CHAPTER 0

SUMMARY OF THE OFFERING CIRCULAR

0.1 Summary of the characteristics of the issued or offered securities covered by this full circular and of the procedure for their placement and allocation among investors.

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

Class of security: Asset-Backed Bonds (the "**Bonds**") represented by means of book entries.

Issuer: **BANCAJA 5 FONDO DE TITULIZACIÓN DE ACTIVOS** (the "**Fund**").

Upon being constituted, the Fund's assets shall consist of the Mortgage Loans assigned by CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA ("**BANCAJA**") by means of the issue of the Mortgage Certificates and the Pass-Through Certificates, to be pooled therein.

Issue Amount: Face value of EUR one billion (1,000,000,000) consisting of 10,000 Bonds comprised of three Bond Series distributed as follows:

	Face Amount per Bond (EUR)	Number of Bonds	Series Total Face Amount (EUR)
Series A	100,000.00	9,605	960,500,000
Series B	100,000.00	245	24,500,000
Series C	100,000.00	150	15,000,000

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.

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

Issue Price: 100 percent of the face value of each Bond, clear of taxes and subscription costs for the subscriber through the Fund.

Ratings: Provisional ratings have been assigned by the Rating Agencies Moody's Investors Service España, S.A. ("**Moody's**"), Fitch Ratings España, S.A. ("**Fitch**"), and Standard & Poor's España, S.A ("**S&P**") for each of the Bond Series issued by the Fund, as follows:

Bond Series	Moody's Ratings	Fitch's Ratings	S&P's Ratings
Series A	Aaa	AAA	AAA
Series B	A2	A	A
Series C	Baa2	BBB	BBB

The Rating Agencies expect to confirm those provisional ratings as final by the start of the Bond Subscription Period. Failure to do so would result in the Fund not being constituted, the Bond Issue not being made and the Mortgage Certificates and the Pass-Through Certificates not being issued and subscribed for.

The Rating Agencies may revise, suspend or withdraw the final ratings at any time, which would not constitute an early amortisation event of the Fund.

Secondary Bond-Trading Market: AIAF FIXED-INCOME MARKET (*AIAF MERCADO DE RENTA FIJA*) ("**AIAF**").

The Management Company agrees that final listing of the Bonds on that market shall take place no later than one month after the Closing Date and shall at all events take place by the first Payment Date (July 18, 2003).

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**").

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

0.1.1 Interest rate:

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

Accrual of Interest:

Interest will accrue in respect of Interest Accrual Periods. Every Interest Accrual Period will comprise the exact number of days elapsed between each Payment Date (January 18, April 18, July 18 and October 18 in every year), including the beginning Payment Date, but not including the ending Payment Date. The duration of the first Interest Accrual Period shall be equivalent to the days elapsed between the Closing Date, inclusive, and the first Payment Date, to wit July 18, 2003, exclusive.

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

Nominal interest rate.

The nominal interest rate shall be the result of adding: (i) the Reference Rate or the substitute Reference Rate and (ii) the following margins for each of the Series, all of which shall be rounded up to the nearest thousandth of a percentage point.

- **Series A:** 0.27% margin.
- **Series B:** 0.65% margin.
- **Series C:** 1.25% margin.

The Reference Rate for determining the nominal interest rate applicable to each of the Bond Series, other than for the first Interest Accrual Period, is three- (3-) month Euribor rate, fixed at 11am (CET time).

The nominal interest rate for each Series shall be set on the second Business Day preceding each Payment Date and shall apply for the following Interest Accrual Period.

Exceptionally, the nominal interest rate for the Bonds in each Series for the first Interest Accrual Period shall be determined based on the Reference Rate (straight-line interpolation between the three- (3-) month and the six- (6-) month Euribor rate) albeit referred to the second Business Day preceding the Closing Date, and shall be notified in writing by the Management Company by the start of the Subscription Period to the Lead Managers and 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 Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) (the "**CNMV**"), the Paying Agent, the AIAF and Iberclear.

Payment of interest and repayment of principal.

Payment of interest and repayment of principal on the Bonds in each Series shall be made quarterly in arrears on each of the Payment Dates, which shall fall on January 18, April 18, July 18 and October 18 in each year or the following Business Day, as the case may be. The first Payment Date shall be July 18, 2003.

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

Payment of amounts due on each Series shall be made on each Payment Date provided that the Fund has sufficient liquidity to do so in the Priority of Payments described hereinafter.

0.1.2 Amortisation of the Bonds.

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

Final amortisation of the Bonds:

Final amortisation shall take place on the Final Maturity Date of the Bonds, which shall be April 18, 2035, notwithstanding the partial amortisations of the Bonds in each Series and the possibility of an Early Amortisation of the Bond Issue, on the terms and conditions established in the Offering Circular.

Partial amortisation of the Bonds:

Irrespective of the Final Maturity Date, partial amortisations of the Bonds in each Series shall be made on the terms described below.

1. **Series A Bonds.**

   Series A Bonds shall be amortised by partial amortisation on each of the Payment Dates until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A, distributed pro rata between the Bonds in the actual Series A by reducing the face value of each Bond. The first partial amortisation of the Series A Bonds shall take place on the first Payment Date (July 18, 2003).

2. **Series B Bonds.**

   Series B Bonds shall be amortised by partial amortisation on each of the Payment Dates until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series B, distributed pro rata between the Bonds in Series B proper by reducing the face value of each Bond.

   The first partial amortisation of Series B Bonds shall occur on the Payment Date after the Payment Date on which the Outstanding Principal Balance of Series B is equal to or greater than 4.90% of the Outstanding Principal Balance of the Bond Issue. After that Payment Date, the Available Funds for Amortisation shall be applied to the amortisation of Series A, B and C, as the case may be, and distributed pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series B and the Bond Issue to be kept at 4.90%, or a higher percentage closest thereto. The amortisation of Series B Bonds may however be stopped in certain circumstances for which provision is made in the rules for distributing the Available Funds for Amortisation among the Bonds in each Series in the Fund Priority of Payments.

3. **Series C Bonds.**

   Series C Bonds shall be amortised by partial amortisation on each of the Payment Dates until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series C, distributed pro rata between the Bonds in Series C proper by reducing the face value of each Bond.

   The first partial amortisation of Series C Bonds shall occur on the Payment Date after the Payment Date on which the Outstanding Principal Balance of Series C is equal to or greater than 3.00% of the Outstanding Principal Balance of the Bond Issue. After that Payment Date, the Available Funds for Amortisation shall be applied to the amortisation of Series A, B and C, as the case may be, and distributed pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series C and of the Bond Issue to be kept at 3.00%, or a higher percentage closest thereto. The amortisation of Series C Bonds may however be stopped in certain circumstances for which provision is made in the rules for distributing the Available Funds for Amortisation among the Bonds in each Series in the Fund Priority of Payments.

Early Amortisation of the Bonds.

Without prejudice to the Fund's obligation to amortise the Bonds on the Final Maturity Date or the partial amortisations on each Payment Date, as established in the preceding paragraphs, the Management Company shall be authorised, after notifying the CNMV, to proceed to an Early Liquidation of the Fund and hence an Early Amortisation, on a Payment Date, of the entire Bond Issue in the Liquidation Events in accordance with and subject to the requirements established in section III.8.1 of this Offering Circular.

0.1.3 Bond subscription and placement procedure.

Lead Managers:
- **J.P. MORGAN SECURITIES LTD. ("JPMORGAN")**
- **BANCAJA**

Underwriters and Placement Agents:
- **CRÉDIT FONCIER DE FRANCE ("CRÉDIT FONCIER")**
- **JPMORGAN**

Investors to whom the Bonds are offered.

The placement of the Bond Issue is targeted at institutional investors.

Subscription Period.

The Subscription Period shall commence at 12 o'clock noon (CET time) on April 15, 2003, and end at 5pm (CET time) on April 16, 2003.

Payment method and date.

The investors to whom the Bonds are allocated shall pay the relevant Underwriter and Placement Agent by 1pm (CET time) on April 17, 2003 ("**Closing Date**"), for same day value, the relevant issue price for each Bond allocated for subscription.

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

The constitution of the Fund and Bond issue are subject to Spanish Law, and specifically to the legal system established by 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, by Securities Market Act 24/1988, July 28 (the "**Securities Market Act**"), as amended by Act 37/1998, November 16, and by Act 44/2002, November 22, Act 3/1994, April 14, adapting Spanish law in regard to credit institutions to the Second Banking Co-ordination Directive and introducing other changes relating to the financial system ("**Act 3/1994**") and Financial System Reform Measures Act 44/2002, November 22, ("**Act 44/2002**"), and as prescribed by Royal Decree 291/1992, March 27, on Issues of and Public Offerings for the Sale of Securities ("**Royal Decree 291/1992**"), as amended by Royal Decree 2590/1998, December 7, and the Order dated July 12, 1993 implementing the same, and National Securities Market Commission Circular 2/1994, March 16, ("**Circular 2/1994**") approving the standard Offering Circular for constituting Mortgage Securitisation Funds, and National Securities Market Commission Circular 2/1999, April 22, approving certain standard circulars for use in public issues and offerings of securities ("**Circular 2/1999**").

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 are subject to Spanish Law. In any event, the Deed of Constitution shall be governed by and construed in accordance with Spanish Laws.

All matters, disagreements, actions and claims deriving from the Management Company's constitution, administration and legal representation of BANCAJA 5 FONDO DE TITULIZACIÓN DE ACTIVOS, and the Bond issue by the same, shall be heard and decided by the competent Spanish Courts and Tribunals.

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

The Bondholders and the remaining creditors of the Fund shall have no recourse whatsoever against the Fund or against the Management Company in the event of default of amounts due by the Fund resulting from a default of the Mortgage Loans by the relevant Obligors or breach by the other parties to the transactions arranged for and on behalf of the Fund.

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 heard in the relevant ordinary declaratory proceedings depending on the amount claimed.

0.2 Considerations regarding activities, financial position and most relevant circumstances of the Fund.

0.2.1 Nature of the Fund.

The constitution of and the Bond issue by the Fund 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; (vi) Securities Market Act 24/1988, in regard to supervision, inspection and penalties, and (vii) all other legal and statutory provisions in force and applicable from time to time.

The Fund shall be a separate closed-end fund, devoid of legal personality. Its assets shall comprise the Mortgage Certificates and the Pass-Through Certificates perfecting the assignment of the Mortgage Loans, and its liabilities shall comprise the Bonds issued, the Subordinated Loan and the Start-Up Loan, and the net worth of the Fund shall be nil. Additionally, the Interest Swap shall be reported in memorandum accounts.

The Fund shall be in existence until no later than April 18, 2035, the Final Maturity Date of the Bond Issue.

0.2.2 Representation of the Fund: Management Company.

The management and legal representation of the Fund lies with the Management Company, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, on the terms set in Royal Decree 926/1998, Act 19/1992 and other applicable laws, without prejudice to the provisions of the Deed of Constitution.

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

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

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

0.2.3 Assets pooled in the Fund.

The credit rights making up the Fund assets shall exclusively consist of credit rights owned by BANCAJA derived from loans granted by BANCAJA to individuals with real estate mortgage security on finished residential homes located within Spanish territory, both directly and through subrogations of financing granted to developers for building homes, assigned by BANCAJA to the Fund (the "**Mortgage Loans**"), by means of the issue of Mortgage Certificates or Pass-Through Certificates in accordance with their respective individual characteristics. In this Chapter and elsewhere in the Circular, the term "Mortgage Loans" and the term "Mortgage Certificates and Pass-Through Certificates" shall be used without distinction to refer to the credit rights which shall make up the Fund assets, albeit the former preferably over the latter, other than where reference is specifically made to the Mortgage Certificates and Pass-Through Certificates as such.

In the Deed of Constitution, the Management Company, for and on behalf of the Fund, and BANCAJA (the "**Originator**") shall perfect the agreement assigning the Mortgage Loans to the Fund by means of the issue of the Mortgage Certificates and the Pass-Through Certificates.

The total Mortgage Loan capital or principal that BANCAJA will assign to the Fund upon being constituted by means of the issue of the Mortgage Certificates and the Pass-Through Certificates, shall be at least equal to EUR one billion (1,000,000,000), the amount of the face value of the Bond Issue.

The Mortgage Loans will be fully and unconditionally assigned for the entire term remaining until maturity.

The assignment of each Mortgage Loan and the issue of the respective Mortgage Certificate or Pass-Through Certificate shall be made in respect of 100 percent of the outstanding principal and ordinary and late-payment interest on each Mortgage Loan, as well as all other amounts, assets or rights attaching to each of the Mortgage Loans, excluding the fees established in each of the Mortgage Loans, which shall remain for the benefit of BANCAJA.

The assignment of Mortgage Loans meeting the requirements laid down in Section 2 of Mortgage Market Regulation Act 2/1981, March 25, shall be perfected by means of the issue of mortgage participation certificates thereon (the **"Mortgage Certificates**"). The assignment of Mortgage Loans failing to meet those requirements because the outstanding principal balance as of the date of constitution is in excess of 80 percent of the appraisal value of the mortgaged property, shall be perfected by means of the issue of pass-through certificates (the "**Pass-Through Certificates**") in accordance with the provisions of article 18 of Financial System Reform Measures Act 44/2002, November 22.

The issue price of the Mortgage Certificates and the Pass-Through Certificates will be equal to the face value of the capital or principal of the Mortgage Loan.

The Fund's rights resulting from the Mortgage Certificates and the Pass-Through Certificates will all be linked to the payments made by the Obligors of the Mortgage Loans and shall therefore be directly affected by their progress, delays, prepayments or any other incident related thereto.

BANCAJA shall not bear the risk of default on the Mortgage Loans and shall therefore have no liability whatsoever for default by the Obligors of principal, interest or any other amount owing 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 Mortgage Certificates and the Pass-Through Certificates, other than where any of these or of the Mortgage Loans fail to conform to the representations set down in section IV.1.3 of this Circular and the specific characteristics BANCAJA may have communicated to the Management Company, due to a failure by the Mortgage Loan underlying that Mortgage Certificate to so conform.

The Mortgage Loans shall consist of most of a selection of mortgage loans whose characteristics are described in section IV.4 of this Circular. The outstanding principal on the 15,998 mortgage loans selected as of March 14, 2003 amounted on that date to EUR 1.090.118.471,64, of which EUR 1.089.957.794,06 was the outstanding principal and EUR 160.677,58 the overdue principal.

The following are the most significant characteristics of the 15,998 mortgage loans selected as of March 14, 2003:

• **Outstanding principal:**	EUR 68,130.88 (average) EUR 41.21 (minimum) EUR 295,630.57 (maximum)
• **Seniority (by origination date):**	17.59 months (weighted average*) 4.41 months - 31.10.2002 (minimum) 50.33 months - 03.01.1999 (maximum)
• **Type of interest rate:**	Floating interest throughout
• **Outstanding principal percentages according to benchmark indices and margin over weighted average index (“margin$_{wa}$”):**	87.60% 1-year Euribor (+0.93 margin$_{wa}$*) 11.65% Savings Banks Average Mortgage Loan Rate (+0.09 margin$_{wa}$*) 0.45% 1-year MIBOR (+0.78 margin$_{wa}$*) 0.29% 3-month EURIBOR (+0.82 margin$_{wa}$*) 0.01% CECA (Spanish Savings Banks Confederation) lending rate (+0.00 margin$_{wa}$*)
• **Nominal interest rate:**	4.347% (weighted average*) 3.205% (minimum) 7.250% (maximum)
• **Final maturity date:**	14.11.2032 (maximum) 01.05.2003 (minimum) 263.82 months (weighted average final maturity*)
• **Ratio outstanding principal/appraisal value:**	69.94% (weighted average*) 0.04% (minimum) 88.90% (maximum)

• **Geographical distribution by Autonomous Communities:**	54.61% Valencian Community 17.19% Madrid 9.14% Catalonia 19.06% 14 Communities (below 5%)

*** Average weighted by outstanding principal of the selected mortgage loans.**

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

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 Bonds issued, 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 accordance with the provisions of article 6.1 of Royal Decree 926/1998:

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

(ii) Subordinated Loan Agreement.

(iii) Start-Up Loan Agreement.

(iv) Interest Swap Agreement.

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

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

(vii) Bond Paying Agent Agreement.

(viii) Financial Intermediation Agreement.

The Management Company may, in order for the Fund to operate on the terms provided in the Deed of Constitution, in this Circular and in the laws in force from time to time, acting for and on behalf of the Fund, extend or amend the agreements entered into on the Fund's behalf, substitute each of the service providers to the Fund under those agreements and indeed, if necessary, enter into additional agreements, including new credit facility agreements, and, in exceptional events and where that is legally possible because provision is made for the necessary requirements, amend the Deed of Constitution, provided that the Management Company first notifies the CNMV or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the ratings assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution or of the 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.

0.2.5 Ordinary priority rules in payments by the Fund.

Source and application of funds from the first Payment Date until the last Payment Date or liquidation of the Fund, inclusive.

1. Source.

The available funds on each Payment Date (the "**Available Funds**") to meet the payment or withholding obligations listed in section 2 below shall be the following amounts credited to the Treasury Account:

a) Mortgage Loan principal repayment income received between the preceding Payment Date, exclusive, and the current Payment Date, inclusive.

b) Ordinary and late-payment interest income received on the Mortgage Loans between the preceding Payment Date, exclusive, and the current Payment Date, inclusive.

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

d) The amount with which the Cash Reserve is provisioned on the current Payment Date.

e) Amounts received under the Interest Swap Agreement.

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

2. Application:

The Available Funds shall be applied on each Payment Date to meeting payment or withholding obligations falling due on each Payment Date in the following priority of payments (the "**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, shall be made to the Servicer under the Servicing Agreement in this priority.

2. Payment of the Interest Swap Agreement amount and, in the event of termination of that Agreement following a breach by the Fund, payment of the amount payable 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.

   This payment shall however be moved to item number 8 if, on the preceding Determination Date, the Outstanding Balance of the Mortgage Loans with an arrears in excess of ninety (90) days in payment of amounts due is in excess of 8.00% of the Outstanding Balance of the Mortgage Loans, and if the

Series A Bonds have not been fully amortised or are not to be fully amortised on the current Payment Date.

5. Payment of interest due on the Series C Bonds.

   This payment shall however be moved to item number 9 if, on the preceding Determination Date, the Outstanding Balance of the Mortgage Loans with an arrears in excess of ninety (90) days in payment of amounts due is in excess of 5.00% of the Outstanding Balance of the Mortgage Loans, and if the Series A Bonds and the Series B Bonds have not been fully amortised or are not to be fully amortised on the current Payment Date.

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

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

7. Amortising Series A, B and C Bond principal in an amount equivalent to the positive difference, if any, between (i) the Outstanding Principal Balance of the Bond Issue on the day preceding the current Payment Date and (ii) the Outstanding Balance of the Mortgage Loans on the current Payment Date in good standing in payments of amounts due or, if delinquent, with an arrears of less than eighteen (18) months.

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

8. Payment of interest due on the Series B Bonds when this payment is deferred from item number 4 in the priority of payments as established in that number.

9. Payment of interest due on the Series C Bonds when this payment is deferred from item number 5 in the priority of payments as established in that number.

10. Payment of the amount payable by the Fund making up the settlement payment under the Interest Swap Agreement in the event of that Agreement being terminated for a breach by BANCAJA.

11. Payment of interest due on the Start-Up Loan.

12. Repayment of Start-Up Loan principal in the amortised amount.

13. Payment of interest due on the Subordinated Loan.

14. Repayment of Subordinated Loan principal in the amount of the reduction, if any, of the Required Cash Reserve.

15. Payment to the Servicer under the Servicing Agreement of the fee for servicing the Mortgage Loans.

    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 in that priority.

16. Payment of the variable remuneration established under the Financial Intermediation Agreement.

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 remaining Available Funds shall be pro rated among the amounts payable under each such item, and the amount applied to each item shall be applied in the priority in which the accounts payable fall due.

Distribution of the Available Funds for Amortisation among each Series.

The Available Funds for Bond Amortisation shall be distributed among the three Series to be amortised in accordance with the following rules:

1. Until the first Payment Date (inclusive) on which the Outstanding Principal Balance of Series B and the Outstanding Principal Balance of Series C is respectively equal to or greater than 4.90% and 3.00% of the Outstanding Principal Balance of the Bond Issue, the Available Funds for Amortisation shall be fully used for amortising the Series A Bonds.

2. From the Payment Date after the date on which the above ratios are respectively equal to or greater than said 4.90% and 3.00%, the Available Funds for Amortisation shall be applied to amortising Series A, B and C, proportionally among the same, thereby for the above ratios of the Outstanding Principal Balances of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue to be respectively kept at 4.90% and 3.00%, or a higher percentage closest thereto.

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

   a) That on the Determination Date for the current Payment Date, the sum of the Outstanding Balance of the Mortgage Loans with an arrears in excess of ninety (90) days in payment of amounts due in relation to the Outstanding Balance of the Mortgage Loans on that same date is in excess of 2.00%.

   b) That the amount of the Cash Reserve provisioned is less than the required Cash Reserve.

   c) That there is an Amortisation Deficiency.

3. On the Payment Dates after the first Payment Date on which the amount of the Outstanding Balance of the Mortgage Loans yet to be amortised is less than 10 percent of the initial Outstanding Balance, the Available Funds for Amortisation shall be exclusively applied to amortising Series A until it is fully amortised. Once the Series A Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series B until it is fully amortised, and once the Series B Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series C until it is fully amortised.

0.2.6 Liquidation and termination of the Fund.

Termination of the Fund.

The Fund shall terminate in any of the following events:

(i) Upon the Mortgage Loans pooled therein being fully repaid.

(ii) By the Early Liquidation procedure established in section III.8.1.

(iii) At all events, on the Final Maturity Date established for final Bond amortisation.

Early Liquidation of the Fund.

Following notice served on the CNMV, the Management Company shall be entitled to proceed to an early liquidation ("**Early Liquidation**") of the Fund and thereby an early amortisation, on a Payment Date, of the entire Bond Issue ("**Early Amortisation**"), when the Outstanding Balance of the Mortgage Loans pending amortisation is less than 10 percent of the initial Outstanding Balance and provided that the payment obligations derived from the Bonds issued by the Fund may be honoured and settled in full in the Priority of Payments, in accordance with the authorisation established in article 5.3 of Act 19/1992, in addition to the other Early Liquidation Events contained in section III.8.1, and subject to the same requirements and procedures contained in said section.

In order to proceed to that Early Liquidation of the Fund, it shall be necessary for the authorisations required to do so, as the case may be, to have been obtained from the CNMV or competent administrative authorities or bodies, and for Bondholders to be given thirty (30) Business Days' notice, as prescribed in section III.5.3 of the Circular, of the Management Company's resolution to proceed to an early liquidation of the Fund.

0.3 Risks inherent in the Bonds.

a) Risk of default on the Mortgage Loans.

The holders of Bonds issued by the Fund shall bear the risk of default on the Mortgage Loans pooled therein by means of the issue of the Mortgage Certificates and 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. 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 Mortgage Certificates and the Pass-Through Certificates, other than where any of these or of the Mortgage Loans fail to conform to the representations contained in section IV.1.3 of this Circular, or the specific characteristics of the Mortgage Loans notified by BANCAJA to the Management Company.

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) Prepayment risk of the Mortgage Loans.

There will be an early amortisation of the Mortgage Certificates and the Pass-Through Certificates pooled in the Fund when the Obligors of the Mortgage Loans prepay the portion of principal pending repayment, on the terms set in each of their documents. Similarly, there will be a full amortisation of the

Mortgage Certificates and 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 or in any other event having the same effect.

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

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

d) Liquidity.

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

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

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

e) Yield.

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

The calculation of the internal rate of return, average life and duration of the Bonds is subject, inter alia, to assumed Mortgage Loan prepayment and delinquency rates that may not be fulfilled, and on 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.

g) No right of action.

The Bondholders and the remaining creditors of the Fund shall have no recourse whatsoever against Obligors of the Mortgage Loans who may have defaulted on their payment obligations thereunder. Any such rights shall lie with the Management Company, representing the Fund holding the Mortgage Certificates and 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 default of amounts due by the Fund resulting from a default of the Mortgage Loans by the relevant Obligors or breach by the other parties to the transactions arranged for and on behalf of the Fund.

Neither the Fund nor the Bondholders shall have any right of action respectively against the Originator or against the Management Company other than as derived from breaches of their respective duties and hence at no event as a result of the existence of default or early amortisation.