Periodic Start-Up Loan principal repayment.
- (26) Servicing Agreement fee.
- (27) Variable Financial Intermediation Margin derived from the Fund's other income and expenses.

(28) Total payments on each Payment Date, being the sum of amounts (10) to (27).

## **V.2 Accounting policies used by the Fund.**

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

The expenses of setting up the Fund and issuing the Bonds detailed in section II.14 will be subject to a straight-line depreciation during the months elapsing since the constitution of the Fund until April 30, 2010, inclusive.

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

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

The Management Company represents that the summary of the agreements contained in this section, which it shall enter into, for and on behalf of the Fund, contains the most substantial and relevant information of the agreements and fairly presents their contents.

In order to consolidate the financial structure of the Fund, enhance the safety or regularity in payment of the Bonds, cover the timing differences between the scheduled principal and interest flows on the Mortgage Loans and the Bonds, or, generally, transform the financial characteristics of the Mortgage Loans, and supplement management of the Fund, the Management Company shall, on behalf of the Fund, upon executing the Deed of Constitution, proceed to formally enter into the agreements established hereinafter in this section, in accordance with the provisions of article 6.1 of Royal Decree 926/1998.

- (i) Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (ii) Start-Up Loan Agreement.
- (iii) Interest Swap Agreements.
- (iv) Bond Paying Agent Agreement.
- (v) Financial Intermediation Agreement.
- (vi) Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement.
- (vii) Bond Issue Management, Underwriting, Placement and Subscription Agreement.

The description of the most relevant terms of the Bond Issue Management, Underwriting, Placement and Subscription Agreement and of the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement may be respectively found in sections II.19 and IV.2. The description of the rest of the above agreements may be found in this section V.3.

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

### V.3.1 **Guaranteed Interest Rate Account (Treasury Account) Agreement.**

The Management Company, acting for and on behalf of the Fund, and BANCAJA shall enter into a Guaranteed Interest Rate Account (Treasury Account) Agreement whereby BANCAJA will guarantee a variable yield on the amounts paid by the Fund through its Management Company into a financial account. The Guaranteed Interest Rate Account (Treasury Account) Agreement shall specifically determine that all amounts received by the Fund will be paid into a financial account in euros (the **"Treasury Account"**) opened at BANCAJA in the name of the Fund by the Management Company, which amounts shall mostly consist of the following items:

- (i) cash amount upon the subscription for the Bond Issue being paid up;
- (ii) Mortgage Loan principal repayment and interest collected;
- (iii) amounts making up the Cash Reserve from time to time;
- (iv) any other amounts relating to the Mortgage Loans and from the sale or utilisation of the real estate or assets awarded or under administration or interim possession in foreclosure proceedings, and all and any rights or indemnities including not only those derived from the damage insurance contracts on the mortgaged properties, but also those derived from any right attached to the Mortgage Loans, excluding the set fees for each loan;
- (v) Start-Up Loan principal drawn down;
- (vi) amounts paid to the Fund under the Interest Swap Agreements;
- (vii) the amounts of the returns obtained on the balances existing in the actual Treasury Account; and
- (viii) the amounts of withholdings on account of the return on investments to be effected on each relevant Payment Date on the Bond interest paid by the Fund, until due for payment to the Tax Administration.

BANCAJA shall pay an annual nominal interest rate, variable quarterly and settled quarterly, other than for the first interest accrual period, the duration and interest settlement of which shall be subject to the duration of that period, applicable for each interest accrual period (differing from the Interest Accrual Periods established for the Bonds) to the daily positive balances if any on the Treasury Account, equivalent to the Bond Reference Rate determined for each Bond Interest Accrual Period substantially matching each Treasury Account interest accrual period. Interest shall be settled on each of the Fund Determination Dates (the fourth (4<sup>th</sup>) Business Day preceding each Payment Date) and shall be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty (360-) day year. The first interest accrual period shall comprise the days elapsed between the Fund constitution date and the first Determination Date, August 19, 2005.

In the event that the rating of the unsubordinated and unsecured short-term debt of BANCAJA should, at any time during the life of the Bonds, fall below P-1 or F1 respectively in Moody's and Fitch's rating scales, the Management Company shall within not more than thirty (30) days from the time of the occurrence of any such circumstances put in place, after notifying the Rating Agencies, any of the options described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from this Agreement in order for the rating given to the Bonds by the Rating Agencies not to be adversely affected:

- a) Obtaining from an institution having a credit rating for its unsubordinated and unsecured short-term debt of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BANCAJA of its obligation to repay the amounts deposited in the Treasury Account, during the time over which the loss of the P-1 or F1 ratings is maintained by BANCAJA.
- b) Transferring the Fund's Treasury Account to an institution whose unsubordinated and unsecured short-term debt has a rating of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, arranging the highest possible yield for its balances, which may differ from that arranged with BANCAJA under this Agreement.
- c) If options a) and b) above are not possible, obtaining from BANCAJA or a third party having a credit rating of at least F1 in Fitch's rating scale collateral security in favour of the Fund on financial assets with a credit quality of not less than that of Spanish State Government Debt (*Deuda Pública del Estado Español*), in an amount sufficient to guarantee the commitments established in this Agreement.

- d) Moreover, if the above options should not be feasible on the set terms, the Management Company may invest the balances for periods not extending beyond the following Payment Date, in short-term fixed-income assets in euros issued by institutions having ratings of at least P-1 and F1 for unsubordinated and unsecured short-term debt respectively in Moody's and Fitch's rating scales, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially with BANCAJA under this Agreement.
- e) In both events b) and d), the Management Company shall subsequently transfer the balances back to BANCAJA under the Guaranteed Interest Rate Account (Treasury Account) Agreement, in the event that BANCAJA's unsubordinated and unsecured short-term debt should again attain the P-1 and F1 ratings respectively in Moody's and Fitch's above-mentioned scales.

The ratings for BANCAJA's unsubordinated and unsecured debt currently given by Moody's and Fitch are respectively P-1 and F1 for short-term debt and A1 and A+ for long-term debt.

The Guaranteed Interest Rate Account (Treasury Account) Agreement partly mitigates the risk relating to the timing difference between the Fund's receipts of principal and interest on the Mortgage Loans, the periodicity of which differs from the quarterly amortisation and interest payment on the Bonds.

### **V.3.2 Start-Up Loan Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a commercial loan agreement amounting to EUR two million three hundred and fifty thousand (2,350,000.00) (the **Start-Up Loan Agreement**) which shall be drawn down on the Closing Date and be allocated to financing the expenses of setting up the Fund and issuing the Bonds and financing partially the subscription for the Pass-Through Certificates and covering the timing difference existing between collection of Pass-Through Certificate interest and payment of Bond interest on the first Payment Date.

The Start-Up Loan will accrue an annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) a 2.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments or Liquidation Priority of Payments. Interest shall be settled and payable on the date of expiration of each Interest Accrual Period on each of the Payment Dates, and shall be calculated based on: (i) the exact number of days in each Interest Accrual Period and (ii) a three-hundred-and-sixty- (360-) day year. The first interest settlement date shall be August 25, 2005.

Interest accrued and not paid on a Payment Date will be accumulated and accrue late-payment interest at the same ordinary interest rate as the Start-Up Loan interest and will be paid, provided that the Fund has sufficient liquidity, and in the Priority of Payments, on the following Payment Date and in the same place provided for payment of ordinary interest on the Start-Up Loan in accordance with the Priority of Payments.

Repayment will be effected quarterly on each of the Payment Dates as follows:

- (i) The portion of Start-Up Loan principal actually used to finance the Fund constitution and Bond issue expenses, finance partially the subscription for the Pass-Through Certificates and cover the timing difference existing between collection of Pass-Through Certificate interest and payment of Bond interest on the first Payment Date shall be repaid in twenty (20) consecutive quarterly instalments in an equal amount, on each Payment Date, the first of which shall be the first Payment Date, August 25, 2005, and the following until the Payment Date falling on May 25, 2010, inclusive.
- (ii) The portion of Start-Up Loan principal not used, as the case may be, shall be repaid on the first Payment Date, August 25, 2005.

In the event that the Fund should not have sufficient liquidity, in the Priority of Payments, on a Payment Date to proceed to the partial repayment falling due on the Start-Up Loan, then the portion of principal not repaid shall be repaid on the following Payment Date along with the amount that should be repaid on that same Payment Date, as the case may be, until it is fully repaid.



Payment of amounts not paid on preceding Payment Dates shall take precedence over amounts falling due under the Start-Up Loan on that Payment Date, satisfying in the first place overdue interest and secondly repayment of principal, in the Fund Priority of Payments or Liquidation Priority of Payments, as the case may be.

### **V.3.3 Interest Swap Agreements.**

The Management Company shall, for and on behalf of the Fund, enter with Barclays Bank Plc, into two floating interest rate swap agreements (the **"Interest Swap Agreements"** or the **"Interest Swaps"**) both of which shall be entered into based on the standard 1992 ISDA Master Agreement (Multicurrency-Cross Border) and the 2000 definitions (ISDA 2000 Definitions) of the International Swap Dealers Association, Inc. (**"ISDA"**) (the **"Master Agreement"**), the most relevant characteristics of which are described below.

The two Interest Swap Agreements shall be entered into under the Master Agreement. The first agreement shall contain a floating interest rate swap agreement whereby the Fund and Barclays Bank Plc shall make each other payments calculated on the outstanding balance of Mortgage Loans whose interest rate is revised annually, respectively applying the 12-month Euribor rate and the Reference Rate determined for the Bonds, the foregoing as described in the following subparagraphs (the **"Interest Swap Agreement (Annual)"**). The second agreement shall contain a floating interest rate swap agreement whereby the Fund and Barclays Bank Plc shall make each other payments calculated on the outstanding balance of Mortgage Loans whose interest rate is revised every six months, respectively applying the 12-month Euribor rate and the Reference Rate determined for the Bonds, the foregoing as described in the following subparagraphs (the **"Interest Swap Agreement (Six-Monthly)"**).

The ratings for Barclays Bank Plc's unsubordinated and unsecured debt currently given by Moody's and Fitch are respectively P-1 and F1+ for short-term debt and Aa1 and AA+ for long-term debt.

The Interest Swap Agreement shall expire on the earlier of the following Payment Dates:

- (i) the Final Maturity Date ; or
- (ii) the date on which Early Liquidation of the Fund ends in accordance with section III.7.1.4 of this Offering Circular when the Fund's remaining assets have all been liquidated and the Liquidation Available Funds have all been distributed, in the Fund Liquidation Priority of Payments.

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

**Party B : Barclays Bank Plc.**

#### **1. Payment Dates.**

The Payment Dates shall be: February 25, May 25, August 25 and November 25 in every year or the next succeeding Business Day if any of those is not a Business Day. The first settlement date shall be August 25, 2005.

The variable amounts payable by Party A and by Party B for each settlement period shall be netted and be paid by the paying Party to the receiving Party on the Payment Date falling on the final settlement date of the settlement period falling due or, if both should not fall on the same day, on the next succeeding Payment Date after the settlement date of the settlement period falling due.

#### **2. Settlement dates.**

The settlement dates shall be February 25, May 25, August 25 and November 25 in every year or the next succeeding business day if any of those is not a business day. Business days shall for these purposes mean any day other than a non-business day in the TARGET calendar. The first settlement period ending date shall be August 25, 2005.

##### **2.1 Settlement periods.**

The settlement periods shall be the exact number of days elapsed between two consecutive settlement dates, including the beginning but not including the ending date. Exceptionally, the length of the first settlement period shall be equivalent to the exact number of days elapsed between the Bond Issue Closing Date (inclusive) and August 25, 2005 (exclusive).

### 3. Party A subperiod settlement dates.

The Party A subperiod settlement dates shall be the 25<sup>th</sup> of each month or, if any of those is not a business day, the next succeeding business day. Business days shall for these purposes mean any day other than a non-business day in the TARGET calendar. The first Party A subperiod settlement date shall be July 25, 2005.

#### 3.1 Party A settlement subperiods.

The Party A settlement subperiods shall be the exact number of days elapsed between two consecutive Party A subperiod settlement dates, including the beginning but not including the ending date. Exceptionally, the length of the first Party A settlement subperiod shall be equivalent to the exact number of days elapsed between the Bond Issue Closing Date (inclusive) and July 25, 2005 (exclusive).

### 4. Interest Swap Agreement (Annual).

#### 4.1 Notional Amount (Annual) for Party A and for Party B.

This shall be for every settlement period the Outstanding Balance of Non-Doubtful Mortgage Loans with an annual interest rate revision at the start of the first day of the then-current settlement period. Exceptionally, the Notional Amount (Annual) for the first settlement period shall be the Outstanding Balance of Non-Doubtful Mortgage Loans with an annual interest rate revision on the Fund constitution date.

#### 4.2 Variable amount payable by Party A (Annual).

This shall be on each Payment Date and for each settlement period the amount determined in accordance with the following formula:

$$CVP_{Aperiod} = \sum_{subperiod=1}^{subperiod=3} \frac{IN(A)_{period} \times \%TIPA(A)_{subperiod} \times D_{subperiod}}{B}$$

where:

$CVP_{Aperiod}$  = Variable amount payable by Party A (Annual) for the relevant settlement period.

$IN(A)_{period}$  = Notional Amount (Annual) for the relevant settlement period.

$\%TIPA(A)_{subperiod}$  = Party A Interest Rate (Annual), expressed as a percentage, determined for the relevant Party A settlement subperiod

$D_{subperiod}$  = Number of relevant Party A settlement subperiod days.

B = 36,000 (thirty-six thousand).

#### 4.2.1 Party A Interest Rate (Annual).

This shall be for each Party A settlement subperiod the result of the weighted addition of the twelve (12) 12-month Euribor fixed on twelve (12) Reference Dates (Annual) from the third to the fourteenth, both inclusive, preceding the month of the relevant Party A settlement subperiod final date and calculated as follows: (0.0759 x January 12-month Euribor) + (0.0841 x February 12-month Euribor) + (0.0924 x March 12-month Euribor) + (0.0991 x April 12-month Euribor) + (0.0974 x May 12-month Euribor) + (0.0700 x June 12-month Euribor) + (0.0652 x July 12-month Euribor) + (0.0769 x August 12-month Euribor) + (0.0979 x September 12-month Euribor) + (0.1084 x October 12-month Euribor) + (0.0685 x November 12-month Euribor) + (0.0642 x December 12-month Euribor).

12-month Euribor is the EURIBOR rate, "Euro InterBank Offered Rate" Euribor, calculated and distributed by the BRIDGE financial information system under an FBE ("Federation Bancaire de l'Union Europeene") mandate, with a twelve- (12-) month maturity, fixed at 11am (CET time "Central European Time"), which is currently published on electronic page 248 supplied by Dow Jones Markets (Bridge Telerate), or any other page taking their stead in providing these services

#### **4.2.2 Reference Dates (Annual).**

These shall fall on the 15<sup>th</sup> of each month or the following business day if any of those is not a business day. Business days shall for these purposes mean any day other than a non-business day in the TARGET calendar. The first Reference Date (Annual) shall be May 15, 2004. The Reference Dates (Annual) for calculating the Party A Interest Rate (Annual) applicable to the first Party A settlement subperiod shall be the twelve (12) Reference Dates (Annual) from April 15, 2005 to May 15, 2004.

#### **4.3 Variable amount payable by Party B (Annual).**

This shall be on each Payment Date and for each settlement subperiod the amount determined by applying the following formula:

$$\text{CVPB}_{\text{period}} = \frac{\text{IN(A)}_{\text{period}} \times \% \text{TIPB}_{\text{period}} \times \text{D}_{\text{period}}}{B}$$

where:

CVPB<sub>period</sub> = Variable amount payable by Party B (Annual) for the relevant settlement period.

IN(A)<sub>period</sub> = Notional Amount (Annual) for the relevant settlement period.

%TIPB<sub>period</sub> = Party B interest rate (Annual), expressed as a percentage, determined for the relevant settlement period.

D<sub>period</sub> = Number of relevant settlement period days.

B = 36,000 (thirty-six thousand).

#### **4.3.1 Party B Interest Rate (Annual).**

This shall be for each settlement period the interest rate, expressed as a percentage, resulting from adding (i) the Reference Rate determined for the Bonds for the Interest Accrual Period coinciding with the relevant settlement period (ii) and a margin ranging between -0.075% and +0.075%, both inclusive, to be determined by Party B and notified in writing to the Management Company by 10am (CET time) on the day of the Subscription Period.

The final margin applicable to the Party B interest rate to have been set shall in turn be notified by the Management Company by the start of the Subscription Period to the Lead Managers and to the Underwriters and Placement Agents, to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV as information in addition to this Offering Circular and to the Rating Agencies. The final margin applicable to the Party B interest rate shall be set down on the notarial certificate recording payment of the Bond Issue.

### **5. Interest Swap Agreement (Six-Monthly)**

#### **5.1 Notional Amount (Six-Monthly) for Party A and for Party B.**

This shall be for every settlement period the Outstanding Balance of Non-Doubtful Mortgage Loans with a six-monthly interest rate revision at the start of the first day of the then-current settlement period. Exceptionally, the Notional Amount (Six-Monthly) for the first settlement period shall be the Outstanding Balance of Non-Doubtful Mortgage Loans with a six-monthly interest rate revision upon the Fund being constituted.

#### **5.2 Variable amount payable by Party A (Six-Monthly).**

This shall be on each Payment Date and for each settlement period the amount determined in accordance with the following formula:

$$CVP_{A\text{period}} = \frac{\sum_{\text{subperiod}=1}^{\text{subperiod}=3} \text{IN(A)}_{\text{period}} \times \%TIP(A)_{\text{subperiod}} \times D_{\text{subperiod}}}{B}$$

where:

$CVP_{A\text{period}}$  = Variable amount payable by Party A (Six-Monthly) for the relevant settlement period.

$\text{IN(A)}_{\text{period}}$  = Notional Amount (Six-Monthly) for the relevant settlement period.

$\%TIP(A)_{\text{subperiod}}$  = Party A Interest Rate (Six-Monthly), expressed as a percentage, determined for the relevant Party A settlement subperiod.

$D_{\text{subperiod}}$  = Number of relevant Party A settlement subperiod days.

$B$  = 36,000 (thirty-six thousand).

### 5.2.1 Party A Interest Rate (Six-Monthly).

This shall be for each Party A settlement subperiod the result of the weighted addition of the six (6) 12-month Euribor fixed on the six (6) Reference Dates (Six-Monthly) from the third to the eighth, both inclusive, preceding the month of the relevant Party A settlement subperiod final date and calculated as follows: (0.1273 x January 12-month Euribor) + (0.1582 x February 12-month Euribor) + (0.2139 x March 12-month Euribor) + (0.1973 x April 12-month Euribor) + (0.1716 x May 12-month Euribor) + (0.1317 x June 12-month Euribor) + (0.1273 x July 12-month Euribor) + (0.1582 x August 12-month Euribor) + (0.2139 x September 12-month Euribor) + (0.1973 x October 12-month Euribor) + (0.1716 x November 12-month Euribor) + (0.1317 x December 12-month Euribor).

12-month Euribor is the EURIBOR rate, "Euro InterBank Offered Rate" Euribor, calculated and distributed by the BRIDGE financial information system under an FBE ("Federation Bancaire de l'Union Europeene") mandate, with a twelve- (12-) month maturity, fixed at 11am (CET time "Central European Time"), which is currently published on electronic page 248 supplied by Dow Jones Markets (Bridge Telerate), or any other page taking their stead in providing these services

### 5.2.2 Reference Dates (Six-Monthly).

These shall fall on the 15<sup>th</sup> of each month or the following business day if any of those is not a business day. Business days shall for these purposes mean any day other than a non-business day in the TARGET calendar. The first Reference Date (Six-Monthly) shall be November 15, 2004. The Reference Dates (Six-Monthly) for calculating the Party A Interest Rate (Six-Monthly) applicable to the first settlement subperiod shall be the six (6) Reference Dates (Six-Monthly) from April 15, 2005 to November 15, 2004.

### 5.3 Variable amount payable by Party B (Six-Monthly).

This shall be on each Payment Date and for each settlement subperiod the amount determined by applying the following formula:

$$CVP_{B\text{period}} = \frac{\text{IN(A)}_{\text{period}} \times \%TIP_{B\text{period}} \times D_{\text{period}}}{B}$$

where:

$CVP_{B\text{period}}$  = Variable amount payable by Party B (Six-Monthly) for the relevant settlement period.

$\text{IN(A)}_{\text{period}}$  = Notional Amount (Six-Monthly) for the relevant settlement period.

$\%TIP_{B\text{period}}$  = Party B interest rate (Six-Monthly), expressed as a percentage, determined for the relevant settlement period.

$D_{\text{period}}$  = Number of relevant settlement period days.

$B$  = 36,000 (thirty-six thousand).

### **5.3.1 Party B Interest Rate (Six-Monthly).**

This shall be for each settlement period the interest rate, expressed as a percentage, resulting from adding (i) the Reference Rate determined for the Bonds for the Interest Accrual Period coinciding with the relevant settlement period (ii) and a margin ranging between -0.075% and +0.075%, both inclusive, to be determined by Party B and notified in writing to the Management Company by 10am (CET time) on the day of the Subscription Period.

The final margin applicable to the Party B interest rate to have been set shall in turn be notified by the Management Company by the start of the Subscription Period to the Lead Managers and to the Underwriters and Placement Agents, to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV as information in addition to this Offering Circular and to the Rating Agencies. The final margin applicable to the Party B interest rate shall be set down on the notarial certificate recording payment of the Bond Issue.

## **6. Events of default particular to the Interest Swap Agreements.**

The schedule to the Master Agreement and therefore applicable to both Interest Swap Agreements shall determine that if on a Payment Date of either Interest Swap Agreement the Fund (Party A) should not have sufficient liquidity to make payment of the full net amount, if any, payable to Party B, under either Interest Swap Agreement, the portion of this net amount not paid shall be settled on the following Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments. Should such event of non-payment under either Interest Swap Agreement occur on two consecutive Payment Dates, the Interest Swap Agreements shall be terminated (Termination). In this event, the Fund (Party A) shall accept the obligation to pay the settlement amount established to which it is bound on the terms of the relevant Interest Swap Agreements, the foregoing in the Priority of Payments. Should the settlement amount under the relevant Interest Swap Agreement be a payment obligation for Party B and not for the Fund (Party A), Party B shall take over the obligation to pay the settlement amount provided for in the relevant Interest Swap Agreement.

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

Without prejudice to the foregoing, other than in an event of permanent financial imbalance of the Fund, the Management Company shall endeavour, for and on behalf of the Fund, to enter into a new swap agreement.

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

### **(i) Fitch Criteria**

If either the long-term, unsecured and unsubordinated debt obligations of Party B or any Credit Support Provider from time to time in respect of Party B (or its successor) cease to be rated at least as high as A (or its equivalent) by Fitch or the short-term debt obligations of Party B (or its successor) or any credit support provider from time to time in respect of Party B cease to be rated at least as high as F1 (or its equivalent) by Fitch (both Fitch's "Required Ratings") and, as a result of such cessation, the then current rating of the Bonds is downgraded or placed under review for possible downgrade by Fitch (an "Initial Fitch Rating Event") then Party B will, on a reasonable efforts basis within 30 days of the occurrence of such Initial Fitch Rating Event, at its own cost, either:

- (A) put in place an appropriate mark-to-market collateral agreement (which may be based on the credit support documentation published by ISDA, or otherwise, and relates to collateral in the form of cash or securities or both to be posted on a weekly basis) in support of its obligations under the Interest Swap Agreements provided that (a) the collateral amount will be determined on a basis which satisfies (but is no more onerous than) the Fitch Criteria as

described in the relevant collateral agreement (the **Collateral Amount**”), and (b) the Collateral Amount will not be required to exceed such amount as would be required (in accordance with the Fitch Criteria) to maintain or restore the rating of the Bonds at or to the level it would have been at immediately prior to such Initial Fitch Rating Event;

- (B) transfer all of its rights and obligations with respect to the Interest Swap Agreements to a replacement third party satisfactory to Party A (whose consent, not to be unreasonably withheld, will be given if Fitch confirms that such transfer would maintain the rating of the Bonds by Fitch at, or restore the rating of the Bonds by Fitch to, the level it would have been at immediately prior to such Initial Fitch Rating Event);
- (C) obtain a guarantee of its rights and obligations with respect to the Interest Swap Agreements from a third party satisfactory to Party A (whose consent, not to be unreasonably withheld, will be given if Fitch confirms that such guarantee would maintain the rating of the Bonds at, or restore the rating of the Bonds to, the level it would have been at immediately prior to such Initial Fitch Rating Event); or
- (D) take such other action as Party B may agree with Fitch as will result in the rating of the Bonds following the taking of such action being maintained at, or restored to, the level it would have been at immediately prior to such Initial Fitch Rating Event.

If any of (i)(B), (i)(C) or (i) (D) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by Party B pursuant to (i)(A) will be retransferred to Party B and Party B will not be required to transfer any additional collateral and the Threshold for Party B, as set out in the Credit Support Annex, shall revert to infinity.

**(ii) Fitch Criteria (continued)**

If either the long-term, unsecured and unsubordinated debt obligations of Party B (or its successor) or any Credit Support Provider from time to time in respect of Party B (or its successor) cease to be rated at least as high as BBB+ (or its equivalent) by Fitch or the short-term debt obligations of Party B (or its successor) or any Credit Support Provider from time to time in respect of Party B (or its successor) cease to be rated at least as high as F2 (or its equivalent) by Fitch and, as a result of such cessation, the then current rating of the Bonds is downgraded or placed under review for possible downgrade by Fitch (a “**First Subsequent Fitch Rating Event**”) then Party B will either:

- (A) continue to comply with the terms of, or, within 30 days of the occurrence of such First Subsequent Fitch Rating Event and at its own cost, put in place, as the case may be, a mark-to-market collateral agreement as described in paragraph (i)(A) above and provide any collateral required to be provided thereunder, provided that in either case the mark-to-market calculations and the correct and timely posting of collateral thereunder are verified by an independent third party (with the costs of such independent verification being borne by Party B); or
- (B) on a reasonable efforts basis within 30 days of the occurrence of such First Subsequent Fitch Rating Event, at its own cost, attempt either to:
  - 1. transfer all of its rights and obligations with respect to the Interest Swap Agreements to a replacement third party satisfactory to Party A (whose consent, not to be unreasonably withheld, will be given if Fitch confirms that such transfer would maintain the rating of the Bonds by Fitch at, or restore the rating of the Bonds by Fitch to, the level it would have been at immediately prior to such First Subsequent Fitch Rating Event);
  - 2. obtain a guarantee of its rights and obligations with respect to the Interest Swap Agreements from a third party satisfactory to Party A (whose consent, not to be unreasonably withheld, will be given if Fitch confirms that such guarantee would maintain the rating of the Bonds at, or restore the rating of the Bonds to, the level it would have been at immediately prior to such First Subsequent Fitch Rating Event); or

3. take such other action as Party B may agree with Fitch as will result in the rating of the Bonds following the taking of such action being maintained at, or restored to, the level it would have been at immediately prior to such First Subsequent Fitch Rating Event.

If any of paragraphs (ii)(B)(1), (2) or (3) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by Party B pursuant to a mark-to-market collateral agreement put in place in accordance with paragraph (i) (A) above or paragraph (ii) (A) will be retransferred to Party B and Party B will not be required to transfer any additional collateral.

**(iii) Fitch Criteria (continued)**

If either the long-term, unsecured and unsubordinated debt obligations of Party B (or its successor) or any Credit Support Provider from time to time in respect of Party B (or its successor) cease to be rated at least as high as BBB (or its equivalent) by Fitch or the short-term debt obligations of Party B (or its successor) or any Credit Support Provider from time to time in respect of Party B (or its successor) cease to be rated at least as high as F3 (or its equivalent) by Fitch and, as a result of such cessation, the then current rating of the Bonds is downgraded or placed under review for possible downgrade by Fitch (a **'Second Subsequent Fitch Rating Event'**) then Party B will, on a reasonable efforts basis within 30 days of the occurrence of such Second Subsequent Fitch Rating Event, at its own cost, attempt either to:

- (A) transfer all of its rights and obligations with respect to the Interest Swap Agreements to a replacement third party satisfactory to Party A (whose consent, not to be unreasonably withheld, will be given if Fitch confirms that such transfer would maintain the rating of the Bonds by Fitch at, or restore the rating of the Bonds by Fitch to, the level it would have been at immediately prior to such Second Subsequent Fitch Rating Event);
- (B) obtain a guarantee of its rights and obligations with respect to the Interest Swap Agreements from a third party satisfactory to Party A (whose consent, not to be unreasonably withheld, will be given if Fitch confirms that such guarantee would maintain the rating of the Bonds at, or restore the rating of the Bonds to, the level it would have been at immediately prior to such Second Subsequent Fitch Rating Event); or
- (C) take such other action as Party B may agree with Fitch as will result in the rating of the Bonds following the taking of such action being maintained at, or restored to, the level it would have been at immediately prior to such Second Subsequent Fitch Rating Event.

Pending compliance with any of paragraphs (iii)(A), (B) or (C) above, Party B will continue to comply with the terms of any mark-to-market collateral agreement put in place in accordance with paragraph (i)(A) or (ii)(A) above or, within 10 days of the occurrence of the Second Subsequent Fitch Rating Event and at its own cost, put in place such an agreement (provided that the mark-to-market calculations and the correct and timely posting of collateral thereunder are verified by an independent third party (with the costs of such independent verification being borne by Party B)). If any of paragraphs (iii)(A), (B) or (C) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by Party B under such a mark-to-market collateral agreement will be retransferred to Party B and Party B will not be required to transfer any additional collateral.

All the confirmations of the ratings of the Bonds to be requested to Fitch, in accordance with paragraphs (i)(A), (i)(B), (ii)(B)(1), (ii)(B)(2), (iii)(A) and (iii)(B) above shall be requested by Party A.

**(iv) Moody's Criteria**

In the event that:

- (1) (aa) the long-term, unsecured and unsubordinated debt obligations of Party B (or its successor) cease to be rated at least as high as A1 (or its equivalent) by Moody's; or

(bb) the short-term, unsecured and unsubordinated debt obligations of Party B (or its successor) cease to be rated at least as high as P-1 (or its equivalent) by Moody's,

and

- (2) if relevant, the long term, unsecured and unsubordinated debt obligations of any Credit Support Provider of Party B cease to be rated as high as A1 (or its equivalent) by Moody's or its short-term, unsecured and unsubordinated debt obligations cease to be rated as high as P-1 (or its equivalent) by Moody's,

such cessation being a "**Downgrade Event**", then Party B will within 30 days and at its own cost, do one of the following:

- (A) transfer all of its rights and obligations with respect to the Interest Swap Agreements to a replacement third party with the Required Ratings (as defined below) providing that such transfer does not result in any requirement for deduction or withholding for or on account of any Tax; or
- (B) procure another person with the Required Ratings to become co-obligor in respect of the obligations of Party B under the Interest Swap Agreements providing that such does not result in any requirement for deduction or withholding for or on account of any Tax; or
- (C) post collateral to Party A as per Moody's Criteria, in an account whose arranger short-term, unsecured and unsubordinated debt obligations it is at least of Prime-1 by Moody's rating, as set out in the Credit Support Annex annexed to the Interest Swap Agreements, in support of its obligations under the Interest Swap Agreements.
- (D) put in place any other action ensuring that the Bonds keep up a rating level equivalent to the rating they would have if Party B was rated Aaa for its long-term, unsecured and unsubordinated debt obligations by Moody's.

If any of (iv)(A), (iv)(B) or (iv)(D) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by Party B pursuant to (iv)(C) will be retransferred to Party B and Party B will not be required to transfer any additional collateral and the Threshold for Party B (in accordance with paragraph 11(b)(iii)(B)(a) of the Credit Support Annex), as set out in the Credit Support Annex, shall revert to infinity.

**(v) Moody's Criteria (continued) ("Second Downgrade Event")**

In the event:

- (1) (aa) that the long-term, unsecured and unsubordinated debt obligations of Party B (or its successor) and, if relevant, any Credit Support Provider of Party B, cease to be rated at least as high as Baa2 (or its equivalent) by Moody's; or
- (bb) that the short-term, unsecured and unsubordinated debt obligations of Party B (or its successor) and, if relevant, any Credit Support Provider of Party B, cease to be rated at least as high as P-2 (or its equivalent) by Moody's, or
- (2) of the retirement of all the ratings granted to Party B by Moody's

such being a "**Second Downgrade Event**", then Party B will, as soon as reasonably practicable, on a best efforts basis, in any case within 30 days of the Second Downgrade Event and at its own cost, do one of A or B below:

- (A) transfer all of its rights and obligations with respect to the Interest Swap Agreements to a replacement third party with the Required Ratings providing that such transfer does not result in any requirement for deduction or withholding for or on account of any Tax; or



- (B) procure another person with the Required Ratings to become co-obligor in respect of the obligations of Party B under the Interest Swap Agreements providing that such does not result in any requirement for deduction or withholding for or on account of any Tax.
- (C) put in place any other action ensuring that the Bonds keep up a rating level equivalent to the rating they would have if Party B was rated Aaa for its long-term, unsecured and unsubordinated debt obligations by Moody's.
- (D) And, additionally, within 10 days of the occurrence of such Second Downgrade Event under item (v), if Party B has taken none of the actions specified in (v)(A), (B) or (C) above, Party B shall post collateral as per Moody's Criteria, in an account whose arranger short-term, unsecured and unsubordinated debt obligations it is at least of P-1 by Moody's rating, set out in the Credit Support Annex annexed to the Interest Swap Agreements and the Threshold for Party B shall be as set out in paragraph 11(b)(iii)(B)(b) and provided that Party B shall continue, on a best efforts basis, to make all reasonable attempts to take the actions specified in (v)(A) or (B) above.

If any of (v)(A) or (v)(B) or (v)(C) are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by Party B pursuant to (iv)(C) or (v)(D) will be retransferred to Party B and Party B will not be required to transfer any additional collateral and the Threshold for Party B, as set out in the Credit Support Annex, shall revert to infinity.

For the purposes of (iv) and (v), "**Required Ratings**" means in respect of the relevant entity, its long-term, unsecured and unsubordinated debt obligations are rated at least as high as A1 and its short-term unsecured and unsubordinated debt obligations are rated at least as high as P-1 by Moody's.

- (vi) If Party B does not take any of the measures described in either (i), (ii), (iii), (iv) or (v) (except for (v)(D)) above such failure shall not be or give rise to an Event of Default but shall constitute an Additional Termination Event with respect to Party B and shall be deemed to have occurred on the thirtieth day following such downgrade with Party B as the sole Affected Party and all Transactions shall be Affected Transactions.

If Party B does not take the measure described in (v) (D) above, such failure shall constitute an Event of Default with respect to Party B.

("Additional Termination Event" is a concept defined in the Master Agreement for the Interest Swap Agreements granting the Party/ies, as the case may be, the possibility of terminating the relevant Interest Swap Agreement.)

("Event of Default" (Event of Default) is a concept defined in the Master Agreement for the Interest Swap Agreements granting the Non-Defaulting Party the possibility of terminating the relevant Interest Swap Agreement.)

In both Termination events, Party B shall accept the obligation to pay the settlement amount provided for in the relevant Interest Swap Agreement. Should the settlement amount under the relevant Interest Swap Agreement be due by the Fund (Party A) and not by Party B, payment thereof by the Fund (Party A) shall be made in the Priority of Payments.

- (vii) If more than one of the ratings criteria applies to Party B, the measures adopted by Party B shall satisfy the ratings criteria established above by both Fitch and Moody's.

## **8. Other characteristics of the Interest Swap Agreements.**

### **8.1 Additional Termination Events:**

- (i) With respect to Party A only: any amendment of the Deed of Constitution resulting in an adverse change in the position of payments to Party B in the Priority of Payments or in the Liquidation Priority of Payments, relative to the Bonds such that payments to Party B rank pari passu with some or all of the Bond Series or rank junior to any or all of the Bond Series. In this connection, Party A shall be the sole Affected Party.

- (ii) With respect to Party A and Party B: where (A) there is default on payment of Series A Bond interest and (B) the Management Company notifies, in accordance with the provisions of section III.7.1.2 of this Offering Circular, the Early Liquidation of the Fund in the Early Liquidation Event established in section III.7.1.1 (iv). In this connection, both Parties shall be Affected Parties. For the purposes of the provisions of section 6 (e) (ii) of the Master Agreement, Party A shall be deemed to be the sole Affected Party.

“Additional Termination Event” is a concept defined in the Master Agreement for the Interest Swap Agreements which shall result in the relevant Interest Swap Agreement being terminated (i) if Party B should decide this in event (i) above, or (ii) if the Management Company, for and on behalf of the Fund (Party A), or Party B should decide this in event (ii) above.

In both Termination events, Party B shall accept the obligation to pay the settlement amount provided for in the relevant Interest Swap Agreement. Should the settlement amount under the relevant Interest Swap Agreement be due by the Fund (Party A) and not by Party B, payment thereof by the Fund (Party A) shall be made in the Priority of Payments or in the Liquidation Priority of Payments, as the case may be.

- 8.2 Party B may only assign all its rights and obligations under the Interest Swap Agreements, subject to Party A's consent, to a third party whose credit ratings for its unsubordinated and unsecured debt obligations are equal to or in excess of A-1 and A for its long-term debt obligations and P-1 and F1 for its short-term debt obligations respectively by Moody's and Fitch.

- 8.3 The Interest Swap Agreements shall be submitted to English law.

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

The occurrence, as the case may be, of the Termination of any of the Interest Swap Agreements will not in itself be an Early Amortisation event of the Bond Issue and an Early Liquidation event of the Fund referred to in sections II.11.4 and III.7.1 of this Offering Circular, unless in conjunction with other events or circumstances related to the net asset value of the Fund, its financial balance should be materially or permanently altered.

The execution of the Interest Swap Agreements derives from the need to mitigate the interest rate risk (base risk) occurring in the Fund because the Mortgage Loans are subject to floating interest with different benchmark indices and different review and settlement periods at the floating interest established for the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods.

#### **V.3.4 Bond Paying Agent Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a paying agent agreement to service the Bonds issued by the Fund (the “**Paying Agent Agreement**”).

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

- (i) Paying to the Fund by 3pm (CET time) on the Closing Date, by crediting the Treasury Account, for same day value, the aggregate amount of the subscription for the Bond Issue received from the remaining Underwriters and Placement Agents in accordance with the provisions of the Bond Issue Management, Underwriting, Placement Agreement and Subscription plus the face amount of the Bonds placed and, as the case may be, subscribed for on its own account, as Underwriter and Placement Agent.
- (ii) Paying to each of the Underwriters and Payment Agents on the Closing Date the underwriting and placement fee amount accrued in favour of each one, after they have in turn paid it the face amount of the Bonds they shall each have placed and, as the case may be, subscribed for on their own account up to their respective underwriting commitment.
- (iii) Handing to the Management Company Bond Issue placement dissemination control information based on the information provided in that connection by the Underwriters and Placement Agents, using for that purpose the form duly established by the CNMV.

- (iv) On each of the Bond Payment Dates, paying interest and, as the case may be, repaying principal on the Bonds, deducting the total amount of the tax withholding for return on investments that should be made in accordance with applicable tax laws.
- (v) On each of the Interest Rate Fixing Dates, notifying the Management Company of the Reference Rate determined to be used as the basis for calculating the Nominal Interest Rate applicable to each of the Bond Series.

In the event of the rating of the Paying Agent's short-term, unsecured and unsubordinated debt obligations falling at any time during the life of the Bond Issue below F1 or P-1 respectively in Fitch's and Moody's rating scales, the Management Company shall, within not more than thirty (30) days from the occurrence of any such circumstances, revoke the designation of the Paying Agent, and thereupon designate a substitute institution having a credit rating for its short-term, unsecured and unsubordinated debt obligations at least as high as F1 or P-1 respectively in Fitch's and Moody's rating scales, to take its stead before termination of the Paying Agent Agreement or, as the case may be, under a new paying agent agreement, and subject to prior notice on the Rating Agencies Should BANCAJA be replaced as Paying Agent, the Management Company shall be entitled to change the fee payable to the substitute institution, which may be higher than that established with BANCAJA under the Paying Agent Agreement.

In consideration of the services provided by the Paying Agent, the Fund shall pay it a fee of 0.01%, inclusive of taxes as the case may be, on the amount to be distributed to Bondholders on each Bond Payment Date during the term of the Paying Agent Agreement, payable on the same Payment Date, provided that the Fund has sufficient liquidity in the Priority of Payments or the Liquidation Priority of Payments, as the case may be.

In the event that the Fund should not have sufficient liquidity to pay said full fee, then the amounts accrued and not paid shall be accumulated without any penalty whatsoever to the fee falling due on the following Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until fully paid on the Payment Date on which that situation is no longer current.

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

### **V.3.5 Financial Intermediation Agreement.**

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

The Originator shall be entitled to receive from the Fund a variable subordinated remuneration which shall be determined and shall accrue upon the expiration of every quarterly accrual period, comprising, other than for the first period, the three calendar months preceding each Payment Date, in an amount equal to the positive difference, if any, between the income and expenditure, including losses, if any, brought forward from previous years, accrued by the Fund with reference to its accounts and before the close of the months of January, April, July and October, which are the last month in each quarterly period. Exceptionally, the first period shall be comprised between the Fund constitution date and July 31, 2005, inclusive, this being the last day of the month preceding the first Payment Date, August 25, 2005.

The variable remuneration accrued at the close of the months of January, April, July and October shall be settled on the Payment Date immediately following the last day of each of said months, provided that the Fund has sufficient liquidity in the Priority of Payments.

If the Fund should not have sufficient liquidity on a Payment Date in the Priority of Payments to pay the full remuneration, the variable remuneration amount accrued and not paid shall accumulate without any penalty whatsoever on the variable remuneration accrued, as the case may be, in the following quarterly period in the Priority of Payments.

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

**V.4 Priority rules established in Fund payments.**

**V.4.1 Source and application of funds on the Bond Closing Date and until the first Payment Date, exclusive.**

The source and application of the amounts available for the Fund on the Bond Issue Closing Date shall be as follows:

1. **Source:** the Fund shall have the following funds:
  - a) Bond subscription payment.
  - b) Drawdown of Start-Up Loan principal.
2. **Application:** in turn, the Fund will apply the funds described above to the following payments:
  - a) Payment of the price for subscribing for the Pass-Through Certificates.
  - b) Payment of the Fund constitution and Bond issue expenses.
  - c) Provisioning to set up the Initial Cash Reserve.

**V.4.2 Source and application of funds from the first Payment Date, inclusive, until the last Payment Date or liquidation of the Fund, exclusive.**

On each Payment Date other than the Final Maturity Date or the Payment Date on which the Early Liquidation of the Fund occurs, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation of Series A, B, C, D and E in accordance with the priority of payments established hereinafter for each of them (the **"Priority of Payments"**).

**V.4.2.1 Available Funds: source and application.**

1. **Source:** The Available Funds on each Payment Date to meet the payment or withholding obligations listed in section 2 below shall be the following amounts paid to the Fund and credited to the Treasury Account:
  - a) Mortgage Loan principal repayment income received during the Determination Period preceding the relevant Payment Date.
  - b) Ordinary and late-payment interest income received on the Mortgage Loans during the Determination Period preceding the relevant Payment Date.
  - c) The return received on the amounts credited to the Treasury Account.
  - d) The Cash Reserve amount on the Determination Date preceding the relevant Payment Date.
  - e) Net amounts, if any, received by the Fund under the Interest Swap Agreements and amounts received by the Fund making up the settlement payment in the event of termination of those Agreements.
  - f) Any other amounts received by the Fund during the Determination Period preceding the relevant Payment Date, including those resulting from the sale or utilisation of properties awarded to the Fund.

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

2. **Application:** the Available Funds shall be applied on each Payment Date to meeting payment or withholding obligations falling due on each Payment Date in the following priority of payments, irrespective of the time of accrual, other than item number 1, which may be made at any time as and when due:
  1. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, and the servicing fee in the event that BANCAJA should be substituted as Servicer, shall be made to the Servicer under the Servicing Agreement in this priority.

2. Payment, as the case may be, of the net amounts payable by the Fund under the Interest Swap Agreements and, only in the event of termination of those Agreements following a breach by the Fund or because the latter is the affected party in any termination event, payment of the amounts to be settled by the Fund comprising the settlement payment.

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

4. Payment of interest due on the Series B Bonds unless this payment is deferred to 9<sup>th</sup> place in the priority of payments.

If the Series A Bonds have not been or are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 9<sup>th</sup> place below if on the relevant Payment Date, upon calculating the application in 8<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of the sum of (i) eighty-five percent (85%) of the Outstanding Principal Balance of Series B and (ii) one hundred percent (100%) of the sum of the Outstanding Principal Balance of Series C, D and E, whereupon interest due on the Series B Bonds shall be deferred to 9<sup>th</sup> place.

5. Payment of interest due on the Series C Bonds unless this payment is deferred to 10<sup>th</sup> place in the priority of payments.

If the Series A and the Series B Bonds have not been or are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 10<sup>th</sup> place below if on the relevant Payment Date, upon calculating the application in 8<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of the sum of (i) eighty-five percent (85%) of the Outstanding Principal Balance of Series C and (ii) one hundred percent (100%) of the sum of the Outstanding Principal Balance of Series D and E, whereupon interest due on the Series C Bonds shall be deferred to 10<sup>th</sup> place.

6. Payment of interest due on the Series D Bonds unless this payment is deferred to 11<sup>th</sup> place in the priority of payments.

If the Series A, the Series B and the Series C Bonds have not been or are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 11<sup>th</sup> place below if on the relevant Payment Date, upon calculating the application in 8<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of the sum of (i) eighty-five percent (85%) of the Outstanding Principal Balance of Series D and (ii) one hundred percent (100%) of the Outstanding Principal Balance of Series E, whereupon interest due on the Series D Bonds shall be deferred to 11<sup>th</sup> place.

7. Payment of interest due on the Series E Bonds unless this payment is deferred to 12<sup>th</sup> place in the priority of payments.

If the Series A, the Series B, the Series C and the Series D Bonds have not been or are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 12<sup>th</sup> place below if on the relevant Payment Date, upon calculating the application in 8<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of eighty-five percent (85%) of the Outstanding Principal Balance of Series E, whereupon interest due on the Series E Bonds shall be deferred to 12<sup>th</sup> place.

8. Withholding for amortisation of Series A, B, C, D and E Bond principal ("**Series A, B, C, D and E Amortisation Withholding**") in an amount equivalent to the positive difference existing between (i) the sum of the Outstanding Principal Balance of Series A, B, C, D and E and (ii) the Outstanding Balance of Non-Doubtful Mortgage Loans on the Determination Date preceding the relevant Payment Date.

Depending on the liquidity existing on each Payment Date, the amount actually applied to the Series A, B, C, D and E Amortisation Withholding shall be added to the Available Funds for Amortisation of Series A, B, C, D and E which shall be applied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B, C, D and E established hereinafter in this same section.

9. Payment of interest due on the Series B Bonds when deferred from 4<sup>th</sup> place in the priority of payments as established therein.
10. Payment of interest due on the Series C Bonds when deferred from 5<sup>th</sup> place in the priority of payments as established therein.
11. Payment of interest due on the Series D Bonds when deferred from 6<sup>th</sup> place in the priority of payments as established therein.
12. Payment of interest due on the Series E Bonds when deferred from 7<sup>th</sup> place in the priority of payments as established therein.
13. Withholding of an amount sufficient for the Required Cash Reserve to be kept duly provisioned.
14. Payment of interest due on the Series F Bonds.
15. Amortisation of Series F Bonds in the amount by which they are amortised.  
 Partial amortisation of Series F Bonds shall occur on each of the Payment Dates in an amount equal to the positive difference existing between the Outstanding Principal Balance of Series F on the Determination Date preceding the relevant Payment Date and the Required Cash Reserve amount on the relevant Payment Date in accordance with the provisions of section III.2.3.1 of the Offering Circular.
16. Payment of the amounts payable by the Fund, as the case may be, comprising the settlement payment under the Interest Swap Agreements other than in the events provided for in 2<sup>nd</sup> place above.
17. Payment of interest due on the Start-Up Loan.
18. Repayment of Start-Up Loan principal in the amortised amount.
19. Payment to the Servicer of the fee established under the Servicing Agreement.  
 In the event that any other institution should replace BANCAJA as Servicer of the Mortgage Loans, payment of the servicing fee accrued by the other institution, to wit the new servicer, shall take the place of paragraph 1 above, along with the other payments included therein.
20. Payment of the Financial Intermediation Margin.

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

#### **V.4.2.2 Available Funds for Amortisation of Series A, B, C, D and E.**

1. **Source:** On each Payment Date, the Available Funds for Amortisation of Series A, B, C, D and E shall be the Series A, B, C, D and E Amortisation Withholding amount applied in 8<sup>th</sup> place of the Available Funds on the relevant Payment Date.
2. **Distribution of Available Funds for Amortisation of Series A, B, C, D and E:** they shall be applied on each Payment Date to amortising each of the Series in accordance with the following rules:
  1. The Available Funds for Amortisation of Series A, B, C, D and E shall be sequentially applied firstly to amortising Series A until fully amortised, secondly to amortising Series B until fully amortised, thirdly to amortising Series C until fully amortised, fourthly to amortising Series D until fully amortised and fifthly to amortising Series E until fully amortised, notwithstanding the provisions of rules 2 and 3 below for pro rata amortisation of the different Series.

2. However, even if Series A has not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B and/or Series C and/or Series D and/or Series E on the Payment Date which is not the last Payment Date or the Fund liquidation date on which the following circumstances are satisfied ("**Conditions for Pro Rata Amortisation**"):

  - a) In order to amortise Series B, that on the Determination Date preceding the relevant Payment Date:
    - i) the Outstanding Principal Balance of Series B is equal to or greater than 3.30% of the sum of the Outstanding Principal Balance of Series A, B, C, D and E; and
    - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.50% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
  - b) In order to amortise Series C, that on the Determination Date preceding the relevant Payment Date:
    - i) the Outstanding Principal Balance of Series C is equal to or greater than 2.60% of the sum of the Outstanding Principal Balance of Series A, B, C, D and E; and
    - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.25% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
  - c) In order to amortise Series D, that on the Determination Date preceding the relevant Payment Date:
    - i) the Outstanding Principal Balance of Series D is equal to or greater than 2.20% of the sum of the Outstanding Principal Balance of Series A, B, C, D and E; and
    - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.00% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
  - d) In order to amortise Series E, that on the Determination Date preceding the relevant Payment Date:
    - i) the Outstanding Principal Balance of Series E is equal to or greater than 3.30% of the sum of the Outstanding Principal Balance of Series A, B, C, D and E; and
    - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 0.75% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
  - e) In order to amortise Series B, Series C, Series D and Series E:
    - i) that the Required Cash Reserve on the Payment Date preceding the relevant Payment Date was fully provisioned; and
    - ii) on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of the Mortgage Loans is equal to or greater than 10 percent of the initial Outstanding Balance upon the Fund being constituted.

3. In the event that the amortisation of Series B and/or Series C and/or Series D and/or Series E should apply on a Payment Date as provided for in rule 2 above, the Available Funds for Amortisation of Series A, B, C, D and E shall also be applied to amortising Series B and/or Series C and/or Series D and/or Series E in such a way that the ratio of the Outstanding Principal Balance of Series B or of Series C or of Series D or of Series E to the sum of the Outstanding Principal Balance of Series A, B, C, D and E is respectively kept at 3.30% or 2.60% or 2.20% or 3.30%, or higher percentages closest thereto.

#### **V.4.2.3 Liquidation Priority of Payments.**

The Management Company shall proceed to liquidate the Fund on the Final Maturity Date or on the Payment Date on which Early Liquidation occurs in accordance with the provisions of section III.7 of the Offering Circular, by applying the available funds to the following items (the "**Liquidation Available Funds**"): (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the assets in connection with the Pass-Through Certificates remaining and, as the case may be, (iii) the amount drawn under a credit facility to be arranged and fully assigned to final amortisation of the Series A, B, C, D and E Bonds, in accordance with the provisions of section III.7.1, in the following priority of payments (the "**Liquidation Priority of Payments**"):

1. Reserve to meet the tax, administrative or advertising expenses deriving from termination and liquidation of the Fund.

2. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer in relation to the Mortgage Loans, provided they are all properly supported, and the servicing fee if BANCAJA shall have been replaced as Servicer shall be made to the Servicer under the Servicing Agreement in this priority.
3. Payment of amounts, if any, due upon termination of the Interest Swaps and, only in the event of termination of those Agreements following a breach by the Fund or because the Fund is the affected party in any termination event, payment of the settlement payment amounts payable by the Fund.
4. Payment of interest due on the Series A Bonds.
5. Repayment of Series A Bond principal.
6. Payment of interest due on the Series B Bonds.
7. Repayment of Series B Bond principal.
8. Payment of interest due on the Series C Bonds.
9. Repayment of Series C Bond principal.
10. Payment of interest due on the Series D Bonds.
11. Repayment of Series D Bond principal.
12. Payment of interest due on the Series E Bonds.
13. Repayment of Series E Bond principal.
14. Payment of interest due on the Series F Bonds.
15. Repayment of Series F Bond principal.
16. Payment of the settlement payment amounts payable by the Fund under the Interest Swap Agreements other than in the events provided for in 3<sup>rd</sup> place above.
17. Payment of interest due and repayment of principal on the Start-Up Loan.
18. Payment to BANCAJA of the fee established under the Servicing Agreement.
19. Payment of the Financial Intermediation Margin.

Where receivables for different items exist in a same priority of payments on the Final Maturity Date or on the Payment Date on which there is an Early Liquidation and the Liquidation Available Funds are not sufficient to settle the amounts due under all of them, the application of the remaining Liquidation Available Funds shall be prorated among the amounts payable under each such item, and the amount applied to each item shall be distributed in the priority in which the accounts payable fall due.



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

## CHAPTER VI

### GENERAL INFORMATION ON THE FUND MANAGEMENT COMPANY

In accordance with article 1 of Royal Decree 926/1998, Asset Securitisation Funds have no own legal personality, and Mortgage Securitisation Fund Management Companies are entrusted under article 12 of said Royal Decree with constituting, managing and legally representing those funds, and representing and defending the interests of the holders of the securities issued by the funds they manage and of all other ordinary creditors thereof.

Accordingly, this Chapter itemises the information relating to EUROPEA DE TITULIZACIÓN S.A., S.G.F.T., as the Management Company constituting, managing and representing MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS.

#### **VI.1 In relation to the company, other than its share capital..**

##### **VI.1.1 Name and registered office.**

- **Company name:** EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- **Registered office:** Madrid, Lagasca, 120
- **VAT REG. No.:** A-80514466
- **Business Activity Code No.:** 6713

##### **VI.1.2 Incorporation and registration in the Companies Register, and information relating to administrative authorisations by and registration at the Comisión Nacional del Mercado de Valores.**

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before Madrid Notary Public Mr Roberto Blanquer Uberos, his document number 117, with the prior authorisation of the Economy and Finance Ministry, given on December 17, 1992, entered in the Companies Register of Madrid, volume 5,461, book O, folio 49, section 8, sheet M-89355, entry 1, dated March 11, 1993; and re-registered as a Securitisation Fund Management Company in accordance with the provisions of chapter II and in the single transitional provision of Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, pursuant to an authorisation granted by a Ministerial Order dated October 4, 1999 and in a deed executed on October 25, 1999 before Madrid Notary Public Mr Luis Felipe Rivas Recio, his document number 3,289, which was entered under number 33 of the sheet opened for the Company in said Companies Register. It is also entered in the CNMV's Administrative Register of Securitisation Fund Management Companies under number 2.

The Management Company has perpetual existence, although it may be dissolved upon the occurrence of any of the events 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 constitute, manage and legally represent both asset securitisation funds and mortgage securitisation funds. Furthermore, and in accordance with the applicable statutory regulations, the Company shall, as the manager of third party business, be responsible for representing and defending the interests of the holders of securities issued on the Funds it manages and of all their other ordinary creditors."

**VI.1.4 Place where the documents referred to in the Offering Circular or the existence of which may be inferred from its contents may be found.**

The Articles of Association, accounting, economic and financial statements of the Management Company and any other document referred to in this Offering Circular, including the latter, or the existence of which may be inferred from its contents, may be found at the Management Company's registered office at Calle Lagasca number 120, Madrid.

This Offering Circular was entered in the official registers of the CNMV on June 23, 2005. It is publicly available, free of charge, at the Management Company's and at the Underwriters and Placement Agents' registered offices. It may also be found at the CNMV in Madrid, and at the AIAF governing body, of Madrid, Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, planta 43.

Upon the Deed of Constitution being executed and before the Bond subscription period begins, the Management Company shall deliver a certified copy of the Deed of Constitution to the CNMV. Furthermore, the Management Company, Iberclear, or the affiliated undertaking to which the latter delegates its functions, and the AIAF governing body shall at all times make copies of the Deed of Constitution available to the Bondholders and the public at issue in order that they may be examined.

**VI.2 In relation to the share capital.**

**VI.2.1 Face amount subscribed for and paid up.**

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

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

**VI.2.2 Classes of shares.**

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

**VI.2.3 Evolution of the share capital over the last three years.**

During the last three years there has been no change in the share capital of the Management Company.

**VI.3 Information relating to shareholdings.**

**VI.3.1 Existence or not of shareholdings in other companies.**

There are no shareholdings in any other company.

**VI.3.2 Group of companies in which the company has membership.**

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

**VI.3.3 Significant shareholders.**

The ownership of shares in the Management Company is distributed among the companies listed below, specifying the percentage holding of each one:

| <b>Name of shareholder company</b>                | <b>Holding * (%)</b> |
|---------------------------------------------------|----------------------|
| Banco Bilbao Vizcaya Argentaria, S.A.             | 82.9703              |
| J.P. Morgan España, S.A.                          | 4.0000               |
| Caja de Ahorros del Mediterráneo                  | 1.5420               |
| Bankinter, S.A.                                   | 1.5317               |
| Barclays Bank, S.A.                               | 1.5317               |
| Citibank España, S.A.                             | 1.5317               |
| Deutsche Bank Credit, S.A.                        | 0.7658               |
| Deutsche Bank, S.A.E.                             | 0.7658               |
| Banco Cooperativo Español, S.A.                   | 0.7658               |
| Banco Pastor, S.A.                                | 0.7658               |
| Banco de la Pequeña y Mediana Empresa, S.A.       | 0.7658               |
| Banco de Sabadell, S.A.                           | 0.7658               |
| Banco Urquijo, S.A.                               | 0.7658               |
| BNP Paribas España, S.A.                          | 0.7658               |
| Caja de Ahorros y Monte de Piedad de Madrid       | 0.3829               |
| Caja de Ahorros de Salamanca y Soria - Caja Duero | 0.3829               |
|                                                   | <b>100.0000</b>      |

\* Rounded to 4 decimal places

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

The government and management of the Management Company are entrusted in the Articles of Association to the General Shareholders' Meeting and the Board of Directors. Its duties and authorities are as prescribed for those bodies in the Public Limited Companies Act and in Act 19/1992, July 7, in relation to the objects.

Among the other bodies for which provision is made in the Articles of Association, an Executive Committee has been set up with delegated authorities of the Board. There is also a General Manager vested with extensive authorities within the organisation and vis-à-vis third parties.

##### **VI.4.1 Officers.**

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

The Board of Directors has the following membership:

|                       |                                         |
|-----------------------|-----------------------------------------|
| <b>Chairman:</b>      | Mr Roberto Vicario Montoya              |
| <b>Vice-Chairman:</b> | Mr Carlos Pertejo Muñoz                 |
| <b>Directors:</b>     | Mr Ignacio Aldonza Goicoechea           |
|                       | Mr Luis Bach Gómez                      |
|                       | Mr José M <sup>a</sup> . Castellón Leal |
|                       | on behalf of Barclays Bank, S.A.        |
|                       | Mr José Luis Domínguez de Posada        |
|                       | Ms Ana Fernández Manrique               |
|                       | Mr Juan Gortázar Sánchez-Torres         |
|                       | Mr Mario Masiá Vicente                  |
|                       | Ms Carmen Pérez de Muniaín              |
|                       | Mr David Pérez Renovales                |
|                       | on behalf of Bankinter, S. A.           |
|                       | Mr Jesús del Pino Durán                 |
|                       | Mr Jorge Sáenz de Miera,                |
|                       | on behalf of Deutsche Bank Credit, S.A. |
|                       | Mr José Miguel Raboso Díaz              |
|                       | on behalf of Citibank España, S.A       |
|                       | Mr José Manuel Tamayo Pérez             |
|                       | Mr Pedro M <sup>a</sup> . Urresti Laca, |
|                       | on behalf of J.P. Morgan España, S.A.   |

Mr Pablo Hernández Sampelayo,  
on behalf of Banco Urquijo S.A.

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

**VI.4.2 General Manager.**

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

**VI.5 Aggregate interests in the Management Company by the persons referred to in section VI.4.**

The persons referred to in section VI.4.1 above are not the direct or indirect holders or representatives of any share or obligation, other than the persons specifically referred to as representing a shareholder company, and only as such.

**VI.6 Lenders of the Management Company in excess of 10 percent.**

The Management Company has received no loan or credit from any person or institution whatsoever.

**VI.7 Specification as to whether or not the management company has any bankruptcy proceedings under way and the possible existence of significant lawsuits and matters which might affect its economic and financial position or, in the future, its ability to carry out the fund management and administration functions for which provision is made in this Offering Circular.**

There are none.

## CHAPTER VII

### RECENT EVOLUTION AND PROSPECTS OF THE MORTGAGE MARKET IN GENERAL AND OF THE MORTGAGE LOAN MARKET IN PARTICULAR WHICH MIGHT AFFECT THE FINANCIAL PROSPECTS OF THE FUND

#### VII.1 Most recent significant trends in the Mortgage Market in general and of the mortgage loan market in particular in relation to the legal framework, with the development of interest rates, and prepayment and delinquency rates.

The Spanish mortgage market has in recent years undergone a major transformation both in regard to its laws and the prevailing interest of credit institutions in developing and increasing their interest in the market, and as a result of factors inherent in the development of the market proper (interest rates, demand for credit and price of housing). The most significant elements in the recent evolution of the Spanish market are described hereinafter in this section.

#### Mortgage credit.

In January 2005, mortgage credit came to have an outstanding balance of EUR 541,288 millions, 54.5% in the investment portfolio of Savings Banks and 38.40% in that of banks. From early 1998, mortgage credit has grown at an average pace in excess of 20% per annum. Consequent upon this strong boost, mortgage credit accounted for almost 55% of the total credit portfolio of financial institutions towards the end of January 2005.

#### OUTSTANDING CREDIT BALANCES WITH MORTGAGE SECURITY (Year-end figures in EUR billions)

|              | Total | Banks | Savings Banks | Financial<br>Credit<br>Institutions | Credit<br>Cooperatives |
|--------------|-------|-------|---------------|-------------------------------------|------------------------|
| <b>2005*</b> | 560.9 | 215.1 | 305.4         | 6.3                                 | 34.0                   |
| <b>2004</b>  | 531.6 | 204.2 | 290.0         | 5.6                                 | 31.8                   |
| <b>2003</b>  | 430.8 | 167.9 | 231.8         | 5.1                                 | 26.0                   |
| <b>2002</b>  | 354.3 | 135.5 | 193.3         | 3.8                                 | 21.7                   |
| <b>2001</b>  | 297.0 | 115.2 | 160.3         | 3.5                                 | 18.0                   |
| <b>2000</b>  | 250.8 | 97.7  | 135.0         | 3.3                                 | 14.8                   |
| <b>1999</b>  | 209.6 | 84.0  | 109.8         | 3.5                                 | 12.3                   |
| <b>1998</b>  | 174.6 | 68.3  | 92.9          | 3.5                                 | 9.8                    |
| <b>1997</b>  | 147.3 | 57.8  | 77.3          | 4.0                                 | 8.2                    |
| <b>1996</b>  | 124.1 | 48.4  | 65.2          | 4.2                                 | 6.3                    |
| <b>1995</b>  | 108.5 | 42.2  | 57.5          | 3.5                                 | 5.2                    |
| <b>1994</b>  | 97.6  | 38.4  | 51.0          | 3.8                                 | 4.3                    |
| <b>1993</b>  | 85.2  | 34.2  | 43.5          | 4.1                                 | 3.3                    |
| <b>1992</b>  | 75.5  | 31.2  | 37.2          | 4.3                                 | 2.7                    |
| <b>1991</b>  | 67.4  | 29.0  | 32.2          | 4.3                                 | 1.9                    |
| <b>1990</b>  | 58.6  | 24.9  | 28.9          | 3.5                                 | 1.3                    |

\*Figures as at March 2005  
Source: Bank of Spain

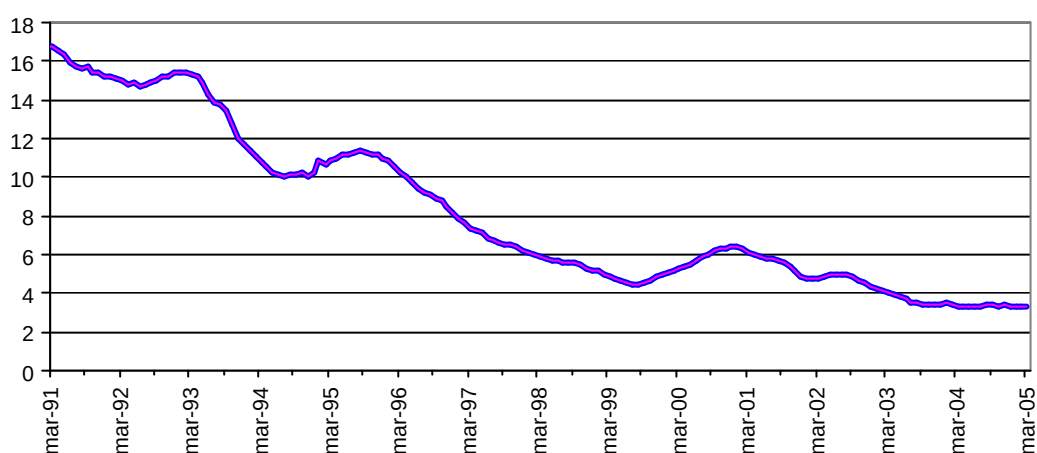
The increased demand for mortgage credit was supported by the strong development of the housing market, resulting in more than a million transactions per annum since early 1998, and an increase in the average amount per mortgage, which has more than doubled over this period years, going from an average of EUR 50,000 per mortgage in 1998 to EUR 133,000 on average in 2004.

In the year 2004, the mortgage balance amounted to EUR 531,711 million, rising by 23.4% with respect to the year before.

### Interest rates.

Upon the Spanish economy coming under the European Central Bank's discipline, there was an outstanding drop in interest rates which was rapidly passed to the mortgage market. These enhanced financial terms have made it easier for families to buy a home, boosting the demand for residential homes. From the early nineties, mortgage interest rates in Spain have dropped to one-third and repayment terms have been extended to 25 and 35 years. The reduced interest rates and extended credit terms has resulted in a significant drop in instalments paid by families for buying a home.

**Mortgage Credit Interest Rate**  
All-Institutions Average



Data as of March 2005

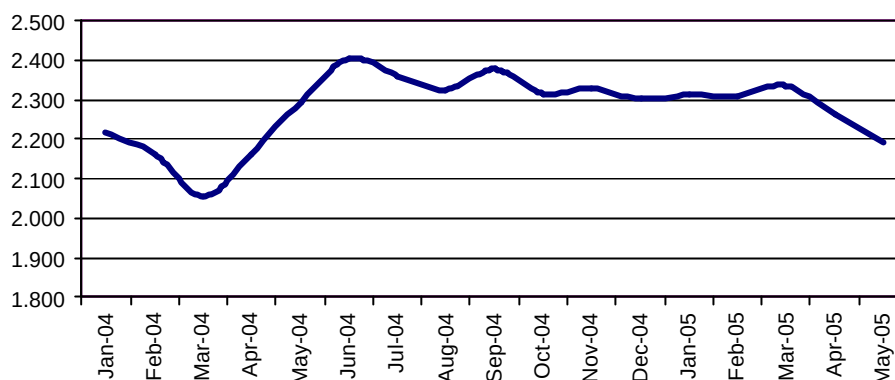
Source: Spanish Mortgage Association

| FINANCING TERMS |                  |                       |                                |                                              |
|-----------------|------------------|-----------------------|--------------------------------|----------------------------------------------|
|                 | % Interest Rates | Average Terms (years) | Rate per EUR 6,000 (EUR/month) | Average home price (EUR/100 m <sup>2</sup> ) |
| <b>2004</b>     | 3.3%             | 25                    | 29.68                          | 167,200                                      |
| <b>2000</b>     | 5.0%             | 20                    | 39.70                          | 90,150                                       |
| <b>1995</b>     | 10.0%            | 15                    | 64.60                          | 66,100                                       |
| <b>1990</b>     | 14.0%            | 10                    | 93.30                          | 56,500                                       |

Source: BBVA and Spanish Mortgage Association

As for 2004 mortgage rates, the December interest rate (3.349) is slightly below the one-year Euribor mortgage reference rate (as per Bank of Spain Circular 7/1999, June 29) for the year 2004 (3.356).

**Evolution of one-year Mortgage Euribor between January 2004 an May 2005**



Source: Spanish Mortgage Association

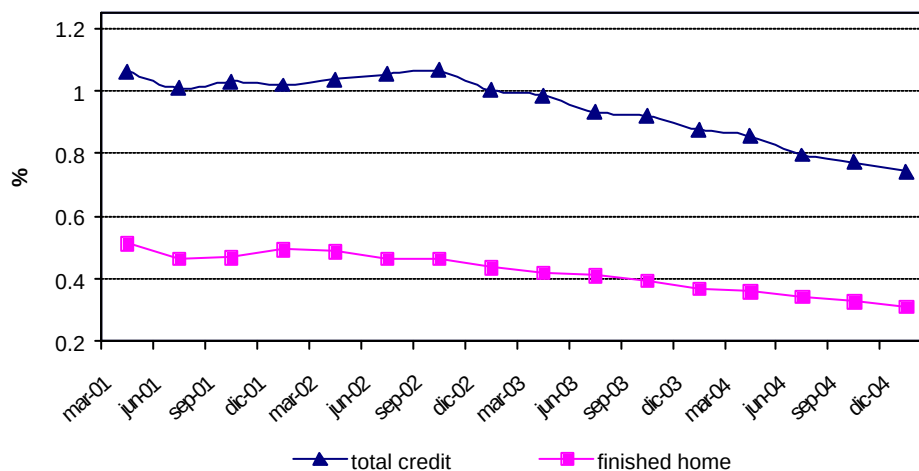
Real estate price increases have prevented the enhanced financing terms from being fully passed to the home accessibility ratios due to a significant real estate price increase. Overall, family monthly payments for buying a home have remained relatively consistent in proportion: although improved rates and extended terms result in lower monthly payments for a family buying a home, higher-priced homes have resulted in a greater credit amount being required, thereby increasing the monthly instalment. In terms of financial effort, monthly payments under a loan for buying an average home, using data for the third quarter of 2004, were equivalent to 31% of an average family's total gross income, which were reduced to 25% when tax rebates were considered, for a 25-year medium-term financing.

### Delinquency.

The mortgage market has been strongly boosted in these years in the midst of important risk management improvements resulting in mortgage delinquency of financial institutions as a whole being minimised.

As at December 2004, when data was last made available by the Spanish Mortgage Association, finished home mortgage delinquency is currently at 0.314% of the total mortgage portfolio of credit institutions, very far from the 4% rate there was in 1993. As for the credit portfolio as a whole, mortgage delinquency stands at less than 50% of total delinquency (0.744%).

**DELINQUENCY IN SPAIN**



Spanish Mortgage Association as of March 2005



### **Regulatory changes.**

The object of most recent regulations has been to provide mortgagors with a greater power to negotiate the terms of loans, and reduce certain costs attached to loan renegotiation. In this sense, in addition to Mortgage Loan Subrogation and Amendment Act 2/1994, March 30 (making provision for the possibility of substituting and renegotiating the economic terms of loans, reducing both tax and fee costs, and reducing floating interest rate loan prepayment charges), two measures were taken designed to cheapen transaction costs in mortgage loan subrogation and amendment and novation transactions: on the one hand, the agreement made between the Economy Ministry and banks and savings banks, lowering charges; and on the other the approval of Royal Decree 2616/1996, December 20, modifying both notarial and registration fees in mortgage loan subrogation and novation transactions under that Act 2/1994.

### **Prepayment.**

The substantial cut in interest rates in recent years along with an enhanced competitiveness among credit institutions in this segment of financing given its strategic character with a view to fidelising customers, has fostered a considerable increase in prepayment rates of mortgage loans remaining with interest rates in excess of those prevailing in the mortgage market from time to time, upon the failure by the lenders to renegotiate the financial terms.

In any event, it should therefore be borne in mind that mortgage loan prepayment shall take place irrespective of said Mortgage Loan Subrogation and Amendment Act 2/1994, for the possibility or advisability of so doing shall be prompted not only by the facilities given in that connection but by such more determinant factors as mainly age and higher interest rate of the loans in relation to those offered from time to time.

## **VII.2 Implications that might derive from the trends remarked in the preceding point VII.1 (prepayment rate, default rate, et cetera):**

The Mortgage Loans for the issue of the Pass-Through Certificates to be subscribed for by the Fund all have a floating interest rate and are adjusted from time to time to market interest rate variations. Because of this, a high prepayment rate of the Mortgage Loans is not to be expected. The provisions established for the renegotiation for determining the interest rate of Mortgage Loans that might be in upper ranges in relation to the market level from time to time should also be borne in mind.

As for the obligors' creditworthiness, as set forth in section IV.4.i), some of the provisional portfolio mortgage loans which shall back the issue of the Pass-Through Certificates were liable as of May 31, 2005 for arrears in payment of amounts due, which situation was checked, as explained in the audit report attached as Appendix V to this Offering Circular. The Mortgage Loans that will finally be assigned to the Fund by means of the issue of Pass-Through Certificates shall have no overdue amounts on the date of issue for a period in excess of one (1) month, pursuant to the representation by BANCAJA contained in section IV.1.1.2 (20).

Signature: Mario Masiá Vicente  
General Manager  
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.

## APPENDIX I

### DEFINITIONS

**“Act 19/1992”** shall mean Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7.

**“Act 2/1981”** shall mean Mortgage Market Regulation Act 2/1981, March 25.

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

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

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

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

**“Amortisation Deficiency”** shall mean, on a Payment Date the positive difference, if any, between (i) the Series A, B, C, D and E Amortisation Withholding, and (ii) the Available Funds for Amortisation of Series A, B, C, D and E.

**“Available Funds for Amortisation”** shall mean the amount to be allocated to the amortisation of Bonds on each Payment Date.

**“Available Funds for Amortisation of Series A, B, C, D and E”** shall mean the amount to be allocated to the amortisation of the Series A, B, C, D and E Bonds on each Payment Date and shall be the Amortisation Withholding amount applied in 8<sup>th</sup> place of the Available Funds on the relevant Payment Date.

**“Available Funds”** shall mean (i) on each Payment Date, the amounts to be allocated to meeting the Fund's payment or withholding obligations, which shall have been paid paid to the Fund and credited to the Treasury Account, as established in section V.4.2.1.1 of this Offering Circular, and (ii) the amount, if any and where appropriate, deriving from the liquidation of the Fund's assets.

**“BANCAJA”** shall mean CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA.

**“Bond Issue”** shall mean the issue of asset-backed bonds issued by the Fund consisting of Bonds comprised of six Series (Series A, Series B, Series C, Series D, Series E and Series F).

**“Bond Issue Management, Underwriting, Placement and Subscription Agreement”** shall mean the Bond Issue management, underwriting, placement and subscription agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA and JPMORGAN as Lead Managers and Underwriters and Placement Agents, and IXIS CIB, FORTIS BANK and BANCO PASTOR as Underwriters and Placement Agents.

**“Bond Paying Agent Agreement”** shall mean the Bond paying agent agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA, as Paying Agent.

**“Bonds”** shall mean the Series A Bonds, the Series B Bonds, the Series C Bonds, the Series D Bonds, the Series E Bonds and Series F Bonds issued by the Fund.

**“Business Day”** shall mean any day other than a public holiday in the capital city of Madrid or non-business day in the TARGET calendar (Trans European Automated Real-Time Gross Settlement Express Transfer System).

**“Cash Reserve”** shall mean the Initial Cash Reserve provisioned on the Closing Date with the payment for subscribing for Series F and subsequently provisioned up to the Required Cash Reserve.

---

## DEFINITIONS

---

“**CET**” shall mean “Central European Time”.

“**Closing Date**” shall mean June 30, 2005, the date on which the cash amount of the subscription for the Bonds shall be paid up and the face value of the Pass-Through Certificates shall be paid.

“**CNMV**” shall mean the National Securities Market Commission *Comisión Nacional del Mercado de Valores*).

“**Collection Dates**” shall mean, in relation to the Servicing Agreement, the days on which the Servicer shall pay to the Fund the amounts received derived from the Mortgage Loans: the seventh day after the date on which they are received by the Servicer, or the following business day, for same day value, if that is not a business day, in accordance with the set terms and conditions. In this connection, business days shall be taken to be all those that are business days in accordance with the Savings Bank sector in the city of Valencia. In certain circumstances, the Management Company may change the Collection Dates in order for the amounts received by the Servicer derived from the Mortgage Loans to be previously paid to the Fund, indeed on the same day on which they are received by the Servicer.

“**Conditions for Pro Rata Amortisation**” shall mean the conditions laid down in section II.11.3.5 for amortisation of the Series A and/or B and/or C and/or D and/or E Bonds.

“**CPR**” shall mean the effective constant annual early amortisation or prepayment rate at which average lives and durations of the Bonds are estimated in this Offering Circular.

“**Deed of Constitution**” shall mean the public deed recording the constitution of the Fund, issue of and subscription for the Pass-Through Certificates, and Bond Issue.

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

“**Determination Dates**” shall mean the dates falling on the fourth (4<sup>th</sup>) Business Day preceding each Payment Date.

“**Determination Period**” shall mean the days elapsed between every two consecutive Determination Dates, excluding in each Determination Period the initial Determination Date and including the final Determination Date. Exceptionally, the duration of the first Determination Period shall be equal to the days elapsed between the Fund constitution date, inclusive, and the first Determination Date, August 19, 2005, inclusive.

“**Distribution of Available Funds for Amortisation of Series A, B, C, D and E**” shall mean the rules for applying the Available Funds for Amortisation on each Payment Date established in section II.11.3.5 and V.4.2.2.2 of the Offering Circular.

“**Doubtful Mortgage Loans**” shall mean Mortgage Loans that are delinquent on a given date with a period of arrears equal to or greater than eighteen (18) months in payment of overdue amounts or classified as bad debts by the Management Company because there are reasonable doubts as to their full repayment.

“**Early Amortisation**” shall mean the amortisation of the Bonds on a date preceding the Final Maturity Date in the Early Liquidation Events of the Fund, in accordance with and subject to the requirements established in section III.7.1 of this Offering Circular.

“**Early Liquidation Events**” shall mean the events contained in section III.7.1 where the Management Company, following notice duly served on the CNMV, is entitled to proceed to an Early Liquidation of the Fund on a Payment Date.

“**Early Liquidation of the Fund**” shall mean the liquidation of the Fund and thereby an early amortisation of the Bond Issue on a date preceding the Final Maturity Date, in the events and subject to the procedure established in section III.7.1.

“**Ernst & Young**” shall mean Ernst & Young S.L.

## DEFINITIONS

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

**“Final Maturity Date”** shall mean the final Bond amortisation date, i.e. February 25, 2038 or the following Business Day if that is not a Business Day.

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

**“Fund”** shall mean MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS.

**“Guaranteed Interest Rate Account (Treasury Account) Agreement”** shall mean the guaranteed interest rate account (Treasury Account) agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA

**“Iberclear”** shall mean Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A.

**“Initial Cash Reserve”** shall mean the initial Cash Reserve amount to be determined by the Management Company by 10am (CET time) on the day of the Subscription Period, based on the average margin applicable to the Party B interest rate in each of the Interest Swap Agreements, weighted by the Notional Amount (Annual) and the Notional Amount (Six-Monthly) for the first settlement period in each of those Agreements, between the following amounts: €10,000,000.00, €9,200,000.00 and €8,400,000.00

**“Interest Accrual Period”** shall mean the exact number of days elapsed between two consecutive Payment Dates, including the beginning Payment Date, but not including the ending Payment Date. The first Interest Accrual Period shall begin on the Closing Date, inclusive, and end on the first Payment Date, exclusive.

**“Interest Rate Fixing Date”** shall mean the second Business Day preceding each Payment Date.

**“Interest Swap Agreements”** shall mean the two floating interest rate swap agreements (Interest Swap Agreement (Annual) and Interest Swap Agreement (Six-Monthly)), both of which shall be entered into based on the 1992 ISDA Master Agreement (Multicurrency-Cross Border) entered into between the Management Company, acting for and on behalf of the Fund, and Barclays Bank Plc.

**“Interest Swap Agreement (Annual)”** shall mean the floating interest rate swap agreement whereby the Fund and Barclays Bank Plc shall make each other payments calculated on the outstanding balance of Mortgage Loans whose interest rate is revised annually, respectively applying the 12-month Euribor rate and the Reference Rate determined for the Bonds.

**“Interest Swap Agreement (Six-Monthly)”** shall mean the floating interest rate swap agreement whereby the Fund and Barclays Bank Plc shall make each other payments calculated on the outstanding balance of Mortgage Loans whose interest rate is revised every six months, respectively applying the 12-month Euribor rate and the Reference Rate determined for the Bonds.

**“IRNR Act”** shall mean Legislative Royal Decree 5/2004, March 5, approving the Consolidation of the Non-Resident Income Tax Act.

**“IRPF Act”** shall mean Legislative Royal Decree 3/2004, March 5, approving the Consolidation of the Personal Income Tax Act.

**“IRR”** shall mean the internal rate of return as defined in section II.10.1.2 of the Circular.

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

---

## DEFINITIONS

---

**“Lead Managers”** shall mean BANCAJA and JPMORGAN.

**“Liquidation Available Funds”** shall mean, in relation to the Liquidation Priority of Payments on the Final Maturity Date or on the Payment Date on which there is an Early Liquidation of the Fund, the amounts to be allocated to meeting the Fund's payment or withholding obligations, as follows: (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the assets under the Pass-Through Certificates remaining and, as the case may be, (iii) the amount drawn under the credit facility to be arranged which shall be fully allocated to final amortisation of the Series A, B, C, D and E Bonds, in accordance with the provisions of section III.7.1 of the Offering Circular.

**“Liquidation Priority of Payments”** shall mean the priority of the Fund's payment or withholding obligations for applying the Liquidation Available Funds on the Payment Date on which there is a liquidation of the Fund.

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

**“Moody's”** shall mean both Moody's Investors Service España, S.A. and Moody's Investors Service Limited, the holding company to which Moody's Investors Service España, S.A. is affiliated.

**“Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement”** shall mean the Mortgage Loan servicing and Pass-Through Certificate custody agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA as Servicer.

**“Mortgage Loans”** shall mean the mortgage loans transferred by BANCAJA to the Fund by means of the issue of the Pass-Through Certificates on loans granted by BANCAJA to individuals with mortgage security on real properties (homes, business premises, industrial warehouses and country properties) located within Spanish territory.

**“Nominal Interest Rate”** shall mean the nominal interest rate, variable quarterly and payable quarterly, applicable to each of the Series and determined for each Interest Accrual Period, which shall be the result of adding (i) the Reference Rate and (ii) a margin for each Series as detailed in section II.10.1.2 of the Offering Circular.

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

**“Originator”** shall mean BANCAJA

**“Outstanding Balance of the Mortgage Loans”** shall mean the sum of outstanding capital or principal and overdue capital or principal not paid into the Fund for each and every one of the Mortgage Loans.

**“Outstanding Principal Balance of the Series”** shall mean the sum of the outstanding principal to be repaid (outstanding balance) on a given date on all the Bonds making up the Series.

**“Pass-Through Certificates”** shall mean the pass-through certificates issued by BANCAJA in accordance with article 18 of Act 44/2002, and subscribed for by the Fund.

**“Paying Agent”** shall mean the firm servicing the Bonds. The Paying Agent shall be BANCAJA

**“Payment Date”** shall mean February 25, May 25, August 25 and November 25 in each year or, as the case may be, the following Business Day if any of those is not a Business Day. The first Payment Date shall be August 25, 2005.

**“Priority of Payments”** shall mean the priority listing the Fund's payment or withholding obligations both for applying the Available Funds and for distribution of Available Funds for Amortisation of Series A, B, C, D and E.

---

#### **DEFINITIONS**

---

**“Rating Agencies”** shall mean Moody’s Investors Service España, S.A. and Fitch Ratings España, S.A.

**“Reference Rate”** shall mean, other than for the first Interest Accrual Period, the three- (3-) month Euribor rate fixed at 11am (CET time) on the Interest Rate Fixing Date, or, if this Euribor rate should not be available or be impossible to obtain, then the substitute rates for which provision is made in section II.10.1.3 of the Offering Circular. The Reference Rate for the first Interest Accrual Period shall mean the rate resulting from a straight-line interpolation, taking into account the number of days in the first Interest Accrual Period, between the two- (2-) month Euribor rate and the three- (3-) month Euribor rate, fixed at 11am (CET time) on the second Business Day preceding the Closing Date, taking into account the number of days in the first Interest Accrual Period, or, upon the failure or impossibility to obtain these Euribor rates, the substitute rates for which provision is made in section II.10.1.3 of the Offering Circular.

---

## DEFINITIONS

---

**“Required Cash Reserve”** shall mean the Required Cash Reserve amount on each Payment Date to be determined by the Management Company by 10am (CET time) on the day of the Subscription Period, based on the average margin applicable to the Party B interest rate in each of the Interest Swap Agreements, weighted by the Notional Amount (Annual) and the Notional Amount (Six-Monthly) for the first settlement period in each of those Agreements, in accordance with the provisions of section V.3.3 of this Offering Circular, and in accordance with the following provisions:

**Weighted average margin applicable to the Party B  
interest rate in each of the Interest Swap Agreements**

Between  
-0.075% and -0.0249%  
Between  
-0.0250% and +0.0250%  
Between  
+0.0251% and +0.075%

**Initial Cash Reserve**

€10,000,000.00  
€9,200,000.00  
€8,400,000.00

**Required Cash Reserve** shall be the lower of the following amounts:

(i) The Initial Cash Reserve amount

€10,000,000.00  
€9,200,000.00  
€8,400,000.00

(ii) The higher of:

a) The amount resulting from applying the percentage specified to the sum of the Outstanding Principal Balance of Series A, B, C, D and E the following percentage

2.50%  
2.30%  
2.10%

b) The following amount

€5,000,000.00

---

## DEFINITIONS

---

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

**"Royal Decree 291/1992"** shall mean Royal Decree 291/1992, March 27, on Issues of and Public Offerings for the Sale of Securities, as reworded by Royal Decree 2590/1998, December 7.

**"Royal Decree 685/1982"** shall mean Royal Decree 685/1982, March 17, implementing certain aspects of Mortgage Market Regulation Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree's articles.

**"Royal Decree 926/1998"** shall mean Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies.

**"Royal Decree Law 5/2005"** shall mean Royal Decree-Law 5/2005, March 11, on urgent measures for boosting productivity and improving public contracting.

**"Securities Market Act"** shall mean Securities Market Act 24/1988, July 28, amended by Act 37/1998, November 16, and Act 44/2002, November 22, and Royal Decree Law 5/2005, March 11, among other amendments.

**"Series A, B, C, D and E Amortisation Withholding"** shall mean, on each Payment Date, positive difference existing between (i) the sum of the Outstanding Principal Balance of Series A, B, C, D and E and (ii) the Outstanding Balance of Non-Doubtful Mortgage Loans on the Determination Date preceding the relevant Payment Date.

**"Series A Bonds"** shall mean the Series A Bonds issued by the Fund having a total face amount of EUR seven hundred and fifty-four million four hundred thousand (754,400,000.00) comprising seven thousand five hundred and forty-four (7,544) Bonds having a unit face value of EUR one hundred thousand (100,000).

**"Series A"** shall mean the Series A Bonds issued by the Fund.

**"Series B Bonds"** shall mean the Series B Bonds issued by the Fund having a total face amount of EUR thirteen million two hundred thousand (13,200,000.00) comprising one hundred and thirty-two (132) Bonds having a unit face value of EUR one hundred thousand (100,000).

**"Series B"** shall mean the Series B Bonds issued by the Fund.

**"Series C Bonds"** shall mean the Series C Bonds issued by the Fund having a total face amount of EUR ten million four hundred thousand (10,400,000.00) comprising one hundred and four (104) Bonds having a unit face value of EUR one hundred thousand (100,000).

**"Series C"** shall mean the Series C Bonds issued by the Fund.

**"Series D Bonds"** shall mean the Series D Bonds issued by the Fund having a total face amount of EUR eight million eight hundred thousand (8,800,000.00) comprising eighty-eight (88) Bonds having a unit face value of EUR one hundred thousand (100,000).

**"Series D"** shall mean the Series D Bonds issued by the Fund.

**"Series E Bonds"** shall mean the Series E Bonds issued by the Fund having a total face amount of EUR thirteen million two hundred thousand (13,200,000.00) comprising one hundred and thirty-two (132) Bonds having a unit face value of EUR one hundred thousand (100,000).

**"Series E"** shall mean the Series E Bonds issued by the Fund.



## DEFINITIONS

**"Series F Bonds"** shall mean the Series F Bonds issued by the Fund having a total face amount comprised between EUR ten million (10,000,000.00) and EUR eight million four hundred thousand (8,400,000.00) comprising Bonds having a unit face value of EUR one hundred thousand (100,000), which the Management Company shall determine by 10am (CET time) on the day of the Subscription Period, as provided for in section II.6.f) of the Offering Circular.

**"Series F"** shall mean the Series F Bonds issued by the Fund.

**"Servicer"** shall mean the issuer of the Pass-Through Certificates under the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement, BANCAJA.

**"Servicing Agreement"** shall mean the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement.

**"Start-Up Loan Agreement"** shall mean the commercial loan agreement entered into by the Management Company, for and on behalf of the Fund, and BANCAJA.

**"Start-Up Loan"** shall mean the loan granted by BANCAJA to the Fund, in accordance with the provisions of the Start-Up Loan Agreement.

**"Subscription Period"** shall mean the period comprised between 12 o'clock midday (CET time) on June 28, 2005 and 1pm (CET time) on the same day.

**"Systems Company"** shall mean Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.

**"Treasury Account"** shall mean the financial account in euros opened at BANCAJA in the Fund's name, in accordance with the provisions of the Guaranteed Interest Rate Account (Treasury Account) Agreement, through which the Fund will make and receive payments.

**"Underwriters and Placement Agents"** shall mean BANCAJA, JPMORGAN, IXIS CIB, FORTIS BANK and BANCO PASTOR.

I, **DAVID LEELAND**, a British citizen, of Princesa 25-27, 20<sup>a</sup> 8D, 28008 Madrid, certified translator appointed by the Spanish Ministry of Foreign Affairs and fully conversant with both the Spanish and English languages, **DO HEREBY CERTIFY** that this is a full, true and faithful translation into English of a document (**Offering Circular dated June 23, 2005 for MBS BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS**) written in Spanish.

In witness whereof, I have hereunto set my name and stamp.

Madrid, the TWENTY-THIRD of JUNE TWO THOUSAND AND FIVE.

**DAVID LEELAND**, intérprete jurado de inglés, con domicilio en Princesa 25-27, 20<sup>a</sup> 8D, 28008 MADRID, CERTIFICA que la que antecede es traducción fiel y completa al inglés de un documento redactado en español.

Y para que conste, firmo y rubrico la presente en Madrid, a día VEINTITRÉS de JUNIO de DOS MIL CINCO.

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



**APPENDIX II**

**TRANSCRIPT OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF CAJA DE AHORROS  
DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA**

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

**APPENDIX III**

**TRANSCRIPT OF THE RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF  
DIRECTORS OF  
EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN**

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

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

#### **APPENDIX IV**

**LETTERS NOTIFYING THE PROVISIONAL RATING GIVEN TO THE BOND ISSUE BY MOODY'S  
INVESTORS SERVICE ESPAÑA, S.A. AND FITCH RATINGS ESPAÑA, S.A.**

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



**APPENDIX V**

**AUDIT REPORT ON CERTAIN CHARACTERISTICS AND ATTRIBUTES OF THE SELECTED  
MORTGAGE LOANS**

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

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

## **APPENDIX VI**

### **STATEMENT BY THE LEAD MANAGERS OF THE BOND ISSUE**

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

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

## **APPENDIX VII**

### **STATEMENT BY BANCAJA AS ISSUER OF THE PASS-THROUGH CERTIFICATES IN RELATION TO THE CONTENTS OF THE OFFERING CIRCULAR**