

BANCAJA 3

FONDO DE TITULIZACIÓN DE ACTIVOS

ISSUE OF ASSET-BACKED BONDS

EUR 520,900,000

Series A	EUR	500,100,000	Aaa/AAA	3-M Euribor + 0.26%
Series B	EUR	10,400,000	A1/A+	3-M Euribor + 0.50%
Series C	EUR	10,400,000	Baa2/BBB	6.75%

**Backed by mortgage loans assigned by means of
the issue of mortgage certificates by**



Lead Managers



Underwriters and Placement Agents

Credit Suisse First Boston

Bancaja

Paying Agent

Bancaja

Fund structured, constituted and managed by



Material Event concerning

BANCAJA 3 Fondo de Titulización de Activos

As provided for in the Offering Circular or Prospectus for **BANCAJA 3 Fondo de Titulización de Activos** (the “Fund”), notice is given to the Comisión Nacional del Mercado de Valores of the following material event:

- This Management Company has, on behalf of the Fund and with the consent of BANKIA, S.A., agreed with BANCO SANTANDER, S.A. (“**SANTANDER**”) that this bank shall take over as Party B under the Interest Swap Agreement on the following terms:
 - On October 24, 2016, THE ROYAL BANK OF SCOTLAND PLC (“**RBS**”) and the Management Company, on behalf of the Fund, terminated the Financial Swap Agreement signed when the Fund was established, as it was then worded following successive amendments, based on the Spanish Banking Association’s standard 1997 Master Financial Transaction Agreement (CMOF).
 - On that same date, SANTANDER and the Management Company, for and on behalf of the Fund, entered into a new financial swap agreement based on the Spanish Banking Association’s standard 2013 Master Financial Transaction Agreement (CMOF), comprised of the Master Agreement, Annexes I, II and III (Credit Support Agreement) and the Confirmation, in terms similar to the Financial Swap Agreement then in force with RBS, which is taken to have terminated.
 - On that same date, RBS, SANTANDER, BANKIA, S.A. and the Management Company, for and on behalf of the Fund, with the knowledge of BARCLAYS BANK PLC, Sucursal en España (“**BARCLAYS**”), executed an agreement assigning rights and obligations whereby SANTANDER was thereafter to deposit the collateral, if any, required as security for its counterparty obligations under the new Interest Swap Agreement, on the terms set out in Annex III, in the Swap Collateral Account opened in the name of the Fund at BARCLAYS, as provided for in the Swap Collateral Account Agreement. As a result of the above, on October 25, 2016, the Fund has repaid RBS the collateral it held in the Swap Collateral Account and SANTANDER has posted a new collateral for the Fund in the Swap Collateral Account.
- The ratings for SANTANDER’s short- and long-term unsecured and unsubordinated debt obligations assigned by the Rating Agencies are currently as follows:

	Moody’s	Fitch
Short-term rating	P-2	F2
Long-term rating	A3	A-

- Following execution of the new Interest Swap Agreement with SANTANDER referred to above, the following sections of the Fund Prospectus shall read as follows:

Section	Description
<p>V.3.5 Interest Swap Agreement Sections 1 to 5.1</p>	<p>1. Payment Dates. These shall match the Bond Payment Dates, i.e. March 23, June 23, September 23 and December 23 of each year or, if any of these dates is not a Business Day, the next immediate Business Day. The first payment date shall be December 23, 2016. The Variable Amounts payable by Party A and by Party B for each respective Calculation Period shall be netted and be paid by the paying Party to the receiving Party on each Payment Date.</p> <p>2. Calculation Periods.</p> <p>Party A: The exact number of days elapsed between two consecutive Determination Dates, not including the first date but including the last date. Exceptionally, a) the duration of the first Party A Calculation Period shall be equivalent to the exact number of days elapsed between the Determination Date of September 19, 2016 (exclusive) and the Determination Date of December 19, 2016 (inclusive) and the duration of the last Party A calculation period shall be equivalent to the exact number of days elapsed between the Determination Date preceding the Floating Rate Financial Swap Agreement termination date, exclusive, and the termination date, inclusive.</p> <p>Party B: Party B calculation periods shall be the exact number of days elapsed between two consecutive Payment Dates, including the first date but not including the last date. Exceptionally:</p> <p>a) The duration of the first Party B Calculation Period shall be equivalent to the exact number of days elapsed between the Payment Date of September 23, 2016 and the Payment Date of December 23, 2016.</p> <p>b) The duration of the last Party B Calculation Period shall be equivalent to the exact number of days elapsed between the Payment Date preceding the Floating Rate Financial Swap Agreement termination date.</p> <p>3. Nominal Amount for Party A and for Party B. The daily average during the Party A Calculation Period terminating of the Outstanding Balance of Mortgage Loans having no payments which are more than ninety (90) days past due.</p> <p>4. Party A Variable Amount. This shall be on each Payment Date the amount resulting from applying the following formula:</p> $IVPA = (IN \times \%TIPA \times PR) / B$ <p>wherein:</p> <p>IVPA = Party A Variable Amount IN = Nominal Amount %TIPA = Party A Variable Interest Rate determined for the Party A Calculation Period immediately preceding the Payment Date PR = Number of Party A Calculation Period days. B = 360</p>

Section	Description
	<p>4.1 Party A Floating Interest Rate. This shall be for each Party A Calculation Period the yearly interest rate resulting from dividing: (i) the sum of the total interest amount received on the Mortgage Loans and paid into the Fund during the Party A Calculation Period, by (ii) the Nominal Amount, multiplied by the result of dividing 360 by the number of Party A Calculation Period days.</p> <p>5. Party B Variable Amount. The amount resulting from applying the following formula:</p> $IVPB = (IN \times \%TIPB \times PR) / B$ <p>Wherein:</p> <p>IVPB = Party B Variable Amount IN = Nominal Amount %TIPB = Party B Floating Interest Rate PR = Number of Party B Calculation Period days B=360</p> <p>5.1 Party B Floating Interest Rate. This shall be for each Party B Calculation Period the yearly interest rate resulting from adding: (i) the average Nominal Interest Rate applied to each Bond Series (the rate actually applied by the Management Company and published quarterly at www.edt-sg.com in the report entitled "Determining and Calculating Nominal Interest, Interest and Amortisation Applicable to the Bonds", for the then-current Interest Accrual Period matching each Party B Calculation Period), weighted by the Outstanding Principal Balance of each Series during the then-current Interest Accrual Period, plus (ii) 0.60 per cent.</p>

Madrid, October 26, 2016

Mario Masiá Vicente
General Manager

Material Event concerning**BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS**

As provided for in the Offering Circular or Prospectus for **BANCAJA 3 Fondo de Titulización de Activos** (the “Fund”) notice is given to the Comisión Nacional del Mercado de Valores of the following material event:

This Management Company has been notifying Bondholders in each Series and for each Payment Date of the resultant interest and amortisation, on a quarterly basis and at least one (1) calendar day in advance, as provided for in section III.5.2 a) 2) of the Prospectus. That information is also made available to the CNMV, the Paying Agent, AIAF and Iberclear within not more than one (1) Business Day before each Payment Date.

Notwithstanding the above, following the implementation of Phase I of the Reform of the Spanish securities Clearing, Settlement and Recording System and in conformity with Iberclear’s procedures as summed up in that institution’s Informative Note 64/2016, April 15, entitled “Reform: Notifying Fixed Income Corporate Action Events”, participants must be notified of fixed income corporate action events at least two days before the record date, and Iberclear provides that it must be notified by 2 pm on the second day (TARGET2 business days) preceding the relevant record date (generally, the day before the payment date).

In order to adapt to the provisions of the preceding paragraph, the Management Company is to introduce the following operational changes from the date hereof:

- “**Determination Dates**” (section II.11.3.4.1 of the Prospectus) shall mean the dates falling on the **fourth** Business Day preceding each Payment date.
- The “**Available Funds**” (section V.4.2.1 1. of the Prospectus) on each Payment Date shall be made up of Mortgage Loan income and amounts received by the Fund credited to the Treasury Account between every two consecutive Determination Dates, not including amounts received on the initial Determination Date but including amounts received on the last Determination Date.

Mortgage Loan amounts received by the Fund from the Determination Date, exclusive, preceding the relevant Payment Date, inclusive, shall remain credited to the Treasury Account to be included among the Available Funds on the following Payment Date.

- **Principal Withholding** (section V.4.2.1 2. 7 of the Prospectus) shall mean:

7. Principal Withholding to be distributed in accordance with the system applicable thereto.

The required Principal Withholding shall be equal to the positive difference on the Determination Date preceding the then-Current Payment Date between (i) the Outstanding Principal Balance of the Bond Issue, minus (ii) the Principal Account Balance and (iii) the Outstanding Balance of the Mortgage Loans.

Accordingly, the information contained in section III.5.2 a) 2) of the Prospectus referred to above may be notified by 2 pm two days in advance of each record date in accordance with Iberclear's procedures.

Madrid, June 6, 2016

Paula Torres Esperante
Attorney-in-fact

José Luis Casillas González
Attorney-in-fact

Material Event concerning

BANCAJA 3 Fondo de Titulización de Activos

As provided for in the Offering Circular or Prospectus for **BANCAJA 3 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:

	Fitch	Moody's
Short-term	F1	P-1
Long-term	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:

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

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

Section	Description
V.3.1 Paragraphs 2 et seq. (Treasury Account)	CITIBANK INTERNATIONAL LTD, Sucursal en España (" CITI "), 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 March 22, June 22, September 22 and December 22 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 December 22, 2015.</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:</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 transfer of the Treasury Account on the above terms should not be feasible, 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 short-term ratings at least as high as P-1 and F1 respectively by Moody's and Fitch, 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>V.3.8 Paragraphs 3 et seq. (Bond Paying Agent Agreement)</p>	<p>Both upon a breach by BNP PARIBAS SECURITIES SERVICES, Sucursal en España ("BNP Paribas") 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**

BANCAJA 3 Fondo de Titulización de Activos

In accordance with the provisions of the Prospectus for **BANCAJA 3 Fondo de Titulización de Activos** (the “**Fund**”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- As a result of the downgrade of the rating of the unsecured and unsubordinated debt obligations of BANKIA, S.A. (“**BANKIA**”) and as provided for in the Interest Swap Agreement, BANKIA has, with the consent of the Management Company, on behalf of the Fund, agreed with THE ROYAL BANK OF SCOTLAND PLC (“**RBS**”) that this bank will take over as Party B under the Interest Swap Agreement on the following terms:
 - On April 10, 2013, RBS, BANKIA and the Management Company, for and on behalf of the Fund, entered into the subrogation agreement in respect of the Interest Swap Agreement whereby RBS took over as Party B under that agreement.
 - On that same date, RBS and the Management Company, for and on behalf of the Fund, entered into an amendment agreement in respect of the Interest Swap Agreement, updating the Rating Agencies’ criteria.
 - On March 21, 2013, RBS, BARCLAYS BANK PLC, Sucursal en España (“**BARCLAYS**”) and the Management Company, for and on behalf of the Fund, entered into the Swap Collateral Account Agreement whereby the Management Company opened a guaranteed floating rate Euro current account in the name of the Fund at BARCLAYS, into which the RBS is to pay the collateral, if any, required as security for its obligations as counterparty under the Interest Swap Agreement, in terms of Annex III. The collateral amount is determined on a weekly basis having regard to the Swap valuation and the Rating Agencies’ criteria applicable for the purposes hereof.

The collateral posted by RBS to the Fund currently amounts to EUR 11,290,000.00.

- The ratings for RBS’ short- and long-term unsecured and unsubordinated debt obligations assigned by the Rating Agencies are currently as follows:

	Moody’s	Fitch
Short-term rating	P-2	F1
Long-term rating	A3	A

- The ratings for BARCLAYS’ short- and long-term unsecured and unsubordinated debt obligations assigned by the Rating Agencies are currently as follows:

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

- Following execution of the aforementioned agreement amending the Interest Swap Agreement with RBS, the following sections of the Fund Prospectus shall read as follows:

Section	Description
V.3.4 Interest Swap Agreement Section 7	<p>7. Downgrade of Party B's credit rating.</p> <p>(i) Fitch Criteria.</p> <p>A. (i) In relation to each uncured Fitch Level 1 Required Rating Loss Event (unless a previous Fitch Level 1 Required Rating Loss Event remains uncured), Party B shall use its best efforts, at its cost, to Cure the Fitch Level 1 Required Rating Loss within the relevant Fitch Level 1 Rating Loss Cure Period, although if a Fitch Level 2 Required Rating Loss Event should occur on the same date as the Fitch Level 1 Required Rating Loss Event or during the Fitch Level 1 Rating Loss Cure Period, that Fitch Level 1 Required Rating Loss Event shall be taken not to have occurred.</p> <p>(ii) In relation to each uncured Fitch Level 2 Required Rating Loss Event (unless a previous Fitch Level 2 Required Rating Loss Event remains uncured), Party B shall use its best efforts, at its cost, to Cure the Fitch Level 2 Required Rating Loss within the relevant Fitch Level 2 Rating Loss Cure Period, although until the Curing of Fitch Level 2 Required Rating Loss occurs during the Fitch Level 2 Rating Loss Cure Period, Party B shall do whatever is necessary in order for Delivery of Credit Support on Loss of Fitch Rating to occur.</p> <p>B. Additional definitions</p> <p>In this section:</p> <p>"Fitch" shall mean Fitch Ratings Limited or any other replacement entity.</p> <p>"Entity with Minimum Fitch Level 1 Rating" shall mean any entity with long- and short-term unsecured and unsubordinated debt obligations respectively rated A and F1 by Fitch.</p> <p>"Delivery of Credit Support on Loss of Fitch Rating" shall mean the fulfilment by Party B of its obligation to deliver credit support to Party A with a given value in terms of Appendix A to Annex III in support of the obligations it acquired under this Interest Swap Agreement although such credit support shall be valued each week.</p> <p>"Curing of Fitch Level 1 Required Rating Loss" shall mean, in relation to a Fitch Level 1 Required Rating Loss Event the date after the Fitch Level 1 Required Rating Loss Event on which any of the following occurs:</p> <p>(i) Credit Support: Delivery of Credit Support on Loss of Fitch Rating; or</p> <p>(ii) Without delivery of credit support: Curing of Loss of Fitch Required Rating without credit support (and, for the avoidance of doubt, if Curing of Loss of Fitch Required Rating without credit support should occur, Party B shall not be bound to assign or keep in place any additional credit support with respect to a Fitch Level 1 Required Rating Loss Event, but will be bound to assign or keep in place any credit support in accordance with the Delivery of Credit Support on Loss of Fitch Rating while the Curing of Loss of Fitch Required Rating without credit support is pending).</p> <p>"Fitch Level 1 Rating Loss Cure Period" shall mean, in relation to a Fitch Level 1 Required Rating Loss Event and the relevant Cure, the period of 14 calendar days starting from (but not including) the date of the occurrence of that Fitch Level 1 Required Rating Loss Event.</p> <p>"Fitch Level 1 Required Rating Loss Event" shall mean the first date on which neither Party B (or its successor), nor any credit support provider or co-obligor of Party B, is an Entity with Minimum Fitch Level 1 Rating.</p> <p>"Curing of Fitch Level 2 Required Rating Loss" shall mean, in relation to a Fitch Level 2 Required Rating Loss Event, the date after such Fitch Level 2 Required Rating Loss Event on which any of the following occurs:</p> <p>(i) Credit Support: Delivery of Credit Support on Loss of Fitch Rating; and</p>

Section	Description
	<p>(ii) Without delivery of credit support: the Curing of Loss of Fitch Required Rating without credit support (and, for the avoidance of doubt, if a Curing of Loss of Fitch Required Rating without credit support should occur, Party B shall not be bound to assign or keep in place any additional credit support with respect to a Fitch Level 2 Required Rating Loss Event, but will be bound to assign or keep in place any credit support in accordance with the Delivery of Credit Support on Loss of Fitch Rating while the Curing of Loss of Fitch Required Rating without credit support is pending).</p> <p>“Fitch Level 2 Rating Loss Cure Period” shall mean, in relation to a Fitch Level 2 Required Rating Loss Event and the relevant Cure, the period of 30 calendar days starting from (but not including) the date of the occurrence of that Fitch Level 2 Required Rating Loss Event.</p> <p>“Fitch Level 2 Required Rating Loss Event” shall mean the first date on which neither Party B (or its successor), nor any credit support provider or co-obligor of Party B, is an Entity with Minimum Fitch Level 2 Rating.</p> <p>“Entity with Minimum Fitch Level 2 Rating” shall mean any entity with long- and short-term unsecured and unsubordinated debt obligations respectively rated BBB- and F3 by Fitch.</p> <p>“Entity for Cure without credit support” shall mean, at any time, any third party (who may also be an Affiliate of Party B) who is (or in respect of which the credit support provider for its obligations is) an Entity with Minimum Fitch Level 1 Rating at that time.</p> <p>“Curing of Loss of Fitch Required Rating without credit support” shall mean the first date on which any of the following occurs:</p> <p>(i) Assignment: Subject to any other provision relating to assignments of the Interest Swap Agreement, Party B transfers all of its rights and obligations originated by that Master Agreement to a replacement third party which is an Entity for Cure without credit support.</p> <p>(ii) Co-obligor or credit support provider: Party B does whatever may be necessary in order for a third party who is an Entity for Cure without credit support to become co-obligor or credit support provider with respect to the obligations acquired by Party B under the Interest Swap Agreement.</p> <p>(iii) Alternative action: Party B takes any other action (x) which Fitch confirms in writing will trigger no negative rating decision with respect to the current rating of the Bonds and (y) which Party A, acting reasonably, confirms to Party B will not be materially detrimental to bondholders’ interests.</p> <p>(ii) Moody’s Criteria.</p> <p>Party B irrevocably agrees as follows under the Interest Swap Agreement:</p> <p>(1) If, at any time during the life of the Bond Issue, neither Party B nor any of its Credit Support Providers has the First Required Rating Threshold (“First Rating Default”), then Party B shall do one of the following within thirty (30) Business Days of the occurrence of that circumstance:</p> <p>a) Obtain a Replacement with the First Required Rating Threshold (or else a Replacement having a Credit Support Provider with the First Required Rating Threshold).</p> <p>b) Obtain a Credit Support Provider with the First Required Rating Threshold.</p> <p>c) Post or assign cash or securities collateral as security for Party A with an institution with short-term unsecured and unsubordinated debt obligations rated P-1 by Moody’s in the required First Rating Default amount in terms of Credit Support Annex III according to Moody’s Criteria.</p> <p>The collateral amount posted to Party A by Party B under this section (1) shall be returned to Party B when the causes triggering the First Rating Default cease.</p> <p>(2) If, at any time during the life of the Bond Issue, neither Party B nor any of its Credit Support Providers has the Second Required Rating Threshold (“Second Rating Default”), then Party B shall, on a best efforts basis and as soon as possible,</p> <p>(A) obtain a Credit Support Provider with at least the Second Required Rating Threshold;</p>

Section	Description
	<p>(B) obtain an Eligible Replacement with at least the Second Required Rating Threshold (or else a Replacement having a Credit Support Provider with the Second Required Rating Threshold); or</p> <p>(C) take any other action (x) which Moody's confirms in writing will not trigger a downgrade or withdrawal of the rating currently assigned by Moody's to the Bonds and (y) which Party A, acting reasonably, confirms to Party B will not be materially detrimental to bondholders' interests.</p> <p>While none of the above is done, Party B shall, within thirty (30) Business Days from the occurrence of the Second Rating Default, post or assign cash or securities collateral as security for Party A with an institution with short-term unsecured and unsubordinated debt obligations rated P-1 by Moody's in the required Second Rating Default amount in terms of Credit Support Annex III according to Moody's Criteria.</p> <p>The collateral amount posted to Party A by Party B under this section (2) shall be returned to Party B: a) fully, when the causes for the First Rating Default cease., or, b) partially, when the causes for the Second Rating Default cease but not so the causes for the First Rating Default, in which case the collateral shall be posted in the required First Rating Default amount.</p> <p>Party B's obligations under (1) and (2) above, and the Early Termination events deriving under the same, shall only apply during such time as the events respectively triggering the First Rating Default or the Second Rating Default are in place.</p> <p>All costs, expenses and taxes incurred in connection with complying with the preceding actions and obligations shall be borne by Party B.</p> <p>In Moody's Criteria:</p> <p>"Eligible Guarantee" shall mean an unconditional, irrevocable guarantee given by a Credit Support Provider jointly and severally (as principal debtor) directly enforceable by Party A with respect to which (A) a law firm provides a legal opinion confirming that no payments by that entity to Party A under the Guarantee results in any requirement for deduction or withholding for or on account of any tax; or (B) that Guarantee determines that, if any such payments by the Credit Support Provider to Party A are subject to any requirement for deduction or withholding for or on account of any tax, that Credit Support Provider shall be bound to make such additional payment as may be necessary in order for the net payment ultimately received by Party A (clear of any tax) to be equal to the total amount Party A would have received had there been no such deduction or withholding, or (C) where any payment under that guarantee is made net of deductions or withholdings for or on account of any tax, Party B shall be bound to make such additional payment as may be necessary in order for the net payment received by Party A on the part of the credit support provider to be equal to the total amount Party A would have received had there been no such deduction or withholding.</p> <p>"Credit Support Provider" shall mean an entity providing an unconditional, irrevocable, first demand guarantee with respect to all present and future obligations of Party B with respect to the Interest Swap Agreement (the "Eligible Guarantee").</p> <p>"Relevant Entity" or "Relevant Entities" shall mean Party B and any credit support provider under an Eligible Guarantee in relation to all present and future obligations of Party B under this Agreement.</p> <p>"Moody's Short-Term Rating" shall mean a credit rating assigned by Moody's under its short-term scale with respect to an entity's short-term unsecured and unsubordinated debt obligations.</p> <p>"Replacement" shall mean an entity taking over as Party B under the Interest Swap Agreement or entering into a new interest swap agreement with Party A, on terms substantially matching those of the Interest Swap Agreement (which shall be confirmed by Party A, on a best efforts basis), and provided that (A) a law firm provides a legal opinion confirming that no payments by that entity to Party A results in any requirement for</p>

Section	Description
	<p>deduction or withholding for or on account of any tax; or (B) if any such requirement for deduction or withholding exists, the payment made by that entity shall be increased by such amount as may be necessary in order for the net payment received by Party A to be equal to the amount Party A would have received had there been no such deduction or withholding. That institution shall thereafter be considered in every respect to be Party B under the Interest Swap Agreement or the new protection agreement to be entered into.</p> <p>"Eligible Replacement" shall mean a Replacement (A) with the Second Required Rating Threshold, or (B) whose present and future obligations to Party A under this Agreement (or its replacement as applicable) are secured by a Guarantee provided by a Credit Support Provider with the Second Required Rating Threshold.</p> <p>An entity shall have the "First Required Rating Threshold" (A) in the event that such entity has a Moody's Short-Term Rating, if that rating is P-1 and Moody's rating for its long-term unsecured and unsubordinated debt obligations is at least as high as A2 and (B) in the event that such entity does not have a Moody's Short-Term Rating, where its long-term unsecured and unsubordinated debt obligations (or its obligations as counterparty) are rated at least as high as A1 by Moody's.</p> <p>An entity shall have the "Second Required Rating Threshold" (A) in the event that such entity has a Moody's Short-Term Rating, if that rating is at least as high as P-2 and Moody's rating for its long-term unsecured and unsubordinated debt obligations is at least as high as A3, and (B) in the event that such entity does not have a Moody's Short-Term Rating, where its long-term unsecured and unsubordinated debt obligations (or its obligations as counterparty) are rated at least as high as A3 by Moody's.</p>

Madrid, April 19, 2013

Mario Masiá Vicente
General Manager

**Material Event
concerning**

BANCAJA 3 Fondo de Titulización de Activos

Pursuant to Chapter III, Section III.5.2 of the Prospectus for **BANCAJA 3 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
V.3.8	<p>Bond Paying Agent Agreement.</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 (ii) 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. 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**

BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS

Pursuant to Chapter III, section 5.3.d, of the Prospectus for **BANCAJA 3 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 events dated October 16, 2008, January 8, 2009 and February 4, 2009, amendments have been made to the Guaranteed Interest Rate Account (Treasury Account) Agreement and the Interest Swap Agreement, entered into by the Fund.
- Accordingly, the following sections of the Fund's Prospectus should read as follows:

Section	Description
V.3.1	<p>Guaranteed Interest Rate Account (Treasury Account) Agreement.</p> <p>In paragraph three of that section, concerning the actions to be taken in the event of the Treasury Account Provider's rating being downgraded, the reference to "ten (10) Business Days" is replaced with "thirty (30) days".</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.</p>
V.3.4	<p>Interest Swap Agreement.</p> <p>The Interest Swap Agreement, entered into based on the Spanish Banking Association's standard Master Financial Transaction Agreement (CMOF), comprises the Master Agreement, Schedules I, II and III (Collateral Assignment Agreement) and the Confirmation.</p> <p>The references to the general terms of the Interest Swap Agreement, set out after subsection 5.1 of this section, are replaced with the following:</p> <p>"6. Events of default specific to the Interest Swap Agreement.</p> <p>If on a Payment Date the Fund (Party A) should not have sufficient liquidity to pay the full net amount, if any, payable to Party B, the portion of this net amount not paid shall be settled on the following Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments. Should such event of default occur on two consecutive Payment Dates, Party B may choose to terminate the Interest Swap Agreement. In this event, the Fund (Party A) shall accept the obligation to pay the settlement amount established to which it is bound on the terms of the Interest Swap Agreement, the foregoing in the Priority of Payments. Should the settlement amount payable under the 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 Interest Swap Agreement.</p> <p>Subject to the above, other than in an event of permanent financial imbalance of the Fund, the Management Company shall endeavour, for and on behalf of the Fund, to enter into a new swap agreement on terms substantially identical with the Interest Swap Agreement.</p> <p>7. Ratings Downgrade of Party B.</p>

Section	Description
	<p>(i) Fitch Criteria.</p> <p>In accordance with Fitch's report "Counterparty Risk in Structured Finance Transactions: Hedge Criteria" published on August 1, 2007 (the "Fitch Criteria"), Party B shall irrevocably agree as follows under the Interest Swap Agreement:</p> <p>(1) If at any time during the life of the Bond Issue the unsecured and unsubordinated debt obligations of Party B should cease to have a short-term rating at least as high as F1 by Fitch and a long-term rating at least as high as A by Fitch ("Initial Fitch Rating Event"), both the "Required Ratings", then Party B shall, within thirty (30) calendar days of the occurrence of that Initial Fitch Rating Event, do any of the following:</p> <p>(A) transfer all of its rights and obligations with respect to the Interest Swap Agreement to a Replacement having the Required Ratings by Fitch;</p> <p>(B) obtain an unconditional guarantee from a third party having the Required Ratings by Fitch, in support of its obligations under the Interest Swap Agreement;</p> <p>(C) post or assign collateral in the form of cash or securities to Party A at an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F1 by Fitch, in terms of Collateral Assignment Schedule III based on the Fitch Criteria.</p> <p>If either of (1)(A) or (1)(B) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred to Party A by Party B pursuant to (1)(C) will be retransferred to Party B and Party B will not be required to transfer any additional collateral.</p> <p>(2) Fitch Criteria (continued):</p> <p>If at any time during the life of the Bond Issue the unsecured and unsubordinated debt obligations of Party B should cease to have a short-term rating at least as high as F2 or a long-term rating at least as high as BBB+ by Fitch ("First Subsequent Fitch Rating Event"), then (1)(A) and (1)(B) above shall be preferred by Fitch.</p> <p>If Party B should choose (1)(C) above, then an independent third party shall calculate the amount of the cash or securities collateral in terms of Collateral Assignment Schedule III based on the Fitch Criteria.</p> <p>(3) Fitch Criteria (continued):</p> <p>If at any time during the life of the Bond Issue the unsecured and unsubordinated debt obligations of Party B should cease to have a short-term rating at least as high as F3 or a long-term rating at least as high as BBB- by Fitch ("Second Subsequent Fitch Rating Event"), then Party B shall, within thirty (30) calendar days of the occurrence of that Second Subsequent Fitch Rating Event, do either of the following:</p> <p>(A) transfer all of its rights and obligations with respect to the Interest Swap Agreement to a Replacement having the Required Ratings by Fitch; or</p> <p>(B) obtain an unconditional guarantee from a third party having the Required Ratings by Fitch, in support of its obligations under the Interest Swap Agreement.</p> <p>Pending compliance with either of the alternatives described above, Party B shall, from the occurrence of the Second Subsequent Fitch Rating Event, post or assign collaterals in the form of cash or securities to Party A at an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F1 by Fitch, in terms of Collateral Assignment Schedule III based on the Fitch Criteria.</p> <p>If (B) should be chosen for (1), (2) and (3) above, both the guarantee referred to therein and</p>

Section	Description
	<p>the legal opinion attached thereto shall be reviewed by Fitch or its legal advisers. The guarantee shall be verified by Fitch or its legal advisers as to its enforceability.</p> <p>All costs, expenses and taxes incurred upon complying with the foregoing actions and obligations shall be borne by Party B.</p> <p>The alternative actions described in this section, and the deadlines and ratings, based on Fitch's current criteria, may be updated, changed or replaced by Fitch. Any replacement, substitution, guarantee, collateral or assignment shall be made on such terms as the Management Company and Fitch shall deem appropriate in order to ensure maintenance of the ratings assigned to each Bond Series by Fitch, based on the Fitch Criteria in force at the time.</p> <p>(ii) Moody's Criteria.</p> <p>Party B shall irrevocably agree as follows under the Interest Swap Agreement:</p> <p>(1) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has the First Required Rating Threshold ("First Rating Default"), then Party B shall, within thirty (30) Business Days of the occurrence of that circumstance, do any of the following:</p> <ul style="list-style-type: none"> a) Obtain a Replacement having the First Required Rating Threshold (or a Replacement with a Credit Support Provider having the First Required Rating Threshold). b) Obtain a Credit Support Provider having the First Required Rating Threshold. c) Post or assign collateral in the form of cash or securities to Party A at an institution with short-term unsecured and unsubordinated debt obligations rated P-1 by Moody's, in the required First Rating Default amount in terms of Collateral Assignment Schedule III based on Moody's Criteria. <p>The collateral amount posted to Party A by Party B under this section (1) shall be retransferred to Party B when the events triggering the First Rating Default cease.</p> <p>(2) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has the Second Required Rating Threshold ("Second Rating Default"), then Party B shall, on a best efforts basis and as soon as possible,</p> <ul style="list-style-type: none"> (A) obtain a Credit Support Provider having at least the Second Required Rating Threshold; or (B) obtain an Eligible Replacement having at least the Second Required Rating Threshold (or a Replacement with a Credit Support Provider having the Second Required Rating Threshold). <p>Pending compliance with either alternative described above, Party B shall, within thirty (30) Business Days of the occurrence of the Second Rating Default, post or assign collaterals in the form of cash or securities to Party A, at an institution with short-term unsecured and unsubordinated debt obligations rated P-1 by Moody's, in the required Second Rating Default amount in terms of Collateral Assignment Schedule III based on Moody's Criteria.</p> <p>The collateral amount posted to Party A by Party B under this section (2) shall be retransferred to Party B:</p>

Section	Description
	<p>a) in full, when the events triggering the First Rating Default cease, or,</p> <p>b) in part, when the events triggering the Second Rating Default cease but the events triggering the First Rating Default do not, in which case the collateral shall be posted in the required First Rating Default amount.</p> <p>Party B's obligations under (1) and (2) above, and the Termination events deriving therefrom, shall only apply during such time as the events respectively triggering the First Rating Default or the Second Rating Default are in place.</p> <p>All costs, expenses and taxes incurred upon complying with the foregoing actions and obligations shall be borne by Party B.</p> <p>In connection with Moody's Criteria:</p> <p>"Eligible Guarantee" shall mean an unconditional and irrevocable guarantee provided by a Credit Support Provider jointly and severally (as principal obligor) directly enforceable by Party A with respect to which (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A under the Guarantee results in any requirement for deduction or withholding for or on account of any tax; or (B) the Guarantee determines that, if any such payments made by the Credit Support Provider to Party A results in any requirement for deduction or withholding for or on account of any tax, that Credit Support Provider shall be bound to pay that additional amount in order for the net payment ultimately received by Party A (clear of any tax) to be equal to the total amount which Party A would have received had there been no such deduction or withholding; or (C) if any payment under that guarantee is made net of deductions or withholdings for or on account of any tax, then Party B shall make an additional payment in order to ensure that the net amount received by Party A from the credit support provider shall be equal to the total amount which Party A would have received had there been no such deduction or withholding.</p> <p>"Credit Support Provider" shall mean an institution providing an unconditional, irrevocable and first demand guarantee with respect to all present and future obligations of Party B under the Interest Swap Agreement (the "Eligible Guarantee").</p> <p>"Relevant Entity" or "Relevant Entities" shall mean Party B and any credit support provider under an Eligible Guarantee with respect to all present and future obligations of Party B under this Agreement.</p> <p>"Moody's Short-Term Rating" shall mean a credit rating assigned by Moody's under its short-term scale with respect to an entity's short-term unsecured and unsubordinated debt obligations.</p> <p>"Replacement" shall mean any institution taking over as Party B under the Interest Swap Agreement or entering into a new Interest Swap Agreement with Party A, on terms substantially identical with the Interest Swap Agreement (which shall be confirmed by Party A, on a best efforts basis), and provided that (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A results in any requirement for deduction or withholding for or on account of any tax; or (B) if there is any such deduction or withholding, the payment made by that institution shall be increased by whatever amount is necessary in order for the net payment received by Party A to be equal to such other amount as Party A would have received had there been no such deduction or withholding. That institution shall thereafter, to all intents and purposes, be considered Party B under the Interest Swap Agreement or in the new protection agreement to be entered into.</p> <p>"Eligible Replacement" shall mean a Replacement (A) with the Second Required Rating Threshold, or (B) whose present and future obligations due to Party A under this Agreement</p>

Section	Description
	<p>(or its successor as applicable) are supported by a Guarantee provided by a Credit Support Provider having the Second Required Rating Threshold.</p> <p>An entity shall have the “First Required Rating Threshold” (A) in the event that such entity has a Moody’s Short-Term Rating, if that rating is P-1 and its long-term unsecured and unsubordinated debt obligations are rated at least as high as A2 by Moody’s, and (B) in the event that such entity does not have a Moody’s Short-Term Rating, if its long-term unsecured and unsubordinated debt obligations (or its counterparty obligations) are rated at least as high as A1 by Moody’s.</p> <p>An entity shall have the “Second Required Rating Threshold” (A) in the event that such entity has a Moody’s Short-Term Rating, if that rating is at least as high as P-2 and its long-term unsecured and unsubordinated debt obligations are rated at least as high as A3 by Moody’s, and (B) in the event that such entity does not have a Moody’s Short-Term Rating, if its long-term unsecured and unsubordinated debt obligations (or its counterparty obligations) are rated at least as high as A3 by Moody’s.”</p>

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

Mario Masiá Vicente
General Manager

This document is an English-language translation of the Spanish Offering Circular. No document other than the Spanish Offering Circular which has been verified and entered in the official registers of the Comisión Nacional del Mercado de Valores may be considered as having any legal effect whatsoever in respect to the Bonds.

This translation has been prepared for information purposes only. In the event of any discrepancy between the Spanish Offering Circular and the translation, the Spanish Offering Circular shall prevail.

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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 securities subject of this Issue are Asset-Backed Bonds (the “**Bond Issue**” or generically the “**Bonds**”), which are being issued by BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS (the “**Fund**”). The Bond Issue totals a face value of EUR five hundred and twenty million nine hundred thousand (520,900,000), and consists of 5,209 Bonds pooled in 3 Bond Series, on the terms described in the Offering Circular.

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

Class of Security: Asset-Backed Bonds represented by means of book entries.

Issuer: BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS

Issue Amount: Face value of EUR 520,900,000, consisting of 5,209 Bonds represented by means of book entries, pooled in 3 Bond Series distributed as follows:

	Face Amount per Bond (EUR)	Number of Bonds	Series Total Face Value (EUR)
Series A	100,000.00	5,001	500,100,000.00
Series B	100,000.00	104	10,400,000.00
Series C	100,000.00	104	10,400,000.00

Issue Price: 100 percent of the face value of each Bond, clear of taxes and subscription expenses 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**”) and Fitch Ratings España, S.A. (“**Fitch**”) for each of the Bond Series issued by the Fund, as follows.

Bond Series	Moody's Rating	Fitch's Rating
Series A	Aaa	AAA
Series B	A1	A+
Series C	Baa2	BBB

The Rating Agencies expect to assign those provisional ratings as final ratings by the start of the Bond Subscription Period. The Fund constitution, Bond Issue and assignment of the Mortgage Loans would otherwise terminate.

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 MERCADO DE RENTA FIJA.

The Management Company agrees that final listing of the Bonds in that market shall take place no later than one month after the Closing Date.

Institution in charge of the Bond accounting record: SERVICIO DE COMPENSACIÓN Y LIQUIDACIÓN DE VALORES S.A. ("SCLV")

Bondholders shall be identified as such when entered in the accounting record kept by the clearing members of the SCLV or any institution taking its stead.

0.1.1 Interest Rate.

The Bonds in each Series will accrue an annual nominal interest, variable quarterly for the Series A and B Bonds and fixed for the Series C Bonds, 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 by Interest Accrual Periods. Every Interest Accrual Period will comprise the exact number of days elapsed between each Payment Date (March 23, June 23, September 23 and December 23 in every year), 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, inclusive, and the first Payment Date, to wit September 23, 2002, 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 for the Series A Bonds and the Series B Bonds shall be the result of adding: (i) the Reference Rate or its substitute 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:** 0.26% margin.
- **Series B:** 0.50% margin.

The nominal interest rate for the Series C Bonds shall be 6.75% per annum.

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

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

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the result of a straight-line interpolation between the one- (1-) month and the three- (3-) month Euribor rates bearing in mind the number of days in the first Interest Accrual Period, and shall be set on the second Business Day preceding the Closing Date, to 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 CNMV, the Paying Agent, the AIAF and the SCLV.

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 March 23, June 23, September 23 and December 23 in each year or the following Business Day, as the case may be. The first Payment Date shall be September 23, 2002.

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.

Expected amortisation for the Bonds in each Series.

- **Series A Bonds:** Series A shall be amortised by partial amortisations on each of the Payment Dates from inception until completion of the total face amount, in an amount equal to the Available Principal Funds 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 start on (i) the Payment Date falling on June 23, 2009 or, (ii) upon an early termination of the Mortgage Loan Revolving Period, on the Payment Date falling on the second anniversary of the Payment Date on which the Revolving Period terminated. Nevertheless, the start of the amortisation of the Series A Bonds may be brought forward in certain circumstances established in section II.11.3.1 of the Offering Circular.
- **Series B Bonds:** Series B shall be amortised by partial amortisations on each of the Payment Dates from inception until completion of the total face amount, in an amount equal to the Available Principal Funds 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.

Series B Bonds shall be amortised, upon the Mortgage Loan Revolving Period terminating, from the first and subsequent Payment Dates, inclusive, after the Determination Date on which the ratio (i) Outstanding Principal Balance of Series B to (ii) the difference between (a) the Outstanding Principal Balance of Series A and (b) the balance on the Principal Account, is equal to or greater than 4.00%, and in an amount permitting that ratio to be kept at 4.00% or closest possible higher percentage. The amortisation of Series B Bonds may however be stopped in certain circumstances provided for in section II.11.3.4.4 of the Offering Circular.

- **Series C Bonds:** Series C shall be amortised by partial amortisations on each of the Payment Dates from inception until completion of the total face amount, in an amount equal to the Available Principal Funds 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 amortisation of Series C Bonds shall only begin when the Series A and B Bonds have been fully amortised.

Nevertheless, the expected amortisation of the Bonds in each Series may be changed as established in sections II.11.3 and III.8.1 of the Circular.

Final Bond Maturity Date: June 23, 2034, without prejudice to the Management Company proceeding to the expected amortisation of the Bonds in each Series before the Final Maturity Date, or, as the case may be, to an Early Amortisation of the Bonds or an early maturity of the Bond Issue as established in section III.8.1 of the Circular.

0.1.3 Bond Issue subscription and placement procedure.

Lead Managers and Underwriters and Placement Agents : CREDIT SUISSE FIRST BOSTON
BANCAJA

Investors to whom the Bonds are offered.

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

Subscription Period.

The Subscription Period shall commence at 12 o'clock noon (CET time) on July 30, 2002, and end at 5pm on that same day.

Manner and date of paying up.

The investors to whom the Bonds are allocated shall pay the relevant Underwriter and Placement Agent by 12 o'clock noon (CET time) on July 31, 2002, 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, in accordance with the legal system prescribed in Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, Act 19/1992, July 7, on the System of Investment Trusts and Companies and on Mortgage Securitisation Funds, failing a provision in Royal Decree 926/1998 and to the extent applicable, and Securities Market Act 24/1988, July 28, in regard to supervision, inspection and penalties, and all other legal and statutory provisions in force and applicable from time to time.

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 3 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 action whatsoever against Obligors of the Mortgage Loans who may have defaulted on their payment obligations thereunder, for that action shall lie with the Management Company, representing the Fund holding the Mortgage Loans.

The Bondholders and the remaining creditors of the Fund shall have no action 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 actions against the Fund 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) Securities Market Act 24/1988, July 28, in regard to supervision, inspection and penalties, and (v) all other legal and statutory provisions in force and applicable from time to time.

The Fund is constituted in order to serve as a vehicle for acquiring the Mortgage Loans of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA and have the Fund issue the Bonds.

In accordance with article 1 of Royal Decree 926/1998, the Fund is a separate estate, devoid of legal personality, and shall be open-ended and have revolving assets, in accordance with article 4.1.b) of Royal Decree 926/1998, its assets comprising the Mortgage Loans to be acquired and pooled upon being constituted and, renewed upon the ordinary or early partial or total amortisation of the assets by such additional Mortgage Certificates as may eventually be acquired, and its liabilities comprising the Bonds issued and the Start-Up Loan, thereby for the net asset value of the Fund to be nil. Additionally, the Fund has arranged for the Subordinated Credit and the Interest Swap, which shall be reported in memorandum accounts.

The Fund shall be in existence until June 23, 2034, the Final Maturity Date of the Bond issue.

0.2.2 Representation of the Fund: Management Company.

The constitution, 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.

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

It is similarly the Management Company's duty, as the manager of third-party business, to represent and defend the interests of the holders of the Bonds issued 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 defence and observing the provisions statutorily prescribed for that purpose. The Bondholders shall have no right of action against the Fund Management Company, other than for a breach of its duties or failure to observe the provisions of the Deed of Constitution.

The Management Company shall notify the Bondholders of all and any circumstances they may be interested in by publishing the appropriate notices on the terms established in sections III.5.1 and III.5.2 of the Offering Circular.

The Management Company may be substituted on the terms and in the events for which provision is made 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 with real estate mortgage security granted by BANCAJA to individuals for building, purchasing or renovating residential homes in Spanish territory, both directly and through subrogations of financing granted to developers for building homes, assigned by BANCAJA to the Fund (the "**Mortgage Loans**"), comprising the loans assigned upon the constitution of the Fund (the "**initial Mortgage Loans**"), and the loans subsequently assigned during the Revolving Period (the "**additional Mortgage Loans**").

Under the Deed of Constitution, the Management Company, for and on behalf of the Fund, and BANCAJA (the "**Originator**") shall perfect the agreement assigning Mortgage Loans to the Fund, characterised as follows:

- (i) Assignment to the Fund by BANCAJA, upon being constituted, of the initial Mortgage Loans, which shall be listed in the Deed of Constitution.
- (ii) Undertaking by the Management Company to demand and acquire for the Fund on each of the Payment Dates in the Revolving Period, the additional Mortgage Loans offered to it by BANCAJA in an amount not exceeding the Acquisition Amount and provided that they satisfy the Election Requirements.
- (iii) Undertaking by BANCAJA to offer and assign to the Fund on each of the Payment Dates in the Revolving Period, additional Mortgage Loans in an amount not exceeding the Acquisition Amount and provided that they satisfy the Election Requirements.

The Mortgage Loans shall be assigned to the Fund by having BANCAJA issue and the Fund subscribe for an equal number of mortgage certificates perfecting the assignment of each of the Mortgage Loans.

The mortgage certificates (the "**Mortgage Certificates**") shall be issued as established in Mortgage Market Regulation Act 2/1981, March 25, Royal Decree 685/1982, March 17, implementing certain aspects of Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree's articles.

The requirements the Mortgage Loans shall satisfy to be assigned to the Fund, the system for successive assignments of additional Mortgage Loans during the Revolving Period, the terms and conditions for the

assignment of the Mortgage Loans and the issue of the Mortgage Certificates perfecting the assignment, are described in section IV in accordance with the provisions of the Deed of Constitution.

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 of 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:

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

The Management Company may, in order for the Fund to operate on the terms provided in the Deed of Constitution 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 amend the Deed of Constitution; the foregoing shall be subject to the laws in force from time to time, to the prior authorisation, if necessary, of the CNMV, or competent administrative body and to notice thereof being given on the Rating Agencies, provided that those actions do not detract from Bondholders' interests.

0.2.5 Ordinary priority rules in payments by the Fund.

On each Payment Date, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation in the priority of payments established hereinafter for each of them (the "**Priority of Payments**").

Available Funds: composition and application.

1. Composition.

The available funds on each Payment Date (the "**Available Funds**") shall be as follows:

- a) Income received from Mortgage Loan principal repayment between the preceding Payment Date and the ongoing Payment Date, inclusive. Those amounts shall have been credited to the Treasury Account.

- b) Ordinary and late-payment interest received on the Mortgage Loans between the preceding Payment Date and the ongoing Payment Date, inclusive. Those amounts shall have been credited to the Treasury Account.
- c) The return received on the amounts credited to the Treasury Account.
- d) The return received on the amounts credited to the Principal Account which shall have been credited to the Treasury Account.
- e) The drawdowns on the Subordinated Credit, designed only to meet payment of obligations numbered (i) 1 to 5, both inclusive, in the Priority of Payments established in section 2 below, and (ii) 1 to 5 and 8 to 9, if payment of interest accrued on the Series B or C Bonds is respectively deferred to numbers 8 and 9.
- f) If the Cash Reserve is ever set up, the amount with which it is provisioned which shall have been credited to the Treasury Account.
- g) The amounts received under the Interest Swap Agreement.
- h) Any other amounts received by the Fund between the preceding Payment Date and the ongoing Payment Date, inclusive, including those resulting from the sale of properties or rights awarded to the Fund, or their operation.

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 application number 1, which may occur 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 same, 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 and under the Servicing Agreement in this priority.
2. Payment of the Swap amount and in the event of termination of that Agreement following a breach by the Fund, the amount 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 9.70% of the Outstanding Balance of the Mortgage Loans, and if the Series A Bonds have not been fully amortised.

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 5.60% of the Outstanding Balance of the Mortgage Loans, and if the Series A and the Series B Bonds have not been fully amortised.

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

This application will only be effected if the Cash Reserve is ever established upon the Subordinated Credit being fully drawn down, as provided for in section III.2.4 of this Circular.

Moreover, this application shall not be effected on the last Payment Date or date of liquidation of the Fund.

7. Principal Withholding to set up the Available Principal Funds to be distributed in accordance with their application system.

The Principal Withholding required on a Payment Date shall be equal to the positive difference between (i) the Outstanding Principal Balance of the Bond Issue less (ii) the balance on the Principal Account on the immediately preceding Determination Date and the (iii) Outstanding Balance of the Mortgage Loans.

8. Payment of interest due on the Series B Bonds when this payment is moved 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 moved from item number 5 in the priority of payments as established in that number
10. Payment of interest due on the Subordinated Credit.
11. Repayment of principal drawn on the Subordinated Credit.
12. Payment of interest due on the Start-Up Loan.
13. Repayment of Start-Up Loan principal in the amortised amount.
14. Payment to the Servicer under the Servicing Agreement of the fee for servicing the Mortgage Loans .

In the event that BANCAJA should be replaced by another institution as Servicer of the Mortgage Loans, payment of the servicing fee accrued by the other institution, to wit the new servicer, shall be included in item number 1 of the application of the Available Funds, along with the other payments included in this number.

15. Payment of the variable remuneration under the Financial Intermediation Agreement.

When in a same priority of payments amounts are due for different items and the Available Funds are not sufficient to satisfy the amounts due under all of them, the application of the remaining Available Funds shall be made pro rata to the ratio of each of the amounts due to the aggregate amount of all of them.

Available Principal Funds: composition, distribution and application.

1. Composition.

The Available Principal Funds on each Payment Date (the “**Available Principal Funds**”) shall be as follows:

- a) The amount applied to Principal Withholding upon applying the Available Funds on the ongoing Payment Date.
- b) The balance on the Principal Account on the Determination Date preceding the ongoing Payment Date.

2. Distribution.

The Available Principal Funds on each Payment Date shall be distributed in accordance with the following rules:

- a) During the Mortgage Loan Revolving Period, to payment of the assignment price comprising the face value of the capital of the additional Mortgage Loans assigned to the Fund on the Payment Date.

The remaining Available Principal Funds not used for the assignment of additional Mortgage Loans, shall remain credited to the Principal Account.

- b) After the Revolving Period terminates:
 - i) Until the first Payment Date (inclusive) on which the ratio (i) Outstanding Principal Balance of Series B to (ii) the difference between (a) the Outstanding Principal Balance of Series A and (b) the balance on the Principal Account, is equal to or greater than 4.00%, the Available Principal Funds shall be credited to the Principal Account until the start of the Series A Amortisation Period or, with that period under way, shall be wholly applied for amortising Series A.
 - ii) From the Payment Date after the date on which the above ratio is equal to or greater than said 4.00%, the Available Principal Funds shall be applied pro rata to (a) amortising Series A or, if the Series A Amortisation Period is not yet under way, to crediting the Principal Account, and (b) to amortising Series B, thereby for the ratio Outstanding Principal Balance of Series B to the difference between the Outstanding Principal Balance of Series A and the balance on the Principal Account, to remain at 4.00% or closest possible higher percentage.

The Available Principal Funds will however not be applied to amortising Series B, and that shall not occur on the Payment Date, if either of the following two circumstances occur:

- a) That on the Determination Date for the ongoing 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 is in excess of 3.00% of the Outstanding Balance of the Mortgage Loans.
- b) That there is a Principal Deficiency.
- iii) Once the Series A and B Bonds are fully amortised, the amortisation of the Series C Bonds shall begin until they are fully amortised.

2. Application.

1. The Available Principal Funds shall be applied on each Payment Date to meeting the Fund's payment or withholding obligations in the following priority: Payment of the assignment price comprising the face value of the capital of the additional Mortgage Loans assigned to the Fund on the Payment Date.

This application shall only occur on the Payment Dates comprised in the Mortgage Loan Revolving Period.

2. Series A Bond principal repayment.

This application shall only occur during the Series A Amortisation Period.

3. Series B Bond principal repayment.

This application shall only occur, upon the Mortgage Loan Revolving Period terminating, from the first and subsequent Payment Dates, inclusive, after the Determination Date on which the ratio (i) Outstanding Principal Balance of Series B to (ii) the difference between (a) the Outstanding Principal Balance of Series A and (b) the balance on the Principal Account, is equal to or greater than 4.00%, and in an amount permitting that ratio to be kept at 4.00%, or closest possible higher percentage. The amortisation of Series B Bonds may however be stopped in certain circumstances provided for in said section.

4. Series C Bond principal repayment.

The amortisation of the Series C Bonds shall only occur when the Series A and B Bonds are fully amortised.

5. The remaining Available Principal Funds not applied in the above numbers shall remain credited to the Principal Account.

Application of the available funds and assets on the final liquidation of the Fund.

The Management Company shall proceed to liquidate the Fund on the last Payment Date or date of liquidation of the Fund, as provided for in section III.8 of the Circular, by applying the Available Funds described in section V.4.2.1 above, the funds obtained from time to time on the disposal of the assets remaining in the following priority of payments and the amount, if any, drawn on the credit facility for final amortisation as provided for in section III.8.1 hereinafter ("**Liquidation Priority of Payments**"):

1. Reserve for honouring final termination and liquidation expenses in regard to tax, administration or advertising.
2. Payment of the Fund's properly supported ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the same, and all other expenses and service fees, including those derived from the 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 and under the Servicing Agreement in this priority.
3. Payment of amounts due, if any, upon the Swap terminating.
4. Payment of interest due on the Series A Bonds.

5. Series A Bond principal repayment.
6. Payment of interest due on the Series B Bonds.
7. Series B Bond principal repayment.
8. Payment of interest due on the Series C Bonds.
9. Series C Bond principal repayment.
10. Payment of interest and repayment of principal drawn on the credit facility for final amortisation, if arranged for.
11. Payment of interest accrued on and repayment of the principal of the Subordinated Credit.
12. Payment of interest accrued on and repayment of the principal of the Start-Up Loan.
13. Payment to the Servicer of amounts due under the Servicing Agreement.
14. Payment of the variable remuneration under the Financial Intermediation Agreement.

0.2.6 Liquidation and termination of the Fund.

Early Liquidation of the Fund.

Following notice served on the CNMV, the Management Company shall be entitled to proceed to an Early Liquidation of the Fund and thereby an early amortisation, on a Payment Date, of the entire Bond Issue, when (i) the amount of the Outstanding Balance of the Mortgage Loans is less than 10 per cent of the Maximum Amount, or (ii) mandatorily if the Originator should exercise the Call Right over all the remaining Mortgage Loans held by the Fund, or (iii) in the other Early Liquidation Events contained in section III.8.1 of the Circular, 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 all the payment obligations derived from the Bonds issued by the Fund to be met and settled fully or otherwise that, before proceeding to an early liquidation of the Fund, the Management Company call the Bondholders purely for informative purposes. Payment obligations derived from the Bonds on the date of Early Liquidation of the Fund shall at all events be deemed to be the Outstanding Principal Balance of the Bonds on that date plus interest accrued and not paid, deducting the tax withholding, if any, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

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) When the Bonds issued are fully amortised.
- (iii) By the Early Liquidation procedure established in section III.8.1.
- (iv) At all events, on the Final Maturity Date established for final Bond amortisation.

0.3 Risks inherent in the Bonds.

a) Risk of default on the Mortgage Loans.

Bondholders shall bear with the risk of default on the Mortgage Loans pooled in the Fund once the limited hedging afforded by the amount of the Subordinated Credit or of the Cash Reserve, if set up, has been exhausted, as described in sections V.3.3 and III.2.3 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 and 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.

BANCAJA, the Originator, shall have no liability whatsoever for default by the Obligors, whether of principal, interest or any other amount whatsoever they may owe under the Mortgage Loans, and shall not be answerable either for the enforceability of the guarantees collateral thereto. It will not take on any other responsibility whatsoever to directly or indirectly guarantee that the assignment will be duly performed, nor give any guarantees or securities, nor indeed agree to repurchase the Mortgage Loans, other than those contemplated in section IV.1.2.

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.

The Mortgage Loans pooled in the Fund shall be prepaid when the Obligors prepay, on the terms provided in each of the deeds and contracts underlying those assets, the portion of principal pending repayment.

That prepayment risk shall pass quarterly, in certain circumstances, on each Payment Date to the Bondholders upon the partial amortisation of the Bonds, in accordance with the provisions of section II.11.3.4 of the Circular. However, as established in said section and in section IV.1.3, partial amortisation of the Bonds shall be deferred to the subsequent assignments of additional Mortgage Loans to the Fund during the Mortgage Loan Revolving Period.

c) Limited liquidity.

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

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

Furthermore, the Fund may at no event repurchase the Bonds from their holders, though they may be fully subject to early amortisation in the event of Early Liquidation of the Fund.

d) Yield.

Calculation of the internal rate of return, average life and duration of the Bonds is based, inter alia, on assumed prepayment rates of the Mortgage Loans that may not be fulfilled, and on future market interest rates, given the floating nature of the nominal interest rate of the Series A and B Bonds.

e) Late-payment interest.

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

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 Circular.

I.1.1 Individual(s) taking responsibility for the contents of the 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 as General Manager for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the “**Management Company**”), and using the authorities conferred by the Board of Directors at its meetings respectively held on January 19, 1993, January 28, 2000 and June 10, 2002, takes responsibility for the contents of this Circular.

EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with registered office at Madrid, Calle Lagasca, 120, having VAT Reg. no. A-80514466, sponsors BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS (the “**Fund**”), and shall be responsible for managing and legally representing the same.

I.1.2 Specification that the above-mentioned individual(s) believe(s) that the information contained in the Circular is truthful and that no fact has been omitted that might alter its scope.

Mr MARIO MASIÁ VICENTE confirms that the facts and figures contained in the 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 Asset-Backed Bonds (hereinafter also the “**Bonds**”) has been verified and entered in the official registers of the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) (“**CNMV**”).

The constitution of the Fund and issue of the Bonds are subject to the legal system provided by Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies (“**Royal Decree 926/1998**”), Act 19/1992, July 7, on the System of Investment Trusts and Companies and on Mortgage Securitisation Funds (“**Act 19/1992**”), failing a provision in Royal Decree 926/1998 and to the extent applicable, Securities Market Act 24/1988, July 28, in regard to supervision, inspection and penalties, all other legal and statutory provisions in force and applicable from time to time.

Registration of the Circular by the CNMV does not imply recommending subscription for or purchase of the securities referred to therein, nor indeed any statement whatsoever as to the solvency of the issuer or yield of the issued or offered securities.

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

Appendix 4 to this Offering Circular contains the Audit Report on a selection of portfolio loan transactions of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, part of which are the initial Mortgage Loans to be assigned to the Fund upon being constituted. That Report was prepared by the firm Arthur Andersen y Cía., S. Com., entered in the Official Register of Auditors (ROAC) under number S0692 and having its registered office in Madrid, calle Raimundo Fernández Villaverde number 65.

That audit was made using sampling techniques consisting of analysing a number of transactions fewer than (sample) the full selection of transactions (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative features regarding the sample transactions and specifically regarding: loan classification, identification of the borrower, loan origination date, date of maturity, benchmark interest rate or index, margin or spread, initial amount, current balance, arrears in payment, appraisal value, ratio current balance/appraisal value, address of the mortgaged property, mortgage security and damage insurance cover.

CHAPTER II

INFORMATION REGARDING THE SECURITIES ISSUED BY THE ASSET SECURITISATION FUND

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

II.1.1 Issue resolutions and statutory requirements.

a) Corporate resolutions.

Resolution to assign the Assets:

The Board of Directors of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, (“BANCAJA”), held on May 21, 2002, resolved to authorise the assignment of loans with mortgage security granted by BANCAJA to individuals, in favour of the Fund, the assignment being perfected based on their characteristics by means of the issue of mortgage certificates. Attached as Appendix 3 to this 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 dated June 10, 2002, the Board of Directors of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN resolved:

- i) That BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS be constituted in accordance with the legal system provided by Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and, to the extent applicable, Securities Market Act 24/1988, July 28, in regard to supervision, inspection and penalties, and all other legal and statutory provisions in force and applicable from time to time.
- ii) That loans with mortgage security assigned by BANCAJA be pooled in the Fund by means of the issue by BANCAJA and subscription by the Fund of mortgage certificates or directly, as the case may be and subject at all times to the Rating Agencies’ approval.
- iii) And that the Asset-Backed Bonds be issued by the Fund.

Attached as Appendix 2 is a photocopy of a Transcript of the Resolutions of the Board of Directors of the Management Company.

b) Verification and Registration by the CNMV.

The constitution of the Fund and issue of the Bonds are subject to the condition precedent of their verification and registration in the Official Registers of the CNMV. This Offering Circular concerning the constitution of the Fund and issue of the Bonds was verified by the CNMV and entered in its official registers on July 29, 2002.

c) Execution of the Fund public deed of constitution.

Upon the CNMV verifying and registering this Offering Circular and by July 30, 2002, without the Bond subscription period having yet begun, the Management Company along with BANCAJA shall proceed to execute a public deed whereby BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS will be constituted, the Asset-Backed Bonds will be issued and Mortgage Certificates will be issued and subscribed for (the “**Deed of Constitution**”), on the terms provided in Royal Decree 926/1998.

Said 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 listing on the Stock Exchange or 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 the Servicio de Compensación y Liquidación de Valores, S.A. (“**SCLV**”) or any other institution hereafter taking its stead, and, once the Bonds have been paid up, for this Bond issue to be included in AIAF Mercado de Renta Fija (“**AIAF**”), which is a recognised official secondary securities market, in order for the Bonds to be marketed, cleared and settled in accordance with the operating rules which may be established to that end or henceforth approved by the SCLV and AIAF, or any other institution taking their stead. It is expected that definitive AIAF listing will be achieved not later than one month after the Closing Date.

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

No prior administrative authorisation other than the prior verification and registration of the Circular by the CNMV is required.

The CNMV has made no warning or consideration concerning the constitution of the Fund and issue of the Bonds.

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

The Management Company has entrusted the assessment of the credit risk of the Bonds to the rating agencies Moody's Investors Service España, S.A. ("**Moody's**") and Fitch Rating España, S.A.U. ("**Fitch**"), which rating agencies (hereinafter 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.

On July 25, 2002, Moody's 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.

Bond Series	Moody's Rating
Series A	Aaa
Series B	A1
Series C	Baa2

On July 25, 2002, Fitch 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.

Bond Series	Fitch's Rating
Series A	AAA
Series B	A+
Series C	BBB

If the Rating Agencies should not confirm the assigned provisional ratings as final ratings 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.5.3.b).2. Furthermore, this circumstance would result in the Fund constitution, Bond issue and assignment of the Mortgage Loans being terminated.

Appendix 5 to this Circular contains a copy of the letters notifying the provisional ratings assigned by Moody's and Fitch.

Ratings given by Moody's.

The following are Moody's rating scales for long- and short-term debt issues:

	Long-Term		Short-Term	
Investment Grade	Aaa	→	Prime-1 (P-1)	
	Aa1			
	Aa2			
	Aa3	→	Prime-2 (P-2)	
	A1			
	A2			
	A3	→	Prime-3 (P-3)	
	Baa1			
	Baa2			
Baa3				
Speculative Grade	Ba1		Not Prime (NP)	
	Ba2			
	Ba3			
	B1	→		
	B2			
	B3			
	Caa1			
	Caa2			
	Caa3			
Ca				
C				

The following is the meaning ascribed by Moody's to the long- and short-term ratings used in this Offering Circular.

Long-Term

- Aaa** Bonds which are rated "Aaa" are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edged". Interest payments are protected by a large or by an exceptionally stable margin and the principal is secure.
- Aa** Bonds which are rated "Aa" are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than the Aaa securities.
- A** Bonds which are rated "A" possess many favourable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest payments are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

Baa Bonds which are rated “Baa” are considered as medium-grade obligations. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Short-Term

P-1 Superior ability to repay short-term debt obligations.

P-2 Superior ability for repayment of short-term obligations.

Moody’s applies numerical modifiers 1, 2, and 3 in each long-term rating category from Aa through Caa, inclusive. Modifier 1 indicates that the security ranks in the higher end of its rating category; modifier 2 indicates a mid-range ranking; and modifier 3 indicates a ranking in the lower end..

Ratings given by Fitch.

The following are Fitch’s rating scales for long- and short-term debt issues:

Long-Term	Short-Term
AAA	F1+
AA+	
AA	
AA-	F1
A+	
A	
A-	F2
BBB+	
BBB	
BBB-	F3
BB+	
BB	
BB-	B
B+	
B	
B-	C
CCC+	
CCC	
CCC-	C
CC	
C	
DDD	D
DD	
D	

The following is the meaning ascribed by Fitch to the long- and short-term ratings used in this Offering Circular..

Long-Term

- AAA** Highest credit quality. “AAA” ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of principal and interest on financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
- AA** Very high credit quality. “AA” ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of principal and interest on financial commitments. This capacity is not significantly vulnerable to foreseeable events
- A** High credit quality. “A” ratings denote a low expectation of credit risk. The capacity for timely payment of principal and interest on financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances and in economic conditions than is the case for higher ratings.
- BBB** Good credit quality. “BBB” ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of principal and interest on financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.

Short-Term

- F1** Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added “+” to denote any exceptionally strong credit feature.

Fitch may append “+” or “-” to a rating to denote relative status within major rating categories. Such suffixes are not added to the “AAA” long-term rating category, to categories below “CCC”, or to short-term ratings other than “F1”.

Rating considerations.

The ratings assigned to each of the Bond Series is the Rating Agencies’ opinion about the level of credit risk, the Fund’s ability to meet payments of interest as they fall due on each set Payment Date and of the principal of the issue throughout the life of the transaction and, at all events, before the Final Bond Maturity Date. The rating takes into account the structure of the Bond issue, its legal aspects and the issuing Fund, the characteristics of the loans selected to be assigned to the Fund and the regularity and continuity of the operating flows.

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

The ratings assigned, and any 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 at no event be deemed to be responsible therefor; and
- (ii) are not and cannot therefore be howsoever construed as an invitation, recommendation or encouragement for investors to proceed to carry out any transaction whatsoever on the Bonds and, in particular, acquire, keep, charge or sell those Bonds.

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.5.2.

In carrying on the rating and monitoring process, the Rating Agencies rely on the accuracy and wholeness of the information provided by BANCAJA, the Management Company, the auditors, the 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. It shall also report when reasonably required to do so and in any event whenever there is a change in the conditions of the Fund, in the agreements entered into by the Fund through its Management Company or in the parties concerned.

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

The amount of the issue of Asset-Backed Bonds (the “**Bond Issue**” or generically the “**Bonds**”) totals a face value of EUR five hundred and twenty million nine hundred thousand (520,900,000), and consists of 5,209 Bonds pooled in three Bond Series as described in section II.6 hereinafter.

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

The constitution of and the Bond Issue by the Fund are carried out pursuant to Royal Decree 926/1998 and Act 19/1992 failing a provision in Royal Decree 926/1998 and to the extent applicable.

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

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 the SCLV or any other organisation taking its stead, and the relevant clearing 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 will apply in this connection.

The Bonds may be freely conveyed by any means admissible at Law. 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.

The Bondholders are bound in respect of Bond interest payment and principal repayment by the Fund Priority of Payments contained in section V.4.2 of this Circular.

In order to mitigate the risk of a loss in yield of the Fund due to timing differences between the Fund's receipts of principal and interest of the Mortgage Loans with different periodicities, and the amortisation and interest payment from the Bonds, the Management Company, on behalf of the Fund, shall enter into (i) a Guaranteed Interest Rate Account (Treasury Account) Agreement with BANCAJA whereby amounts received by the Fund from the Mortgage Loans, both as repayment of principal and interest, inter alia, shall be invested, (ii) a Guaranteed Interest Rate Account (Principal Account) Agreement with BANCAJA whereby the amounts remaining from Available Principal Funds not applied shall be invested and accumulated on each Payment Date, (iii) an Interest Swap Agreement with BANCAJA, whereby BANCAJA shall make payments to the Fund calculated based on the Bond interest rate and the Fund shall make payments to BANCAJA taking the interest on the Mortgage Loans as benchmark. 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 Circular.

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

a) Risk of default on the Mortgage Loans.

Bondholders shall bear with the risk of default on the Mortgage Loans pooled in the Fund once the limited hedging afforded by the amount of the Subordinated Credit or of the Cash Reserve, if set up, has been exhausted, as described in sections V.3.3 and III.2.3 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 and 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.

BANCAJA, the Originator, shall have no liability whatsoever for default by the Obligors, whether of principal, interest or any other amount whatsoever they may owe under the Mortgage Loans, and shall not be answerable either for the enforceability of the guarantees collateral thereto. It will not take on any other responsibility whatsoever to directly or indirectly guarantee that the assignment will be duly performed, nor give any guarantees or securities, nor indeed agree to repurchase the Mortgage Loans, irrespective of the provisions of section IV.1.9 to the extent that any of the Mortgage Loans fail to satisfy the Election Requirements, the representations contained in section IV.1.8 of this Circular or the specific characteristics of the Mortgage Loans notified by BANCAJA to the Management Company, and irrespective of the provisions of section IV.1.10 in regard to the Call Right over all the Mortgage Loans remaining in certain events.

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.

The Mortgage Loans pooled in the Fund shall be prepaid when the Obligors prepay, on the terms provided in each of the deeds and contracts underlying those assets, the portion of principal pending repayment.

That prepayment risk shall pass quarterly, in certain circumstances, on each Payment Date to the Bondholders upon the partial amortisation of the Bonds, in accordance with the provisions of section II.11.3.4 of the Circular. However, as established in said section and in section IV.1.3, partial amortisation of the Bonds shall be deferred to the subsequent assignments of additional Mortgage Loans to the Fund during the Mortgage Loan Revolving Period.

c) Limited liquidity.

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

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

Furthermore, the Fund may at no event repurchase the Bonds from their holders, though they may be fully subject to early amortisation in the event of Early Liquidation of the Fund, on the terms established in section III.8 of this Circular.

d) Yield.

Calculation of the internal rate of return, average life and duration of the Bonds is based, inter alia, on assumed prepayment rates of the Mortgage Loans that may not be fulfilled, and on future market interest rates, given the floating nature of the nominal interest rate of the Series A and B Bonds.

e) Late-payment interest.

The 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 in the appropriate accounting record. In this connection, and for the record, the Deed of Constitution shall have the effects prescribed by article 6 of the Securities Market Act.

The SCLV 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, now established or approved in the future by the SCLV or any other institution taking its stead. Bondholders shall be identified as such when entered in the accounting record kept by the clearing members of the SCLV or any other institution taking its stead. Such designation shall be entered in the official registers of the CNMV.

The SCLV has its place of business at calle Orense, no. 34, Madrid.

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

The amount of the Bond Issue totals a face value of EUR five hundred and twenty million nine hundred thousand (520,900,000), consisting of 5,209 Bonds represented by means of book entries, pooled in three Bond Series distributed as follows:

- i) Series A, having a total face amount of EUR five hundred million one hundred thousand (500,100,000) consisting of five thousand and one (5,001) Bonds having a unit face value of EUR one hundred thousand (100,000) (hereinafter also the “**Series A Bonds**”).
- ii) Series B, having a total face amount of EUR ten million four hundred thousand (10,400,000) consisting of one hundred and four (104) Bonds having a unit face value of EUR one hundred thousand (100,000) (hereinafter also the “**Series B Bonds**”).
- iii) Series C, having a total face amount of EUR ten million four hundred thousand (10,400,000) consisting of one hundred and four (104) Bonds having a unit face value of EUR one hundred thousand (100,000) (hereinafter also the “**Series C Bonds**”).

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

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

The Bonds are issued at 100 percent of their face value. The Bond issue price in each of the Series 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 securities issued by the Fund.

The Bond issue price shall be clear of taxes and subscription costs for the subscriber through the Fund which, as issuer of the Bonds, shall neither shift to nor charge the investor any expense item whatsoever for subscribing for the Bonds.

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

The expenses of including the Bond issue in the accounting record of the SCLV shall be borne by the Fund and may not be shifted to the Bondholders. This institution has established no fee whatsoever for maintaining a balance.

In accordance with the laws in force for the time being, the members of the SCLV 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 Nominal interest rate.

The Series A Bonds and the Series B Bonds shall accrue a yearly nominal interest, variable and payable quarterly, which shall be the result of applying the policies established hereinafter.

The Series C Bonds shall accrue a 6.75% yearly nominal interest, which shall be payable quarterly subject to the same policies established hereinafter.

Said yearly nominal interest rates applicable to each of the Series (hereinafter “nominal interest rate”) shall be payable quarterly 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.

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

a) Interest accrual.

The duration of this issue shall be divided into successive interest accrual periods comprising the exact number of days elapsed between each Payment Date, each Interest Accrual Period including the beginning Payment Date but not including the ending Payment Date (hereinafter “**Interest Accrual Periods**”). Exceptionally, 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 September 23, 2002, exclusive.

The nominal interest rate applicable to each of the Series 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.

b) Nominal interest rate.

The nominal interest rate applicable to the Series A Bonds and the Series B Bonds and determined for each Interest Accrual Period shall be the result of adding: (i) the Reference Rate, as established in section c) below, and (ii) the following margins for each Series, all of which shall be rounded up to the nearest thousandth of a percentage point.

- **Series A:** 0.26% margin.
- **Series B:** 0.50% margin.

The nominal interest rate applicable to the Series C Bonds shall be 6.75% per annum.

c) Reference Rate and determining the same.

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

- i) 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, other than for the first Interest Accrual Period, fixed at 11am (CET time “Central European Time”) on the Interest Rate Fixing Date described below, which is currently published on electronic pages EURIBOR01 supplied by Reuters, and 248 supplied by Dow Jones Markets (Bridge Telerate), or any other page taking their stead in providing these services.

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the result of a straight-line interpolation between the one- (1-) month and the three- (3-) month Euribor rates 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:

$$IR = [(D-30)/60] \times E3 + [1-((D-30)/60)] \times E1$$

Where:

IR = Reference Rate for the first Interest Accrual Period.

D = Number of days in the first Interest Accrual Period.

E3 = Three- (3-) month Euribor rate.

E1 = One- (1-) month Euribor rate.

Said Euribor rate is currently the term interbank deposit offered rate in euros calculated as the daily average of the quotations supplied by a panel consisting of 57 Banks, from among the most active banks in the Euro zone. The rate is quoted based on a count of the actual days to maturity and a 360-day year, and is fixed at 11am (CET time), accurate to three decimal places.

- ii) In the event that the rate established in 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, on the Interest Rate Fixing Date, declared by the banks listed below, following a simultaneous request to each of them:

- Banco Bilbao Vizcaya Argentaria S.A.
- Barclays Bank plc.
- Deutsche Bank AG.
- Société Générale S.A.
- UBS AG.

In the event that it should be impossible to apply the above substitute Reference Rate, due to the failure by any or several of said banks to provide a statement of quotations, the interest rate resulting from applying the simple arithmetic mean of the interest rates declared by at least two of the other banks shall be applicable.

- iii) If the rates established in paragraphs i) and ii) above should not be available or be impossible to obtain, the last 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 printouts of the contents of the Reuters or Bridge Telerate screens or, as the case may be, of the statements of quotations of the above banks, as documents supporting the Reference Rate determined.

d) Interest Rate Fixing Date.

The nominal interest rate applicable to Bond Series A and B for every Interest Accrual Period shall be determined by the Management Company, for and on behalf of the Fund, as provided in sections b) and c) above, based upon the Reference Rate or its substitute, 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 nominal interest rate of the Series A and B Bonds in each of the Series for the first Interest Accrual Period shall be determined as provided in sections b) and c) above, based upon the Reference Rate (straight-line interpolation of one- (1-) and three- (3-) 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 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 the SCLV.

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.5.2.

e) Formula for calculating the interest.

Interest settlement for 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, rounded up to the nearest euro cent.

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

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

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

f) Example for fixing the nominal interest rate.

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

(Amounts in EUR)		Series A Bonds	Series B Bonds	Series C Bonds
1	Outstanding Principal Balance per Bond	100,000	100,000	100,000
2	Interest Accrual Period Days	54	54	54
3	1*- to 3-month interpolated Euribor Rate	3.35807	3.35807	
4	Margin	0.26	0.50	
5	Nominal interest rate: rounded to the nearest ten thousandth of a percentage point	3.618	3.858	6.750
6	Calculation of the interest accrued per Bond (1)×(2)×(5)/36000	542.700	578.700	1,012.500
7	Amount of interest payable per Bond: rounded up to the nearest euro cent	542.70	578.70	1,012.50

* 1-month Euribor: 3.345%

g) 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 dates falling on the Payment Dates over the last two years on the EURIBOR01 electronic page supplied by Reuters, and the nominal interest rates that would result if applied to each of the Bond Series:

Dates	3-month Euribor	Series A Bonds	Series B Bonds	Series C Bonds
July 22, 2002	3.401	3.661	3.901	6.750
June 20, 2002	3.467	3.727	3.967	6.750
May 21, 2002	3.524	3.784	4.024	6.750
April 19, 2002	3.388	3.648	3.888	6.750
March 21, 2002	3.393	3.653	3.893	6.750
February 21, 2002	3.354	3.614	3.854	6.750
January 21, 2002	3.346	3.606	3.846	6.750
December 20, 2001	3.343	3.603	3.843	6.750
November 21, 2001	3.363	3.623	3.863	6.750
October 19, 2001	3.607	3.867	4.107	6.750
September 20, 2001	3.701	3.961	4.201	6.750
August 21, 2001	4.325	4.585	4.825	6.750
July 19, 2001	4.466	4.726	4.966	6.750
June 21, 2001	4.433	4.693	4.933	6.750
May 21, 2001	4.557	4.817	5.057	6.750
April 19, 2001	4.677	4.937	5.177	6.750
March 21, 2001	4.753	5.013	5.253	6.750
February 21, 2001	4.789	5.049	5.289	6.750
January 19, 2001	4.763	5.023	5.263	6.750
December 21, 2000	4.892	5.152	5.392	6.750
November 21, 2000	5.07	5.330	5.570	6.750
October 19, 2000	5.025	5.285	5.525	6.750
September 21, 2000	4.815	5.075	5.315	6.75
August 21, 2000	4.844	5.104	5.344	6.750

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

Payment of interest accrued by the Series A Bonds is third (3rd) in the Priority of Payments established in section V.4.2.1 of this Circular.

Payment of interest on the Series B Bonds is fourth (4th) in the Priority of Payments established in section V.4.2.1 of this Circular, unless the deferment event for which provision is made in that same section occurs, in which case it shall be eighth (8th) in the Priority of Payments.

Payment of interest on the Series C Bonds is fifth (5th) in the Priority of Payments established in section V.4.2.1 of this Circular, unless the deferment event for which provision is made in that same section occurs, in which case it shall be ninth (9th) in the Priority of Payments.

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

The interest on the Bonds in all the Series will be paid in arrears on March 23, June 23, September 23 and December 23 of each year until they are fully amortised (each of those dates, a “**Payment Date**”), on the terms established in section II.10.1. of this Circular.

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

The first interest Payment Date for the Bonds in all the Series shall be September 23, 2002, and interest will accrue at the relevant nominal interest rate between the Closing Date, inclusive, and September 23, 2002, exclusive.

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

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

Both the interest resulting for the Bondholders in each of the Series and the amount of the interest accrued and not paid shall be notified to the Bondholders as described in section III.5.2 of this Circular, at least one (1) calendar day in advance of each Payment Date.

The 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.

In the event that on a Payment Date the Fund should be unable to make full or partial payment of the interest accrued by the Bonds in any of the Series, in the relevant Priority of Payments, the amounts that the Bondholders should not have received shall be accumulated on the next Payment Date to the interest on the actual Series 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 for the Interest Accrual Period(s) until the Payment Date on which they are paid, without late-payment interest and without this entailing a capitalisation of the debt.

The Fund, through its Management Company, may not defer Bond interest payment beyond June 23, 2034, the Final Maturity Date, or the next Business Day if that date 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.

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

II.11 Amortisation of the securities.

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

The redemption price of the Bonds in each 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.11.3 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 Simple specification of the order number the payment of principal on the securities issued by the Fund has in the Fund payment priority, and specification of the section and pages of this Circular in which the rules of priority established in the Fund's payments are described, and specifically those affecting principal payments on those securities.

The Principal Withholding required on each Payment Date to be included among the Available Principal Funds is seventh (7th) in the application of the Available Funds in the Priority of Payments established in section V.4.2.1 of this Circular.

In turn, repayment of Series A Bond principal is second (2nd) in the application of the Available Principal Funds in the Priority of Payments established in section V.4.2.2 of this Circular.

Repayment of Series B Bond principal is third (3rd) in the application of the Available Principal Funds in the Priority of Payments established in said section.

And repayment of Series C Bond principal is fourth (4th) in the application of the Available Principal Funds in the Priority of Payments established in said section.

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

II.11.3.1 Amortisation of Series A Bonds.

Series A shall be amortised by partial amortisations on each of the Payment Dates from inception until completion of the total face amount, in an amount equal to the Available Principal Funds 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 (the “**Series A Amortisation Period**”) shall occur on (i) the Payment Date falling on June 23, 2009 or, (ii) upon an early termination of the Mortgage Loan Revolving Period, on the Payment Date falling on the second anniversary of the Payment Date on which the Revolving Period terminated.

Nevertheless, the start of the Series A Amortisation Period may be brought forward to a Payment Date on which any of the following circumstances occur:

- (i) That on the Determination Date for the ongoing 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 is in excess of 2.50% of the Outstanding Balance of the Mortgage Loans.
- (ii) That on the Determination Date for the ongoing Payment Date, the sum of the balance on the Principal Account is in excess of EUR two hundred million (200,000,000).

The final amortisation of the Series A Bonds shall fall on the Final Maturity Date (June 23, 2034), notwithstanding the partial amortisation for which provision is made in section II.11.3.4 and the fact that the Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.5, proceed to the Early Maturity of the Bond Issue before the Final Maturity Date.

II.11.3.2 Amortisation of Series B Bonds.

Series B shall be amortised by partial amortisations on each of the Payment Dates from inception until completion of the total face amount, in an amount equal to the Available Principal Funds 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.

As established in section II.11.3.4.4 of this Chapter, the first partial amortisation of the Series B Bonds shall occur, upon the Mortgage Loan Revolving Period terminating, on the Payment Date after the Determination Date on which the ratio (i) Outstanding Principal Balance of Series B to (ii) the difference between (a) the Outstanding Principal Balance of Series A and (b) the balance on the Principal Account, is equal to or greater than 4.00%, and in an amount permitting that ratio to be kept at 4.00%, or closest possible higher percentage. The amortisation of Series B Bonds may however be stopped in certain circumstances provided for in said section.

The final amortisation of the Series B Bonds shall occur on the Final Maturity Date (June 23, 2034), notwithstanding the partial amortisation for which provision is made in section II.11.3.4 and the fact that the Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.5, proceed to the Early Maturity of the Bond Issue before the Final Maturity Date.

The Series B Bonds are deferred in payment of interest and repayment of principal over the Series A Bonds, as provided for in the Fund Priority of Payments.

II.11.3.3 Amortisation of Series C Bonds.

Series C shall be amortised by partial amortisations on each of the Payment Dates from inception until completion of the total face amount, in an amount equal to the Available Principal Funds 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.

As established in section II.11.3.4.4 of this Chapter, the partial amortisation of Series C Bonds shall only begin when the Series A and B Bonds are fully amortised.

The final amortisation of the Series C Bonds shall occur on the Final Maturity Date (June 23, 2034), notwithstanding the partial amortisation for which provision is made in section II.11.3.4 and the fact that the Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.5, proceed to the Early Maturity of the Bond Issue before the Final Maturity Date.

The Series C Bonds are deferred in payment of interest and repayment of principal over the Series A and B Bonds, as provided for in the Fund Priority of Payments.

II.11.3.4 Partial amortisation.

Irrespective of the Final Maturity Date or the Early Maturity of the Bond Issue in the event of Early Liquidation of the Fund, the Fund shall, through its Management Company, proceed to make partial amortisations of the Bonds in each Series when the Mortgage Loan Revolving Period has terminated, on the Payment Dates and on the terms described hereinafter in this section.

II.11.3.4.1 Determination Dates.

These will be the dates falling on the third 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 Principal Funds which the Fund shall dispose of on the relevant Payment Date, in the Priority of Payments.

II.11.3.4.2 Outstanding Principal Balance of the Bonds.

The Outstanding Principal Balance of the Bonds in a Series shall be the sum of the outstanding principal balance pending amortisation of the Bonds in that Series, such balances to include the principal amounts that should have been repaid, as the case may be, and were not paid due to a shortage of Available Principal Funds, in the Fund Priority of Payments.

Moreover, the Outstanding Principal Balance of the Bond Issue shall be the sum of the Outstanding Principal Balance of the Bonds in each of the Series.

II.11.3.4.3 Principal Withholding on each Payment Date and Principal Deficiency.

A withholding shall be made on each Payment Date, using the Available Funds and in the Priority of Payments, of the amount designed for acquiring additional Mortgage Loans during the Revolving Period or, upon that period terminating, for amortising the Bonds which shall be part of the Available Principal Funds on the Payment Date.

The withholding (“**Principal Withholding**”) required on a Payment Date shall be equal to the positive difference between (i) the Outstanding Principal Balance of the Bond Issue less (ii) the Balance on the Principal Account on the immediately preceding Determination Date and (iii) the Outstanding Balance of the Mortgage Loans.

The Principal Deficiency on a Payment Date shall be the positive difference, if any, between the required Principal Withholding and the amount actually applied to the distribution of the Available Funds in the Priority of Payments, depending on the liquidity of the Fund on that Payment Date.

II.11.3.4.4 Available Principal Funds on each Payment Date: composition, distribution and application order.

1. Composition of the Available Principal Funds on each Payment Date.

The available principal funds on each Payment Date (the “**Available Principal Funds**”) shall be as follows:

- a) The amount applied to Principal Withholding upon applying the Available Funds on the ongoing Payment Date.
- b) The balance on the Principal Account on the Determination Date preceding the ongoing Payment Date.

2. Distribution of the Available Principal Funds.

From the termination of the Mortgage Loan Revolving Period, the Available Principal Funds on each Payment Date shall be distributed in accordance with the following rules:

- i) Until the first Payment Date (inclusive) on which the ratio (i) Outstanding Principal Balance of Series B to (ii) the difference between (a) the Outstanding Principal Balance of Series A and (b) the balance on the Principal Account, is equal to or greater than 4.00%, the Available Principal Funds shall be credited to the Principal Account until the start of the Series A Amortisation Period or, with that period under way, shall be wholly applied for amortising Series A.
- ii) From the Payment Date after the date on which the above ratio is equal to or greater than said 4.00%, the Available Principal Funds shall be applied pro rata to (a) the amortisation of the Series A or, if the Series A Amortisation Period is not yet under way, to crediting the Principal Account, and (b) to amortising Series B, thereby for the ratio Outstanding Principal Balance of Series B to the difference between the Outstanding Principal Balance of Series A and the balance on the Principal Account, to remain at 4.00% or closest possible higher percentage.

The Available Principal Funds will however not be applied to amortising Series B, and that shall not occur on the Payment Date, if either of the following two circumstances occur:

- a) That on the Determination Date for the ongoing 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 is in excess of 3.00% of the Outstanding Balance of the Mortgage Loans.
- b) That there is a Principal Deficiency.
- iii) And once the Series A and B Bonds are fully amortised, the amortisation of the Series C Bonds shall begin until they are fully amortised.

Nevertheless, in the event that the Fund should not have sufficient liquidity, in the Priority of Payments, on a Payment Date to proceed to the relevant Bond amortisation, the difference shall not entitle to any additional or late-payment interest whatsoever since this shall in any event be part of the Outstanding Principal Balance of the Bonds in the relevant Series, on which interest settlement is calculated as provided in section II.10.3 above, because the Bonds were not amortised in that amount.

II.11.3.5 Early maturity of the Bond Issue.

Without prejudice to the Fund's obligation, through its Management Company, to amortise the Bonds in each Series in accordance with the respective partial amortisation rules, as established in preceding sections, the Management Company shall be authorised, after notifying the CNMV, to proceed to an early liquidation of the Fund and hence an early maturity ("**Early Maturity**") of the Bond issue on a Payment Date, in the Early Liquidation Events in accordance with and subject to the requirements established in section III.8.1 of this Circular.

II.11.3.6 Final Maturity Date.

The Final Maturity Date and consequently the final amortisation of the Bonds is June 23, 2034 or the next Business Day if that date 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.11.3.4 and II.11.3.5, proceeding to an amortisation of the Bond Issue before the Final Maturity Date.

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

The Bond Issue will be serviced through BANCAJA, as Paying Agent. Payment of interest and amortisations shall be notified to the Bondholders in the events and in such advance as may be provided for each case in section III.5.2. Interest and amortisations shall be paid to the lawful Bondholders by the relevant clearing members and to the latter in turn by the SCLV or any other institution taking its stead, being the institution responsible for the accounting record.

a) Loan servicing tables.

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

- i) The inclusion in the Fund of additional Mortgage Loans during the Revolving Period for replacing the amount repaid on the Mortgage Loans.
- ii) The repayment schedule established in each of the Mortgage Loan agreements.
- iii) The Obligors' capacity to a fully or partially prepay the Mortgage Loans and the pace at which such prepayment occurs on aggregate throughout the life of the Fund.

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

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

- interest rate of the Mortgage Loan portfolio: 5.07%;
- delinquency on the Mortgage Loan portfolio: 0% per annum;
- defaults on the Mortgage Loan portfolio: 0%;
- that the prepayment rate remains constant throughout the life of the Bonds;
- and that the Bond Closing Date is July 31, 2002;
- that the Mortgage Loan Revolving Period shall end on June 23, 2007, and during the period the Mortgage Loans shall be revolved on each of the Payment Dates and in the aggregate Acquisition Amount available on each such dates;
- and that the weighted average final maturity of the additional Mortgage Loans acquired during the Revolving Period is 14 years.

Finally, the true adjusted duration of the Bonds will also depend on their floating interest rate, which is assumed to be constant for the First Interest Accrual Period in all the tables contained in this section, as follows for each Series:

	Series A Bonds	Series B Bonds	Series C Bonds
Nominal interest rate	3.618%	3.858%	6.750%

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

	Series A Bonds	Series B Bonds	Series C Bonds
Nominal interest rate	3.661%	3.901%	6.750%

Assuming that the Management Company shall exercise the Early Liquidation of the Fund and Early Maturity of the Bond Issue option provided in section III.8.1 of this Circular, when the Outstanding Balance of the Mortgage Loans is less than 10% of their initial amount, the average life and duration of the Bonds for different CPRs, based on the historic performance of loans with mortgage security granted to individuals and securitised by BANCAJA in recent years, shall be as follows:

% CPR:	5.00%	7.00%	9.00%	11.00%	13.00%	15.00%
Series A Bonds						
Average life (years)	10.1	9.7	9.4	9.1	8.9	8.7
IRR	3.763%	3.763%	3.763%	3.763%	3.763%	3.763%
Duration (years)	8.0	7.8	7.6	7.4	7.3	7.1
Final life (years)	15.7	15.2	14.7	14.2	13.7	13.2
Series B Bonds						
Average life (years)	12.5	12.0	11.5	11.1	10.6	10.3
IRR	4.014%	4.014%	4.014%	4.014%	4.014%	4.014%
Duration (years)	9.5	9.2	8.9	8.6	8.3	8.1
Final life (years)	15.7	15.2	14.7	14.2	13.7	13.2
Series C Bonds						
Average life (years)	15.7	15.2	14.7	14.2	13.7	13.2
IRR	7.022%	7.022%	7.022%	7.022%	7.022%	7.022%
Duration (years)	9.1	8.9	8.7	8.6	8.4	8.2
Final life (years)	15.7	15.2	14.7	14.2	13.7	13.2

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.11.3.2 of this Circular.

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

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

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

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

Where:

N = face value of the Bond in each Series.

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

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

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

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

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

Where:

D = Duration in each Bond Series expressed in years.

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

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

PE = Issue price in every Bond Series.

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

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

- The CPRs are assumed to be constant respectively at 9% and 13% throughout the life of the issue and, as noted, actual prepayment rates change continually.
- The Outstanding Principal Balance on each Payment Date and hence the interest payable on each such dates shall depend on the actual prepayment Mortgage Loan portfolio rate.
- Bond interest rates are assumed to be constant for each Series whereas the interest rate of all the Series is known to be variable.
- The assumed values referred to at the beginning of this section are at all events taken for granted.
- It is assumed that the Management Company will exercise the early liquidation option of the Fund and thereby the early maturity of the Bond issue when the Outstanding Balance of the Mortgage Loans is less than 10% of the initial amount, as provided in the first paragraph of section III.8.1.

<p align="center">FLows for every bond without withholding for the holder (Amount in EUR) CPR = 9%</p>									
Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal Repayment	Interest (gross)	Total flow	Principal Repayment	Interest (gross)	Total flow	Principal Repayment	Interest (gross)	Total flow
31 Jul 2002									
23 Sep 2002	0.00	542.70	542.70	0.00	578.70	578.70	0.00	1,012.50	1,012.50
23 Dec 2002	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
24 Mar 2003	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Jun 2003	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Sep 2003	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Dec 2003	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2004	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Jun 2004	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Sep 2004	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Dec 2004	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2005	0.00	915.25	915.25	0.00	975.25	975.25	0.00	1,687.50	1,687.50
23 Jun 2005	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Sep 2005	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Dec 2005	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2006	0.00	915.25	915.25	0.00	975.25	975.25	0.00	1,687.50	1,687.50
23 Jun 2006	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
25 Sep 2006	0.00	955.93	955.93	0.00	1,018.59	1,018.59	0.00	1,762.50	1,762.50
25 Dec 2006	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2007	0.00	894.91	894.91	0.00	953.58	953.58	0.00	1,650.00	1,650.00
25 Jun 2007	0.00	955.93	955.93	0.00	1,018.59	1,018.59	0.00	1,762.50	1,762.50
24 Sep 2007	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
24 Dec 2007	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
24 Mar 2008	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Jun 2008	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Sep 2008	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Dec 2008	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2009	0.00	915.25	915.25	0.00	975.25	975.25	0.00	1,687.50	1,687.50
23 Jun 2009	31,406.27	935.59	32,341.86	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Sep 2009	3,379.07	641.76	4,020.83	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Dec 2009	3,267.81	603.51	3,871.32	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2010	3,162.24	566.97	3,729.21	0.00	975.25	975.25	0.00	1,687.50	1,687.50
23 Jun 2010	3,043.10	549.98	3,593.08	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Sep 2010	2,960.61	521.51	3,482.12	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Dec 2010	2,864.35	488.44	3,352.79	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2011	2,582.97	456.86	3,039.83	8,955.69	975.25	9,930.94	0.00	1,687.50	1,687.50
23 Jun 2011	2,557.48	442.85	3,000.33	4,919.22	907.64	5,826.86	0.00	1,725.00	1,725.00
23 Sep 2011	2,478.38	418.92	2,897.30	4,767.07	858.60	5,625.67	0.00	1,725.00	1,725.00
23 Dec 2011	2,383.65	391.43	2,775.08	4,584.85	802.26	5,387.11	0.00	1,706.25	1,706.25
23 Mar 2012	2,288.95	369.37	2,658.32	4,402.71	757.05	5,159.76	0.00	1,706.25	1,706.25
25 Jun 2012	2,196.34	359.67	2,556.01	4,224.57	737.16	4,961.73	0.00	1,762.50	1,762.50
24 Sep 2012	2,120.95	327.86	2,448.81	4,079.56	671.98	4,751.54	0.00	1,706.25	1,706.25
24 Dec 2012	2,041.36	308.24	2,349.60	3,926.47	631.75	4,558.22	0.00	1,706.25	1,706.25
25 Mar 2013	1,964.22	289.35	2,253.57	3,778.10	593.03	4,371.13	0.00	1,706.25	1,706.25
24 Jun 2013	1,875.33	271.17	2,146.50	3,607.12	555.78	4,162.90	0.00	1,706.25	1,706.25
23 Sep 2013	1,797.66	253.81	2,051.47	3,457.73	520.21	3,977.94	0.00	1,706.25	1,706.25
23 Dec 2013	1,716.20	237.18	1,953.38	3,301.05	486.11	3,787.16	0.00	1,706.25	1,706.25
24 Mar 2014	1,642.25	221.30	1,863.55	3,158.80	453.56	3,612.36	0.00	1,706.25	1,706.25
23 Jun 2014	1,565.28	206.10	1,771.38	3,010.75	422.41	3,433.16	0.00	1,706.25	1,706.25
23 Sep 2014	1,504.40	193.72	1,698.12	2,893.65	397.04	3,290.69	0.00	1,725.00	1,725.00
23 Dec 2014	1,440.82	177.69	1,618.51	2,771.35	364.19	3,135.54	0.00	1,706.25	1,706.25
23 Mar 2015	1,382.13	162.55	1,544.68	2,658.48	333.16	2,991.64	0.00	1,687.50	1,687.50
23 Jun 2015	1,322.91	153.23	1,476.14	2,544.57	314.06	2,858.63	0.00	1,725.00	1,725.00
23 Sep 2015	1,276.70	140.86	1,417.56	2,455.68	288.69	2,744.37	0.00	1,725.00	1,725.00
23 Dec 2015	1,229.92	127.51	1,357.43	2,365.70	261.34	2,627.04	0.00	1,706.25	1,706.25
23 Mar 2016	1,184.48	116.13	1,300.61	2,278.29	238.01	2,516.30	0.00	1,706.25	1,706.25
23 Jun 2016	1,134.97	106.32	1,241.29	2,183.08	217.91	2,400.99	0.00	1,725.00	1,725.00
23 Sep 2016	1,088.48	95.70	1,184.18	2,093.65	196.15	2,289.80	0.00	1,725.00	1,725.00
23 Dec 2016	1,033.00	84.59	1,117.59	1,986.93	173.37	2,160.30	0.00	1,706.25	1,706.25
23 Mar 2017	8,107.72	74.21	8,181.93	15,594.93	152.09	15,747.02	100,000.00	1,687.50	101,687.50
	100,000.00	34,969.19	134,969.19	100,000.00	45,536.73	145,536.73	100,000.00	100,293.75	200,293.75

FLows for every bond without withholding for the holder

(Amount in EUR)

CPR = 13%

Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal Repayment	Interest (gross)	Total flow	Principal Repayment	Interest (gross)	Total flow	Principal Repayment	Interest (gross)	Total flow
31 Jul 2002									
23 Sep 2002	0.00	542.70	542.70	0.00	578.70	578.70	0.00	1,012.50	1,012.50
23 Dec 2002	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
24 Mar 2003	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Jun 2003	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Sep 2003	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Dec 2003	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2004	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Jun 2004	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Sep 2004	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Dec 2004	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2005	0.00	915.25	915.25	0.00	975.25	975.25	0.00	1,687.50	1,687.50
23 Jun 2005	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Sep 2005	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Dec 2005	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2006	0.00	915.25	915.25	0.00	975.25	975.25	0.00	1,687.50	1,687.50
23 Jun 2006	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
25 Sep 2006	0.00	955.93	955.93	0.00	1,018.59	1,018.59	0.00	1,762.50	1,762.50
25 Dec 2006	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2007	0.00	894.91	894.91	0.00	953.58	953.58	0.00	1,650.00	1,650.00
25 Jun 2007	0.00	955.93	955.93	0.00	1,018.59	1,018.59	0.00	1,762.50	1,762.50
24 Sep 2007	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
24 Dec 2007	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
24 Mar 2008	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Jun 2008	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Sep 2008	0.00	935.59	935.59	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Dec 2008	0.00	925.42	925.42	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2009	0.00	915.25	915.25	0.00	975.25	975.25	0.00	1,687.50	1,687.50
23 Jun 2009	37,315.35	935.59	38,250.94	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Sep 2009	3,775.22	586.47	4,361.69	0.00	996.92	996.92	0.00	1,725.00	1,725.00
23 Dec 2009	3,602.65	545.16	4,147.81	0.00	986.09	986.09	0.00	1,706.25	1,706.25
23 Mar 2010	3,438.52	506.20	3,944.72	0.00	975.25	975.25	0.00	1,687.50	1,687.50
23 Jun 2010	3,133.96	485.27	3,619.23	6,261.44	996.92	7,258.36	0.00	1,725.00	1,725.00
23 Sep 2010	3,012.07	455.95	3,468.02	5,793.61	934.50	6,728.11	0.00	1,725.00	1,725.00
23 Dec 2010	2,873.69	423.12	3,296.81	5,527.44	867.21	6,394.65	0.00	1,706.25	1,706.25
23 Mar 2011	2,739.62	392.17	3,131.79	5,269.56	803.78	6,073.34	0.00	1,687.50	1,687.50
23 Jun 2011	2,596.25	375.25	2,971.50	4,993.79	769.11	5,762.90	0.00	1,725.00	1,725.00
23 Sep 2011	2,483.38	350.96	2,834.34	4,776.69	719.32	5,496.01	0.00	1,725.00	1,725.00
23 Dec 2011	2,358.70	324.17	2,682.87	4,536.88	664.40	5,201.28	0.00	1,706.25	1,706.25
23 Mar 2012	2,237.60	302.34	2,539.94	4,303.94	619.66	4,923.60	0.00	1,706.25	1,706.25
25 Jun 2012	2,119.18	290.92	2,410.10	4,076.16	596.25	4,672.41	0.00	1,762.50	1,762.50
24 Sep 2012	2,019.81	262.02	2,281.83	3,885.03	537.03	4,422.06	0.00	1,706.25	1,706.25
24 Dec 2012	1,918.21	243.33	2,161.54	3,689.61	498.72	4,188.33	0.00	1,706.25	1,706.25
25 Mar 2013	1,820.88	225.58	2,046.46	3,502.40	462.34	3,964.74	0.00	1,706.25	1,706.25
24 Jun 2013	1,716.99	208.73	1,925.72	3,302.57	427.80	3,730.37	0.00	1,706.25	1,706.25
23 Sep 2013	1,628.08	192.84	1,820.92	3,131.55	395.23	3,526.78	0.00	1,706.25	1,706.25
23 Dec 2013	1,536.86	177.77	1,714.63	2,956.09	364.35	3,320.44	0.00	1,706.25	1,706.25
24 Mar 2014	1,452.63	163.55	1,616.18	2,794.08	335.20	3,129.28	0.00	1,706.25	1,706.25
23 Jun 2014	1,367.48	150.11	1,517.59	2,630.30	307.65	2,937.95	0.00	1,706.25	1,706.25
23 Sep 2014	1,297.93	138.96	1,436.89	2,496.51	284.81	2,781.32	0.00	1,725.00	1,725.00
23 Dec 2014	1,226.89	125.44	1,352.33	2,359.88	257.10	2,616.98	0.00	1,706.25	1,706.25
23 Mar 2015	1,160.63	112.83	1,273.46	2,232.42	231.26	2,463.68	0.00	1,687.50	1,687.50
23 Jun 2015	1,094.79	104.48	1,199.27	2,105.78	214.14	2,319.92	0.00	1,725.00	1,725.00
23 Sep 2015	1,040.85	94.24	1,135.09	2,002.03	193.15	2,195.18	0.00	1,725.00	1,725.00
23 Dec 2015	986.67	83.58	1,070.25	1,897.83	171.31	2,069.14	0.00	1,706.25	1,706.25
23 Mar 2016	8,045.11	74.45	8,119.56	15,474.41	152.59	15,627.00	100,000.00	1,706.25	101,706.25
	100,000.00	33,006.29	133,006.29	100,000.00	42,051.83	142,051.83	100,000.00	93,450.00	193,450.00

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 an easier understanding by the subscriber of the definitions and rules for the application of dates and periods described in sections II.10 and II.11 relating to Bond interest and 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: September 23, 2002.

(Execution of the Deed of Constitution: July 29, 2002)

- a) Interest Rate Fixing Date applicable for the first Interest Accrual Period:
 - 11am on the second Business Day immediately preceding the Closing Date: July 29, 2002.
- b) Notices:
 - Extraordinary notice of constitution of the Fund and Bond Issue -press insert, as per section III.5.2: July 30, 2002.
 - Ordinary notice of the resultant nominal interest rate for the first Interest Accrual Period: July 30, 2002. The Management Company shall notify this in writing prior to the start of the Subscription Period to the Lead Managers and the Underwriters and Placement Agents in order to be reported to investors interested in subscribing for the Bonds.
- c) First Interest Accrual Period:
 - From July 31, 2002 (Closing Date), inclusive, until September 23, 2002 , exclusive.
- d) Determination Date (or date on which the Management Company makes the calculations for the distribution and withholding of Available Funds): September 18, 2002.
- e) Ordinary periodic notices (inserts in the AIAF bulletin, as per section III.5.2):
 - Of all other periodic information: until September 22, 2002.

2. Second Payment Date: December 23, 2002.

- a) Interest Rate Fixing Date applicable for the second Interest Accrual Period:
 - 11am on the second Business Day preceding the first Payment Date: September 19, 2002.
- b) Ordinary periodic notices (inserts in the AIAF bulletin, as per section III.5.2):
 - Of the resultant interest rate for the Interest Accrual Period: until September 25, 2002, inclusive.
- c) Second Interest Accrual Period:
 - From September 23, 2002 (first Payment Date), inclusive, until December 23, 2002, exclusive.
- d) Determination Date (or date on which the Management Company makes the calculations for the distribution and withholding of Available Funds): December 18, 2002.
- e) Ordinary periodic notices (inserts in the AIAF bulletin, as per section III.5.2):
 - Of all other periodic information: until December 22, 2002.

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

In the event that the nominal interest rates applicable to each of the Series, variable quarterly, should be maintained throughout the life of the issue, as established in the tables contained in section II.12.a) of the Circular, these rates would result in internal rates of return (“**IRR**”) for the holder in each of the Series as shown in 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.

	Series A Bonds	Series B Bonds	Series C Bonds
IRR	3.763%	4.014%	7.022%

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

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

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

The actual interest forecast for the Fund would be 3.874% for CPRs respectively of 9.00% and 13.00%, in the assumptions contained in the preceding paragraph.

The expected expenses are as follows:

Fund constitution and Bond issue expenses.	EUR
• Management Company fee	102,172.00
• Notary’s, audit, rating and legal advice fees	290,294.18
• CNMV fees (issue and listing)	52,408.94
• AIAF and SCLV fees	31,165.72
• Bond Issue lead management, underwriting and placement fees	50,010.00
• Issue advertising, printing and other expenses	15,859.16
Total expenses	541,910.00

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

II.15.1 No guarantees given by the Originator.

There are no guarantees given by BANCAJA as Originator on the Bonds issued by the Fund or on the Mortgage Loans pooled in the Fund, beyond the undertakings by BANCAJA contained in section IV.1.9 of this Circular in relation to the substitution of Mortgage Loans failing to conform to the representations contained in section IV.1.8 of this Circular and the specific characteristics of the Mortgage Loans notified by the Originator to the Management Company.

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

The Bonds subject of this issue are not subject to restrictions on their free conveyance, and may be freely conveyed subject to the statutory provisions applicable thereto and to the provisions of sections II.4.1, II.5 and II.17 of this Chapter.

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

The Management Company shall, forthwith upon the Bonds having been paid up, apply for this Bond issue to be listed on the AIAF Fixed-Income Market, 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 declares that it is acquainted with 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 the Bondholders thereof, moreover advising of the reasons for such inobservance, all in accordance with the provisions of section III.5.2 of the Circular. This shall be without prejudice to the Management Company being held to be contractually liable, as the case may be.

II.18 Subscription or acquisition proposals.

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

The placement of the Bond issue in all the Series is targeted to institutional investors, both legal persons or estates devoid of legal personality, such as Pension Funds, Collective-Investment Undertakings, insurance companies or such institutions as credit institutions or undertakings qualified under articles 64 and 65 of the

Securities Market Act (as worded by Act 37/1998) 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 his own analysis as to the quality of the securities offered to be subscribed in this 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 organised 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.

II.18.2 Legal status of the Bonds.

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

- (i) The Series A Bonds have a 50 per 100 weighting on the solvency ratio that Credit Institutions and Firms of Brokers and Broker-Dealers must observe, in accordance with the provisions respectively of the Ministerial Orders dated December 30, 1992 and December 29, 1992, amended by a Ministerial Order dated April 13, 2000.

The Series A Bonds have the weighting mentioned in the preceding paragraph, bearing the following elements in mind: (i) that the Mortgage Loans pooled in the Fund have been granted to individuals with a first mortgage security in residential homes located in Spain; (ii) that the Mortgage Loans and the Mortgage Certificates perfecting their assignment meet the requirements of the laws in force for the time being regulating the Mortgage Market; (iii) that the principal of each of the Mortgage Loans does not exceed 80 per 100 of the appraisal value of the relevant home mortgaged as security; (iv) that the Mortgage Certificates issued on the Mortgage Loans satisfy the requirements provided for under article 62.3 of Royal Decree 685/1982; (v) that repayment of the Series A Bonds is not subordinated to repayment of the other Bond Series issued by the Fund or to the loans and credits arranged thereby; and (vi) the Originator's representations set forth in Chapter IV of this Circular.

- (ii) The Series B and C Bonds have no 50 per 100 weighting on the solvency ratio of the Credit Institutions and Firms of Brokers and Broker-Dealers referred to in the Orders mentioned in the preceding section.
- (iii) The Series A Bonds meet the selection policies to be admitted as assets securing transactions with the European Central Bank.

Upon being listed on the AIAF, the Bonds may be:

- (i) Eligible for investment by insurance companies in observance of their technical provision obligations, pursuant to article 50.5 of the Private Insurance Arrangement and Supervision Regulations approved by Royal Decree 2486/1998, November 20.
- (ii) 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.
- (iii) Eligible for investment by Pension Funds in accordance with the provisions of article 34 of Royal Decree 1307/1988, September 30, approving the Pension Plans and Funds Regulations.
- (iv) Eligible for investing the assets of Collective-Investment Undertakings, in accordance with the specific rules established for each of them in articles 4, 10, 18 and 25 of Act 46/1984, December 26, regulating Collective-Investment Undertakings, and its subsequent implementing regulations, and Royal Decree 91/2001, February 2, partially amending Royal Decree 1393/1990, November 2.

II.18.3 Subscription or Purchase Date or Period.

The Subscription Period in all the Series (the “**Subscription Period**”) shall begin at 12 o’clock noon (CET time) on July 30, 2002, and end at 5pm on that same day.

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

In order to be taken into account, subscription proposals shall be made by any means admissible at Law during the Subscription Period established in the preceding section, with CREDIT SUISSE FIRST BOSTON and BANCAJA, as placement agents for Series A Bonds, and BANCAJA, as placement agent for the Series B and Series C Bonds, observing the procedures established hereinafter in this section.

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

II.18.5 Placement and allocation of the securities.

Each of the Series exclusively consists of a single placement tranche.

The Underwriters and Placement Agents shall freely proceed to accept or turn down subscription proposals received, making sure at all events that there is no discriminatory treatment between similarly characterised proposals. The Underwriters and Placement Agents may nevertheless give priority to proposals of those of its customers as they shall deem fittest. Those proposals shall not be final subscription orders until they are confirmed by the investor or customer and accepted by the relevant Underwriter and Placement Agent, during the Subscription Period.

II.18.6 Method and dates for paying up.

The investors to whom the Bonds shall have been allocated shall pay the relevant Underwriter and Placement Agent by 12 noon (CET time) on July 31, 2002 (the “**Closing Date**”), same day value, the issue price (100% of the face value) for each Bond allocated for subscription.

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

The Underwriters and Placement Agents shall provide subscribers 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.

That confirmation 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 Circular.

II.19 Institutions involved in the placement or marketing, giving their respective roles, describing the same specifically. Overall amount of the fees agreed between the various placement agents and the Management Company.

II.19.1 Bond Issue Underwriters and Placement Agents.

Placement and underwriting of the Bond Issue shall be undertaken by CREDIT SUISSE FIRST BOSTON and BANCAJA as underwriters and placement agents (**the “Underwriters and Placement Agents”**), on the terms contained in this section under the Bond Issue Management, Underwriting and Placement Agreement.

Underwriting.

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 each Series:

Underwriter and Placement Agent	Face amount underwritten (EUR)					
	Series A Bonds		Series B Bonds		Series C Bonds	
	Number	Face Amount	Number	Face Amount	Number	Face Amount
CREDIT SUISSE FIRST BOSTON	5,001	500,100,000	-	-	-	-
BANCAJA	-	-	104	10,400,000	104	10,400,000
Total	5,001	500,100,000	104	10,400,000	104	10,400,000

The Underwriters and Placement Agents agree to subscribe in their 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.

The Series A Bond Underwriter and Placement Agent shall receive from the Fund an underwriting fee of 0.01% on the total face amount of the Series A Bonds.

The Series B and C Bond Underwriter and Placement Agent shall receive no remuneration whatsoever from the Fund for underwriting those Bonds.

Placement.

CREDIT SUISSE FIRST BOSTON and BANCAJA shall be the placement agents of the Series A Bonds. In this connection, CREDIT SUISSE FIRST BOSTON, the underwriter of the Series A Bonds, shall keep a book in which it will enter the amounts of Series A Bonds actually placed with investors by both CREDIT SUISSE FIRST BOSTON and BANCAJA. Both Underwriters and Placement Agents shall at all times advise of the progress of the placement of the Bonds in each Series.

BANCAJA shall be the placement agent of the Series B and Series C Bonds.

CREDIT SUISSE FIRST BOSTON and BANCAJA shall receive no remuneration whatsoever from the Fund for placement of the Bonds.

II.19.2 Lead Managers of the Bond Issue.

CREDIT SUISSE FIRST BOSTON and BANCAJA shall be involved as Lead Managers of the Bond Issue.

The following are the statements given by the Lead Managers signed by a duly authorised individual, in fulfilment of article 20.3 of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as amended by Royal Decree 2590/1998, December 7:

I Ms Lourdes Moreno, acting for and on behalf of CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED, with place of business for these purposes at One Cabo Square, London E14 4QJ, duly authorised for these presents, and in connection with the organisation of BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond issue against the same, for an amount of not more than EUR five hundred and twenty million nine hundred thousand (520,900,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on June 21, 2002, in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as amended by Royal Decree 2590/1998, December 7,

HEREBY DECLARE

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

That those checks have not revealed any circumstances contradicting or altering the information contained in the 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 London, on July 25, 2002."

"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, 8, Valencia, duly authorised for these presents, and in connection with the organisation of BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond issue against the same, for an amount of not more than EUR five

hundred and twenty million nine hundred thousand (520,900,000) notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on June 21, 2002, in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as amended by Royal Decree 2590/1998, December 7,

HEREBY DECLARE

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

That those checks have not revealed any circumstances contradicting or altering the information contained in the 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 July 25, 2002.”

Attached as Appendix 7 to this Circular is a photocopy of the letters from CREDIT SUISSE FIRST BOSTON and BANCAJA, making those statements.

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

The Management Company shall, for and on behalf of the Fund, enter into a Bond Issue Management, Underwriting and Placement Agreement with CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED (“**CREDIT SUISSE FIRST BOSTON**”) and CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA (“**BANCAJA**”) as Lead Managers and Underwriters and Placement Agents of the Bond Issue.

The Bond Issue Underwriters and Placement Agents take on the obligations contained in the Management, Underwriting and Placement Agreement, which are basically the following: 1) securing placement by a third-party subscription for the Bonds in each Series, to their respective extent; 2) an undertaking to subscribe for the Bonds not subscribed when the Subscription Period is closed, up to the set amounts; 3) paying to the Fund, through the Paying Agent, by 1pm (CET time) on the Closing Date, same day value, as appropriate, the face amount actually placed in each Series, and the relevant face amount up to their underwriting commitment, whereupon the Paying Agent shall pay to the Fund by 2pm (CET time) on that same day, same day value, the total amount for that subscription; 4) an undertaking to pay late-payment interest as covenanted in the Agreement in the event of late payment of the amounts due; and 5) providing subscribers with a document proving subscription.

The underwriting fees for each of the Bond Series are specified in section II.19.1 of this Circular.

CREDIT SUISSE FIRST BOSTON and BANCAJA shall be involved as Lead Managers and shall receive no remuneration whatsoever from the Fund for managing the Bond Issue.

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

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

Not applicable.

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

The Bonds, represented by means of book entries, shall become such bonds upon being entered in the relevant accounting record, as provided in the Book Entries Royal Decree, with the usual timing and procedures of the institution in charge of so doing, to wit the SCLV or any other institution taking its stead.

II.21 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, in accordance with the legal system prescribed in Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, Act 19/1992, July 7, on the System of Investment Trusts and Companies and on Mortgage Securitisation Funds, failing a provision in Royal Decree 926/1998 and to the extent applicable, and Securities Market Act 24/1988, July 28, in regard to supervision, inspection and penalties, and all other legal and statutory provisions in force and applicable from time to time.

The constitution of the Fund, the Bond issue 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 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 organisation, administration and legal representation of BANCAJA 3 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 action whatsoever against the Obligors who may have defaulted on their payment obligations, for that action shall lie with the Management Company, representing the Fund owning the Mortgage Certificates issued on the Mortgage Loans.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against the Fund or against the Management Company in the event of default of amounts due by the Fund resulting from the 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 actions 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.

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

A brief account is given hereinafter of the tax system applicable to the investments derived from this 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 this offering will be represented by book entries and an application will be made for the securities to be listed and traded on an official Spanish secondary securities market, which circumstances are relevant to determining taxation, the assumption made is that these requirements shall be met. It has moreover been considered that, upon being issued, the Bonds will be considered financial assets with an explicit yield, when this qualification is relevant for tax purposes.

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

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

II.22.1 Natural or legal persons resident in Spain.

Personal Income Tax.

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 the Personal Income Tax and Other Tax Rules Act 40/1998, December 9.

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

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 income is exempt from the obligation to withhold from 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 obligors, shall be added to the tax base as prescribed under Title IV of Corporation Tax Act 43/1995, December 27.

The aforesaid income shall be excluded from withholding tax as provided by article 57.q) of Royal Decree 537/1997, April 14, approving the Corporation Tax Regulations, amended by the wording provided in Royal Decree 2717/1998, December 18. Nevertheless, in accordance with the Ministerial Order of December 22,

1999, the procedure for the exclusion of withholding tax or prepayment to be effective 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 to all the interest.
2. By the 10th of the month after the month of maturity of each coupon, the custodians shall provide the Management Company or the Paying Agent with an itemised list of the holders who must pay Tax, along with their identification particulars, the number of securities they held at the date of maturity of each coupon, the respective gross income and the amount withheld.
3. Bondholders shall certify that circumstance with the custodians by the 10th 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 all the custodians through the Paying Agent the amount withheld from those obligors or taxpayers.
5. The custodians shall forthwith pay the amount withheld to the obligor or taxpaying holders.

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

Income obtained by Bondholders who are Non-Resident Income Tax payers, both on interest and in connection with the transfer, 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 article 11 of Act 41/1998, December 9, on Non-Resident Income and Tax Rules.

Income obtained through a permanent establishment.

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

Income obtained other than through a permanent establishment.

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

- The tax base shall be quantified as the full amount of the income obtained, calculated with reference to the rules of Act 40/1998, whereas the reductions of that Act will not apply.
- In the event of transfer, 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.

- The Tax will be calculated applying an 18 per 100 rate to the tax base comprising Bond interest and income.
- The above-mentioned income shall be subject to a Non-Resident Income Tax withholding, other than where evidence is produced of Tax payment or that an exemption is appropriate.

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

Income obtained on the Bond issue, both as interest and in connection with the transfer, repayment or amortisation of the Bonds, by persons or undertakings not resident in Spain acting in this connection without a permanent establishment shall be exempt when the beneficiary is a resident of another European Union Member State.

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

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

In accordance with the Ministerial Order of April 13, 2000, in connection with the application of the exclusion from withholding tax or withholding at a reduced rate by applying the taxation limits established in double-taxation Agreements, the custodians shall provide the Paying Agent or the Management Company, by day 10 of the month after the month of coupon maturity, with a detailed list of the Bondholders not residing in Spanish territory having no permanent establishment, with details of the Series and maturity, identification of the holder, number of securities held on the coupon maturity date, relevant gross income and withholding to be applied. Non-resident Bondholders shall have in turn certified to the custodians their tax residence by submitting a residence certificate issued by the tax authorities of the country of residence, bearing in mind that said certificate is valid for one (1) year after being issued.

Upon the failure to certify tax residence for these purposes, the income obtained on the Bonds both as interest and upon their transfer, repayment or amortisation by non-resident holders shall be taxable under the general system aforesaid, though they may apply for the excess withholding or taxation to be returned availing of the procedure established in the laws in force for the time being.

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

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

II.22.4 Wealth Tax.

Natural persons whose personal obligation it is to pay this Tax and who are Bondholders at 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.

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

II.22.5 Inheritance and Gift Tax.

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

II.23 Purpose of the transaction.

The net amount of the Bond issue will be fully allocated to paying BANCAJA the price for the assignment of the initial Mortgage Loans pooled in the assets of the Fund.

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

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

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

II.25.1 Specification of natural and legal persons.

- a) The Fund was financially structured by EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- b) BANCAJA is the Originator of the Mortgage Loans pooled in the Fund.
- c) CREDIT SUISSE FIRST BOSTON and BANCAJA are involved as Lead Managers and Underwriters and Placement Agents of the Bond Issue.
- d) CREDIT SUISSE FIRST BOSTON shall be the placement agent whose exclusive responsibility it shall be to keep the subscription orders book for the Series A Bonds (*Book runner*).
- e) CUATRECASAS ABOGADOS, who are involved as independent legal advisers, have provided the Management Company with legal advice for the legal structure of the Fund, and the Lead Managers with legal advice on Spanish law aspects relating to the Bond Issue Management, Underwriting and Placement Agreement.
- f) BANCAJA is involved as Paying Agent of the Bond Issue.

- g) ARTHUR ANDERSEN S.L. is involved as auditor checking a number of features of the selection of loans which shall be assigned to the Fund upon being constituted.
- h) CLIFFORD CHANCE are involved as legal adviser to CREDIT SUISSE FIRST BOSTON.

II.25.2 Statement by the person responsible for the 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 assets (Mortgage Loans) acquired by the Fund.

"I, Mr MARIO MASÍÁ VICENTE, for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with place of business at Madrid, Calle Lagasca number 120, and in connection with the constitution of the Fund BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond issue against the same, for an amount of not more than EUR six hundred million (600,000,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on June 21, 2002, in pursuance of point II.25.2. of Comisión Nacional del Mercado de Valores Circular 2/94, March 16, (implementing the Order dated July 12, 1993, in turn implementing Royal Decree 291/92, March 27),

HEREBY DECLARE

That there is no 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 BANCAJA., Originator of the Mortgage Loans pooled in the Fund."

II.25.3 Statement by the Originator.

I, Mr José Enrique Sotos Ebstein, for and on behalf of BANCAJA, hereby declare that BANCAJA have made the necessary checks to verify that the information contained in the Circular is truthful and complete. He moreover declares that those checks have not revealed any circumstances contradicting or altering the information contained in the Circular, and that the latter has not omitted any material facts or figures which might be relevant to the investor. The letter from the Originator setting forth thus representing is attached as Appendix 6 to this Offering Circular.

GENERAL INFORMATION ON THE ASSET SECURITISATION FUND

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

The constitution of the Fund and Bond issue by the same 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) Securities Market Act 24/1988, July 28, in regard to supervision, inspection and penalties, and (v) all other legal and statutory provisions in force and applicable from time to time.

The name of the Fund is “BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS” and the following short names may also be used without distinction to identify the Fund:

- BANCAJA 3 FTA
- BANCAJA 3 F.T.A.

The Fund is organised in order to serve as a vehicle for acquiring the Mortgage Loans by BANCAJA and issue the Bonds against the same.

Verification and registration.

The constitution of the Fund and Bond issue by the same are subject to the prior requirement of verification by and registration at the official registers of the CNMV, in accordance with the provisions of article 5.1.a) of Royal Decree 926/1998 and articles 26 et seq. of the Securities Market Act.

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

Constitution.

After the CNMV has verified and registered this Offering Circular and by July 30, 2002, with the Bond Subscription Period not yet open, the Management Company shall, along with BANCAJA, as Originator of the Mortgage Loans to be acquired by the Fund, proceed to execute a public deed constituting BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS, (the “**Deed of Constitution**”), on the terms for which provision is made in Royal Decree 926/1998.

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

Companies Register.

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

III.2 Legal nature of the Fund.

In accordance with article 1 of Royal Decree 926/1998, the Fund is a separate estate, devoid of legal personality, and shall be open-ended and have revolving assets, in accordance with article 4.1.b) of Royal Decree 926/1998, its assets comprising the Mortgage Loans assigned by means of the issue of Mortgage Certificates pooled therein upon being constituted and, renewed upon the ordinary or early amortisation of the assets by such additional Mortgage Certificates as may eventually be acquired, and its liabilities comprising the Bonds issued and the Start-Up Loan, thereby for the net asset value of the Fund to be nil. Additionally, the Fund has arranged for the Subordinated Credit and the Interest Swap, which shall be reported in memorandum accounts.

In accordance with section four of 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, in the event of bankruptcy or insolvency of the Originator, the business of assigning the Mortgage Loans to the Fund may only be contested in the event of fraud, whereas the Fund shall have an absolute right of separation on the terms established in articles 908 and 909 of the Commercial Code.

The Fund shall be in existence until June 23, 2034, the Final Maturity Date of the Bond Issue.

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

III.2.1 Fund Assets.

The Fund assets shall consist of the following:

- (i) The loans with real estate mortgage security assigned by BANCAJA (the “**Mortgage Loans**”), comprising the loans assigned upon the constitution of and pooled in the Fund (the “**initial Mortgage Loans**”) by means of the issue of mortgage certificates (the “**Mortgage Certificates**”), and the loans subsequently assigned during the Revolving Period (the “**additional Mortgage Loans**”) by means of the issue of new Mortgage Certificates or directly, as the case may be and subject at all times to the Rating Agencies’ approval.

Section IV.1 of this Circular describes the Mortgage Loans, the requirements they must satisfy to be assigned to the Fund, the system of the successive assignments of additional Mortgage Loans during the Revolving Period, the terms and conditions of the assignment of the Mortgage Loans and the issue of the Mortgage Certificates perfecting the assignment.

Section IV.4 of this Circular itemises the main characteristics of the loans with real estate mortgage security selected from the portfolio of BANCAJA from which the initial Mortgage Loans shall be taken.

- (ii) The amount receivable upon the payment of the subscription underwritten for each Series in the Bond Issue.

- (iii) The initial expenses for constituting the Fund and issuing the Bonds booked as assets not amortised.
- (iv) Ordinary and late-payment interest on the Mortgage Loans.
- (v) The real estate awarded to the Fund upon foreclosing in due course the real estate mortgages securing the Mortgage Loans, any other amounts or assets received upon the judicial or notarial foreclosure of the mortgage securities, or from the sale or operation of real estate awarded to the Fund upon foreclosing 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 to the Fund upon the assignment of the Mortgage Loans.
- (vi) Amounts receivable on the Interest Swap established in section V.3.5. of this Circular.
- (vii) The balance existing on the Treasury Account under the Guaranteed Interest Rate Account (Treasury Account) Agreement and interest thereon, as established in section V.3.1 of this Circular.
- (viii) The balance existing on the Principal Account under the Guaranteed Interest Rate Account (Principal Account) Agreement and interest thereon, as established in section V.3.2 of this Circular.
- (ix) Any other amount received in relation to 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:

- (i) The aggregate of the Bond Issue amounting to a face value of EUR five hundred and twenty million nine hundred thousand (520,900,000), consisting of five thousand two hundred and nine (5,209) Bonds represented by means of book entries, pooled in three Bond Series distributed as follows:
 - Series A, having a total face amount of EUR five hundred million one hundred thousand (500,100,000) consisting of five thousand and one (5,001) Bonds having a unit face value of EUR one hundred thousand (100,000).
 - Series B, having a total face amount of EUR ten million four hundred thousand (10,400,000) consisting of one hundred and four (104) Bonds having a unit face value of EUR one hundred thousand (100,000).
 - Series C, having a total face amount of EUR ten million four hundred thousand (10,400,000) consisting of one hundred and four (104) Bonds having a unit face value of EUR one hundred thousand (100,000).

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

- (ii) The amount payable to BANCAJA for the assignment of the Mortgage Loans.
- (iii) Interest on the Outstanding Principal Balance of the Bonds in each Series.

- (iv) Amounts payable for the Interest Swap established in section V.3.5 of this Circular.
- (v) The amount of the Start-Up Loan and interest thereon, established in section V.3.4 of this Circular.
- (vi) Amounts drawn on the Subordinated Credit and interest thereon, established in section V.3.3 of this Circular, and as a memorandum account for the undrawn amount.
- (vii) The balances over time for fees and other expenses established in the various transaction agreements and any others incurred by the Fund.

III.2.3 Cash Reserve.

The Management Company shall set up a Cash Reserve by drawing fully the amount available under the Subordinated Credit on the date on which that drawdown is made, in the event of the rating of the non-subordinated and unsecured short-term debt rating of BANCAJA falling below P-1 or F1 respectively in Moody's and Fitch's rating scales, within not more than ten (10) days of that occurrence, unless BANCAJA should provide for the benefit of the Fund and at its cost a first demand security or guarantee of an institution whose short-term debt has a rating of at least P-1 and F1 respectively in the above-mentioned rating scales, guaranteeing for the Fund, simply upon the Management Company so requesting, the amount of the drawings requested from BANCAJA up to the Maximum Subordinated Credit Amount available on the relevant drawdown date, all of which shall be subject to the terms and conditions approved by the Rating Agencies for the ratings assigned to each of the Series in the Bond issue to be maintained.

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

(i) Amount:

Subsequently to being set up, on each Payment Date, it shall be provisioned up to the amount established hereinafter with the Available Funds in the Fund Priority of Payments.

The required Cash Reserve (the "**Required Cash Reserve**") shall on each Payment Date be equal to the lower of the following amounts: (i) EUR two million six hundred and four thousand five hundred (2,604,500) equivalent to 0.50% of the face amount of the Bond Issue, and (ii) 1.60% of the Outstanding Principal Balance of the Bond Issue minus the balance on the Principal Account on the Payment Date when the Mortgage Loan Revolving Period is over.

Notwithstanding the above, the Amount shall remain at the level established on the preceding Payment Date if the sum of (i) the Outstanding Balance of the Mortgage Loans in good standing or, if delinquent, with an arrears of less than 90 days and (ii) the balance on the Principal Account is less than 99% of the Outstanding Principal Balance of the Bond Issue.

The provisioning shall not be reduced when there is a Principal Deficiency on a given Payment Date, as defined in section II.11.3.4.3 of this Circular.

In any event, the Required Cash Reserve may not be less than EUR two million and eighty-three thousand six hundred (2,083,600).

The Required Cash Reserve may, however, be reduced on a Payment Date and throughout the life of the Fund following an express discretionary authorisation of the Rating Agencies.

(ii) Yield:

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

(iii) Application:

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

III.2.4 Risk hedging and service transactions.

In order to consolidate the financial structure of the Fund, enhance the safety of 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 order for the operation of the Fund to meet the terms set in the Deed of Constitution and in the laws in force from time to time, the Management Company, acting for and on behalf of the Fund, may extend or amend the agreements entered into on behalf of the Fund, substitute each of the Fund service providers under those agreements and indeed, if necessary, enter into additional agreements, including new credit facility agreements, and amend the Deed of Constitution; the foregoing shall be subject to the laws in force from time to time, to the prior authorisation, if necessary, of the CNMV or competent administrative body, and to notice being served on the Rating Agencies, and provided that such actions do not detract from the interests of Bondholders.

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

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

An itemised description of the most relevant terms of each of said agreements is made in section V.3 of this Circular, in addition to the more thorough description of the Mortgage Loan Servicing and Management Agreement made in section IV.2.

III.2.5 Fund Income.

The Fund shall have the following income, credited to the Treasury Account, which shall be allocated for satisfying the Fund's payment obligations.

- a) Amounts received as Mortgage Loan principal repayment.
- b) Ordinary and late-payment interest on the Mortgage Loans.
- c) The amount of the Start-Up Loan.
- d) Amounts, if any, drawn on the Subordinated Credit.
- e) Amounts received under the terms of the Interest Swap.
- f) The yield obtained by investing the amounts credited to the Treasury Account and the Principal Account.
- g) Any other amounts received by the Fund, including Fund receivables under the Mortgage Loans both resulting from the disposal of properties or assets awarded to the Fund or from their operation, and from all other rights conferred to the Fund upon the assignment of the Mortgage Loans.

Furthermore, the Fund shall draw on the amounts credited to the Principal Account, which shall be allocated to acquiring additional Mortgage Loans or amortising the Bond Issue, in the Priority of Payments established in section V.4.2.2 of this Circular.

III.2.6 Expenses payable by the Fund.

The Management Company shall settle on the Fund's behalf such expenses, taxes and duties 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 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. For illustrative purposes only, the Management Company shall satisfy the following expenses:

- a) The balance, if any, of the initial expenses for constituting the Fund and issuing the Bonds exceeding the amount of the Start-Up Loan.

- 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) Financial expenses of the Bond issue and of each of the financial borrowing and cover transactions.
- e) Rating Agency fees for monitoring and maintaining the Bond rating.
- f) Bond amortisation expenses.
- g) Expenses relating to keeping the Bond accounting record, for the Bonds to be represented by means of book entries, and listing maintenance on secondary stock markets.
- h) Any expenses derived from the sale of the Mortgage Loans and the remaining assets of the Fund upon liquidating the same, including those derived from obtaining a credit facility.
- i) Expenses derived from actions for recovery of the Mortgage Loans.
- j) Expenses derived from managing the Fund and the Mortgage Loans.
- k) Fees and expenses payable by the Fund under the service agreements made.
- l) Amounts payable under the Interest Swap.
- m) Expenses derived from inserts and notices relating to the Fund and/or the Bonds.
- n) Expenses of audits and legal advice.
- o) In general, any other expenses borne by the Fund or the Management Company for and on behalf of the Fund.

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

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

The constitution, 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. 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 purposefully opened 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 similarly the Management Company's duty, as the manager of third-party business, to represent and defend the interests of the holders of the Bonds issued on the Fund and of all 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 defence and observing the provisions statutorily prescribed for that purpose. The Bondholders shall have no right of action against the Fund Management Company, other than for a breach of its duties or failure to observe the provisions of the Deed of Constitution.

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

III.3.1.1 Administration and representation of the Fund.

The Management Company's policies 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 Circular:

The Management Company's action policies.

1. Due diligence.

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

2. Availability of means.

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

3. Code of Conduct.

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

4. Confidentiality.

The Management Company shall not, during the life of the Fund or after it terminates, disclose to individuals, firms or companies (unless that is necessary to properly comply with its duties or to enforce its rights, or that is required by law or any Stock Exchange or organised secondary market or ordered by

a competent court or authority, or the information is usual in Bondholders' legitimate interest, or is required by the CNMV or by the Rating Agencies) information relating to the Mortgage Loans or the Obligors or the transactions for covering financial risks and provision of services arranged on behalf of the Fund, which the Management Company may have obtained in discharging its functions in relation to the Fund.

Obligations and actions of the Management Company for administering the Fund.

1. Fund Management.

- (i) Managing the Fund in order that its net asset value is nil at all times.
- (ii) 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.
- (iii) Doing no things that might impair the ratings assigned by the Rating Agencies to each Series in the Bond Issue, and endeavouring to take such steps as may reasonably be in its hand for said ratings not to be adversely affected at any time.
- (iv) Entering on behalf of the Fund into such agreements as are provided in the Deed of Constitution and in this Circular.
- (v) 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 maturity of the Bond Issue, in accordance with the provisions of the Deed of Constitution and this Circular. Moreover, making all appropriate decisions in the event of the constitution of the Fund terminating.
- (vi) Complying with its formal, documentary and reporting duties to the CNMV, the Rating Agencies and any other supervisory body.
- (vii) Appointing and, as the case may be, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts.
- (viii) Preparing and submitting to the CNMV and any other competent administrative body all documents and information to be submitted as established in the laws in force for the time being, in the Deed of Constitution and in this Circular, or which may be required of it, and preparing and submitting to the Rating Agencies such information as may reasonably be required of it.
- (ix) Providing the holders of Bonds issued by the Fund, the CNMV and the public at large 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 Circular.
- (x) Complying with the calculation duties laid down in the Deed of Constitution and in this Offering Circular and in the various Fund transaction agreements described in section V.3 of the Circular, or in such others as the Management Company may enter into in due course for and on behalf of the Fund.

- (xi) In order to allow the Fund to operate on the terms provided in the Deed of Constitution, in this Circular and in the regulations in force from time to time, extending or amending the agreements entered into on behalf of the Fund, substituting, as the case may be, each of the Fund service providers thereunder and, indeed, if necessary, entering into additional agreements, including new credit facility agreements, and amending the Deed of Constitution, all of which shall be subject to the laws in force from time to time, to the prior authorisation, if necessary, of the CNMV or competent administrative body and to notice thereof being served on the Rating Agencies, and provided that those actions do not detract from Bondholders' interests.

2. In relation to the Mortgage Loans.

- (i) On each Offer Date, determining whether on the following Payment Date acquisitions of additional Mortgage Loans will have to be made and, if so, calculating the Acquisition Amount which may be allocated on the following Payment Date to a new acquisition of additional Mortgage Loans.
- (ii) Sending BANCAJA, where appropriate, the written notice demanding additional Mortgage Loans for the Fund, specifying the Acquisition Amount and the Payment Date on which the assignment to the Fund and payment for the assignment should be made and perfected.
- (iii) Checking that the loans included in the offer for the assignment of additional Mortgage Loans by BANCAJA satisfy the Quantitative Individual Requirements and the Global Requirements laid down for the acquisition of additional Mortgage Loans, and notifying BANCAJA of the list of additional Mortgage Loans which are accepted for inclusion in the Fund on the relevant assignment date.
- (iv) On each Payment Date on which additional Mortgage Loans are to be assigned to the Fund, perfecting the assignment with BANCAJA and sending the CNMV, using Cifradoc, the details of the additional Mortgage Loans, and the appropriate statement that such Loans satisfy the set Election Requirements for the acquisition of additional Mortgage Loans
- (v) Exercising the rights attaching to the ownership of the Mortgage Loans acquired by the Fund and, in general, carrying out all such acts of administration and disposition as may be required for properly managing and legally representing the Fund.
- (vi) Checking that the amount of income actually received by the Fund matches the amounts that must be received by the Fund, in accordance with the terms of assignment of each Loan and on the terms of their relevant agreements.
- (vii) Validating and controlling the information received from the Servicer on the Mortgage Loans, both as regards collection of ordinary instalments, early redemptions of principal, payments received on unpaid instalments and delinquency status and control.
- (viii) Ensuring that the Servicer renegotiates the terms of the Loans, as the case may be, in accordance with the general or specific instructions communicated by the Management Company.
- (ix) Monitoring the actions agreed with the Servicer for recovering defaults, issuing instructions, where appropriate, for an action for recovery to be brought as established in the Servicing Agreement.

3. In relation to the Bond Issue.

- (i) Preparing and notifying Bondholders of the information established in this Circular, and all other statutorily required information.
- (ii) Determining on each Interest Rate Fixing Date and for every subsequent Interest Accrual Period, the nominal interest rate to be applied for each Bond Series, resulting from the determination made in accordance with the provisions of section II.10, to be published as provided in sections III.5.2.a) and c).
- (iii) Calculating and settling the amounts payable on each Payment Date for interest accrued on each of the Bond Series in accordance with the provisions of section II.10, to be published as provided in sections III.5.2.a) and c).
- (iv) Calculating and determining on each Determination Date the principal to be amortised and repaid on each Bond Series on the relevant Payment Date in accordance with the provisions of section II.11.3, to be published as provided in sections III.5.2.a) and c).

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

- (i) Determining the interest rate applicable to each asset, liability and cover transaction.
- (ii) Calculating and settling the interest amounts and fees receivable and payable by the Fund on each of the asset, liability and hedge transactions, and the fees payable for the various financial services arranged for.
- (iii) Opening on behalf of the Fund two financial accounts, namely the Treasury Account and the Principal Account, initially at BANCAJA.
- (iv) In the event of the debt ratings of BANCAJA assigned by Moody's and Fitch falling, at any time during the life of the Bonds, below the ratings established in the Guaranteed Interest Rate Account (Treasury Account), Guaranteed Interest Rate Account (Principal Account), Subordinated Credit, Interest Swap and Bond Paying Agent Agreements, taking the actions for which provision is made in relation to those Agreements respectively described in sections V.3.1, V.3.2, V.3.3, V.3.5 and V.3.8.
- (v) Paying into the Treasury Account the principal, interest and any other amounts whatsoever owing to the Fund under the Mortgage Loans received from the Mortgage Loan Servicer.
- (vi) Paying into the Principal Account all relevant amounts on the terms and conditions of the Bond Issue and in the Fund Priority of Payments.
- (vii) Watching that the amounts credited to the Treasury Account and the Principal Account return the yield set in the respective Agreements.

5. In relation to managing the Fund's collections and payments.

- (i) Calculating the Available Funds and the Available Principal Funds and the payment or withholding obligations to be complied with, and applying the same in the Priority of Payments.

- (ii) Instructing transfers of funds between the various asset and liability accounts, and issuing all relevant payment instructions, including those designed for servicing the Bonds.

III.3.2 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. The new management company shall be subrogated in the rights and obligations, as prescribed in the public deed of constitution and in this Offering Circular.
- (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) In the event that the securities issued by the funds managed by the substituted Management Company have been rated by a rating agency, the rating accorded to the securities should not fall as a result of the proposed substitution.
- (iii) The Management Company may at 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 at no event be passed on to the Fund.
- (v) The substitution shall be published within fifteen days by means of a notice inserted in two nationwide newspapers and in the bulletin of the organised secondary market on which the bonds issued by the Fund managed by the Management Company are traded. Furthermore, the Management Company shall notify the Rating Agencies of that substitution.

Forced substitution.

- (i) In the event that the Management Company should be adjudged a bankrupt or 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 public 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.3.3 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, 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.3.4 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 one hundred and two thousand one hundred and seventy-two (102,172.00) payable on the Closing Date.
- (ii) A periodic fee: equal to 0.026% per annum, accruing on the exact number of days elapsed in each Interest Accrual Period, from the date of constitution of the Fund until it terminates, and payable quarterly in arrears on each of the Payment Dates, calculated on the Outstanding Principal Balance of the Bond Issue, minus the balance on the Principal Account when the Mortgage Loan Revolving Period is over, both on the Payment Date preceding the ongoing Payment Date. The fee for the first Interest Accrual Period shall accrue from the date of constitution of the Fund until the first Payment Date and shall be adjusted in proportion to the days elapsed between both dates, calculated on the face amount of the Bonds issued.

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

$$C = B \times \frac{0,026}{100} \times \frac{d}{360}$$

Where:

C = Fee payable on a given Payment Date.

B = Outstanding Principal Balance of the Bonds minus the balance on the Principal Account when the Revolving Period is over, both on the preceding Payment Date.

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

In any event, the annual amount of this periodic fee may not be lower than EUR twenty-seven thousand and fifty (27,050) or the proportional equivalent to the actual days elapsed in each of the Interest Accrual Periods. In the event that, during the term of the Fund, the National General Retail Price Index published by the Spanish National Institute of Statistics for each calendar year should experience a positive variation, the minimum annual amount would be reviewed cumulatively in the same proportion, from the year 2004, inclusive, and effective as of January 1 of each year.

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

III.4 Drawing up, auditing and approving annual accounts and other accounting documents of the Fund.

The Fund's annual accounts shall be checked 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 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.

III.5 Obligations and deadlines set to publicise and submit to the CNMV the periodic information on the economic and financial status of the Fund.

III.5.1 As part of its Fund management and administration duty, the Management Company agrees to submit quarterly to the CNMV, as promptly as possible, the information described hereinafter, with the exception of that contained in section e) which shall be annual, in relation to each of the Bond Series, the performance of the Mortgage Loans, prepayments, and economic and financial status of the Fund, moreover advising it of all ordinary periodic or extraordinary notices contained in section III.5.2 of this Circular, and of such additional information as may be required of it. The Management Company shall also send the Rating Agencies the information contained in paragraphs a) and b) below.

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

1. Outstanding principal balance and percentages represented by each of them on the initial face amount of each Series.
2. Interest accrued and paid.
3. Interest accrued and not paid.
4. Amortisation accrued and paid.
5. Estimated average life of the Bonds in each of the Series if the Mortgage Loan prepayment rate is maintained, as determined in section b) below.

b) In relation to the Mortgage Loans:

1. Outstanding balance.
2. During the Revolving Period, the amount for the assignment of additional Mortgage Loans.
3. Interest accrued and not collected.
4. Amount of delinquent instalments on the reporting date.
5. Printout establishing the average prepayment rates.

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

Report on source and subsequent application of the Available Funds and of the Available Principal Funds in the Fund Priority of Payments and the amounts, if any, of the Principal Deficiency.

d) Quarterly, during the Revolving Period, in relation to the new assignments of additional Mortgage Loans:

For the purposes of article 2.2.c).2 of Royal Decree 926/1998, on each new acquisition of additional Mortgage Loans, the Management Company shall send the CNMV the following documents:

- (i) Details of the additional Mortgage Loans assigned to the Fund and of their main characteristics.
- (ii) A written statement by the Management Company, also signed by BANCAJA, that those additional Mortgage Loans satisfy all the set Election Requirements to be assigned to the Fund.

The Management Company has therefore become a member of the CNMV's Cifradoc system for notifying the details of the additional Mortgage Loans using telematics, sending data files in the form of the document attached as Appendix 9 to this Circular, detailing the fields to be completed in each case and the wording of the statement by the Management Company regarding satisfaction by the additional Mortgage Loans of the Election Requirements.

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.5.2 Other ordinary, extraordinary and relevant event notification obligations.

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

a) Ordinary periodic notices:

1. Within the period comprised between the Interest Rate Fixing Date and not more than two (2) Business Days after each Payment Date, it shall proceed to notify Bondholders of the nominal interest rates resulting for Bond Series A and B, for the Interest Accrual Period following that Payment Date.
2. Quarterly, at least one (1) calendar day in advance of each Payment Date, the Fund shall, through its Management Company, proceed to notify Bondholders of the interest resulting from the Bonds in each of the Series, along with their amortisation, as appropriate, and moreover of:
 - i) The actual Mortgage Loan prepayment rate during the calendar quarter preceding the Payment Date.
 - ii) The average residual life of the Bonds in each of the Series estimated assuming that such actual prepayment rate, covering 100% of the assignment of additional Mortgage Loans during the Revolving Period, shall be maintained and assuming that the prepayment option shall be exercised as provided for in sections II.11.3.5 and III.8.1.(i) and (iii) of this Circular.
 - iii) The Outstanding Principal Balances of the Bonds in each of the Series, after the amortisation to be settled on each Payment Date, as the case may be, and the percentages such Outstanding Principal Balances represent on the initial face amount of each Bond.
 - iv) Furthermore, and if appropriate, the Bondholders shall be advised of the 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.

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 the SCLV, 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 constitution of the Fund and the Bond issue, and the nominal interest rates in Bond Series A and B determined 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 material 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 early maturity of the Bond Issue in any of the events provided in this Circular, in which case the CNMV will be sent the Notarial Certificate of termination of the Fund and the liquidation procedure followed as referred to in section III.8.1 of this 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 official bulletin of the AIAF Fixed-Income Market or any other taking its stead or similarly characterised, 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 Circular) being valid for such notices.

Exceptionally, the nominal interest rate determined for the Series A and B Bonds in the first Interest Accrual Period shall be notified in writing by the Management Company prior to the start of the Subscription Period to the Lead Managers and 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 the SCLV.

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:

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

III.6 Tax system of the Fund.

In accordance with the provisions of article 5.10 of Act 19/1992, article 7.1.g) of Corporation Tax Act 43/1995, December 27, and Royal Decree 537/1997, April 14, amended by Royal Decree 2717/1998, December 18, approving the Regulations of that Tax, 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 Fund is liable to pay Corporation Tax and is subject in regard to taxation to the general system for determining the taxable income, and to the general rate in force from time to time, which currently stands at 35%, and to the common rules on relief, set-off of losses, and other substantial elements making up the Tax.
- (iii) As for returns on the Mortgage Loans, loans or other credit rights constituting Fund income, there shall be no tax withholding or advance payment obligation.

- (iv) The management of the Fund by the Management Company shall be exempt from Value Added Tax.
- (v) Considerations paid to the holders of the securities issued by the Fund are deemed to be return on investments.

III.7 Amendment of the Fund Deed of Constitution.

The Deed of Constitution may not be howsoever amended other than in exceptional events, and, as the case may be, in accordance with the terms established by the laws in force for the time being, and provided that the amendment does not impair the rating assigned to the Bonds by the Rating Agencies, and has previously been notified to the Rating Agencies and the CNMV or competent administrative body. The Deed of Constitution can also be corrected as requested by the CNMV.

III.8 Liquidation and termination of the Fund.

III.8.1 Early liquidation of the Fund.

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

- (i) When the amount of the Outstanding Balance of the Mortgage Loans is less than 10 percent of the Maximum Mortgage Loan Amount.
- (ii) Mandatorily, if the Originator should exercise the Call Right over all of the remaining Mortgage Loans held by the Fund, in accordance with the provisions of section IV.1.10 of this Circular.
- (iii) Where, in any event or circumstance whatsoever of the Fund’s own doing or not, a material alteration occurs or the financial balance of the Fund required by article 5.6 of Act 19/1992 is permanently flawed. This event includes such circumstances as the existence of any change in the law or supplementary implementing regulations, the establishment of withholding obligations or other situations which might permanently affect the financial balance of the Fund.
- (iv) Mandatorily, in the event that the Management Company should be declared insolvent or bankrupt, 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.3.2 of this Circular.

The following requirements shall be necessary to proceed to that early liquidation of the Fund:

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

Payment obligations derived from the Bonds on the date of early liquidation of the Fund shall at all events be deemed to be the Outstanding Principal Balance on that date plus interest accrued and not paid, deducting the tax withholding, if any, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

- (ii) That the Bondholders are notified, as prescribed in section III.5.2 of this Circular and thirty (30) Business Days in advance, of the resolution by the Management Company to proceed to an early liquidation of the Fund.

That notice, previously made available to the CNMV and the Rating Agencies, 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 Priority of Payments.

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

- (i) Sell the Mortgage Certificates or, as the case may be, the Mortgage Loans, for a price not below the sum of the principal value and interest due and not paid on the Mortgage Loans pending repayment.

Nevertheless, in the event that the Call Right should be exercised by the Originator, the sale of the remaining Mortgage Certificates or the Mortgage Loans held by the Fund shall take place on the terms established for exercising the Call Right.

- (ii) Terminate such agreements as are not necessary for the Fund liquidation procedure.
- (iii) It will 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 with the interest and principal flows derived from the Mortgage Loans pending repayment and the proceeds from the sale of the other assets remaining on the assets of the Fund.
- (iv) Finally, both due to an insufficiency of the preceding actions and the existence of remaining Mortgage Certificates, Mortgage Loans or other assets, it shall proceed to sell the assets and goods remaining on the assets of the Fund. The Management Company shall be authorised to accept such offers as shall in its opinion cover the market value of the property at issue and which are paid in cash and on the spot. 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, the Originator shall have a pre-emptive right and may therefore have priority over third parties to acquire the Mortgage Certificates or, as the case may be, the Mortgage Loans or any other assets derived therefrom remaining on the assets of the Fund, or to grant to the Fund the credit facility designed for the early amortisation of the Bond Issue. The Management Company shall therefore send the Originator a list of the Mortgage Certificates or, as the case may be, the Mortgage Loans and of the other assets and of third-party bids received, and the latter may use that right for all those assets within ten days of receiving said notice, and provided that its bid is at least equal to the best of the third-party bids.

Upon provisioning the reserve referred to in section III.8.2 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 priority as shall be requisite in the Liquidation Priority of Payments, other than the

obligation to provision the Cash Reserve, if set up, and other than the amounts, if any, drawn on the credit facility arranged, which shall be fully allocated to the early amortisation of the Bond Issue.

III.8.2 Termination of the Fund.

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

- (i) Upon the Mortgage Loans pooled therein being fully repaid.
- (ii) Upon the Bonds issued being fully amortised.
- (iii) By the Early Liquidation procedure established in section III.8.1 above.
- (iv) At all events, on the Final Maturity Date established for final Bond amortisation.

In events (i) and (iii) above, 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 priority as shall be requisite in the Liquidation Priority of Payments, other than the obligation to provision the Cash Reserve, if set up, and other than the amounts, if any, drawn on the credit facility arranged, which shall be fully allocated to the early amortisation of the Bond Issue.

In the event that there should be any remainder upon the Fund being liquidated and after making all payments by distributing the Available Funds in the Liquidation Priority of Payments, that remainder shall be paid to the Originator. In the event that the remainder should not be cash amounts since deriving from Mortgage Loans termination in recovery proceedings commenced following a default by the Loan Obligors, both their continuation and the proceeds of their termination shall be for the Originator.

In any event, the Management Company, acting for and on behalf of the Fund, shall not proceed to terminate the Fund and strike it off the relevant administrative registers until the Fund's remaining assets have been liquidated and the Fund's Available Funds have been distributed, in the Fund Liquidation Priority of Payments, with the exception of the appropriate reserve to meet final termination expenses.

Upon a period of six (6) months elapsing from the liquidation of the Fund's remaining assets and the distribution of the Available Funds, the Management Company shall execute a Statutory Declaration before a Notary Public declaring (i) that the Fund has terminated, and the events prompting its termination, (ii) how the Bondholders and the 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.

The Fund shall also terminate upon the constitution of the Fund terminating following a termination of the Bond Issue Management, Underwriting and Placement Agreements in the event that the Rating Agencies should not confirm the provisional ratings assigned as final ratings by the start of the Subscription Period. In that event, the Management Company shall terminate the constitution of the Fund, Bond issue and assignment of the initial Mortgage Loans to the Fund.

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.5.2.b) and c) of this Circular. Within not more than one month after the occurrence of the event of termination, the Management

Company shall execute a Notarial Certificate 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.

CHAPTER IV

INFORMATION ON THE CHARACTERISTICS OF THE ASSETS SECURITISED THROUGH THE FUND

IV.1 Description of assets pooled in the Fund.

The purpose for which the Fund is organised is to securitise the credit rights that shall be assigned by BANCAJA and acquired by the Fund, defined as Mortgage Loans, which shall be struck off the balance sheet of BANCAJA.

IV.1.1. Type of assets: Mortgage Loans.

The credit rights making up the Fund assets shall exclusively consist of credit rights owned by BANCAJA derived from loans with real estate mortgage security granted by BANCAJA to individuals for building, purchasing or renovating residential homes in Spanish territory, both directly and through subrogations of financing granted to developers for building homes, assigned by BANCAJA to the Fund (the “**Mortgage Loans**”), comprising the loans assigned upon the constitution of the Fund (the “**initial Mortgage Loans**”), and the loans subsequently assigned during the Revolving Period (the “**additional Mortgage Loans**”).

Under the Deed of Constitution, the Management Company, for and on behalf of the Fund, and BANCAJA (the “**Originator**”) shall perfect the agreement assigning Mortgage Loans to the Fund, characterised as follows:

- (iv) Assignment to the Fund by BANCAJA, upon being constituted, of the initial Mortgage Loans, which shall be listed in the Deed of Constitution.
- (v) Undertaking by the Management Company to demand and acquire for the Fund on each of the Payment Dates in the Revolving Period, the additional Mortgage Loans offered to it by BANCAJA in an amount not exceeding the Acquisition Amount and provided that they satisfy the Election Requirements.
- (vi) Undertaking by BANCAJA to offer and assign to the Fund on each of the Payment Dates in the Revolving Period, additional Mortgage Loans in an amount not exceeding the Acquisition Amount and provided that they satisfy the Election Requirements.

The Mortgage Loans shall be assigned to the Fund by having BANCAJA issue and the Fund subscribe for an equal number of mortgage certificates perfecting the assignment of each of the Mortgage Loans.

The mortgage certificates (the “**Mortgage Certificates**”) shall be issued as established in Mortgage Market Regulation Act 2/1981, March 25, Royal Decree 685/1982, March 17, implementing certain aspects of Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree’s articles.

The requirements the Mortgage Loans shall satisfy to be assigned to the Fund, the system for successive assignments of additional Mortgage Loans during the Revolving Period, the terms and conditions for the

assignment of the Mortgage Loans and the issue of the Mortgage Certificates perfecting the assignment, are described in section IV in accordance with the provisions of the Deed of Constitution.

IV.1.1.1 Outstanding Balance of the Mortgage Loans.

The Outstanding Balance of a Mortgage Loan from time to time shall comprise the sum of the capital not yet due and the capital due and not paid to the Fund.

IV.1.1.2 Recovery Shortfall Account.

The Recovery Shortfall Account shall from time to time contain the differences between the principal amounts due on the Mortgage Loans on their enforcement dates and the principal amount recovered upon such enforcement.

IV.1.2 Maximum amount of the assets pooled in the Fund.

The maximum amount of the Outstanding Balance of the Mortgage Loans pooled in the Fund shall be EUR five hundred and twenty million nine hundred thousand (520,900,000) (the “**Maximum Mortgage Loan Amount**”), equivalent to the face value of the Bond Issue.

IV.1.3 Initial Mortgage Loans.

Upon being constituted, the Fund shall subscribe for an indeterminate number of Mortgage Certificates issued by BANCAJA perfecting the assignment of the initial Mortgage Loans whose total capital or principal shall amount to a value equal to or slightly less than the Maximum Amount.

The issue of the Mortgage Certificates by BANCAJA perfecting the assignment of the initial Mortgage Loans and the subscription by the Fund, shall be perfected in the Fund Deed of Constitution.

The loans with real estate mortgage security selected from the portfolio of BANCAJA, which shall be mostly assigned to the Fund upon being constituted, the initial Mortgage Loans, are itemised in section IV.4 of this Chapter.

IV.1.4 Additional Mortgage Loans.

After being constituted, the Fund, represented by the Management Company, shall on each Payment Date during the Revolving Period, make successive acquisitions of additional Mortgage Loans to replace the amount of the Outstanding Balance of the Mortgage Loans repaid by the Obligors or in the event of redemption by the Originator as provided for in section IV.1.9.

The assignment to the Fund of additional Mortgage Loans shall be made by means of an issue of Mortgage Certificates by BANCAJA perfecting their assignment and their subscription by the Fund, which shall be perfected in a public deed executed by the Management Company and BANCAJA on each assignment date. In the event of there being statutory changes, the Management Company and BANCAJA may however perfect the assignment to the Fund of the additional Mortgage Loans by any other lawful procedure differing from the issue of and subscription for Mortgage Certificates, subject at all times to the Rating Agencies’ approval.

All expenses and taxes deriving from the perfection of the successive assignments of additional Mortgage Loans shall be borne by BANCAJA.

On each new acquisition of additional Mortgage Loans, the Management Company shall send the CNMV the following documents:

- (i) Details of the additional Mortgage Loans assigned to the Fund and of their main characteristics.
- (ii) A written statement by the Management Company, also signed by BANCAJA, that those additional Mortgage Loans satisfy all the set Election Requirements to be assigned to the Fund.

The Management Company has therefore become a member of the CNMV's Cifradoc system for notifying the details of the additional Mortgage Loans using telematics, sending data files in the form of the document attached as Appendix 9 to this Circular, detailing the fields to be completed in each case and the wording of the statement by the Management Company regarding satisfaction by the additional Mortgage Loans of the Election Requirements.

IV.1.4.1 Revolving Period.

The Management Company shall make quarterly acquisitions of additional Mortgage Loans on each of the Payment Dates within the time-period comprised between the Closing Date and June 23, 2007, inclusive, or the following Business Day if that is not a Business Day (the "**Revolving Period**").

Exceptionally, on any Payment Date in the Revolving Period, the acquisition of additional Mortgage Loans shall be stopped if any of the following circumstances occur in relation to a Payment Date:

- (i) That the sum of the Outstanding Balance of the Mortgage Loans with an arrears in excess of ninety (90) days in payment of overdue amounts exceeds 1.00% of the Maximum Mortgage Loan Amount.
- (ii) That the available Subordinated Credit amount or, as the case may be, the Required Cash Reserve, are respectively not less than the Maximum Subordinated Credit Amount or the Required Cash Reserve on the Payment Date.

There shall be an early termination of the Revolving Period from the date on which any of the following circumstances should occur, as the case may be:

- a) Where the acquisition of additional Mortgage Loans has been stopped for four (4) consecutive Payment Dates in any of the circumstances provided for in the preceding paragraph.
- b) Where the Acquisition Amount is partly covered for four (4) Payment Dates running in a percentage of less than 75 percent thereof.
- c) Where BANCAJA enters into temporary receivership, has a petition in bankruptcy made, resolves a liquidation or incurs a liability which might result in its credit institution status being revoked.
- d) Where the rating of the non-subordinated and unsecured short-term debt of BANCAJA falls below P-2 or F1 respectively in Moody's and Fitch's rating scales.
- e) Where the amount of the cumulative Outstanding Balance of the Mortgage Loans with an arrears in excess of one hundred and eighty (180) days in payment of overdue amounts, calculated once only on the first date on which that delinquent position arises, is in excess of the following percentages on the Maximum Mortgage Loan Amount:

- a) 0.75% during the first year from the constitution of the Fund.
- b) 1.50% during the second year from the constitution of the Fund.
- c) 2.00% during the third, fourth and fifth year from the constitution of the Fund.

IV.1.4.2 Offer Dates.

These shall be the dates falling on the seventh (7th) Business Day preceding each of the Payment Dates in the Revolving Period there should be an acquisition of additional Mortgage Loans.

IV.1.4.3 Acquisition Amount.

The Maximum Amount the Management Company may allocate on each Payment Date to the acquisition of additional Mortgage Loans (the “**Acquisition Amount**”) shall be the lower of the following amounts:

- i) The amount of the Available Principal Funds.
- ii) EUR fifty-two million and ninety thousand (52,090,000), equivalent to ten (10) percent of the Maximum Mortgage Loan Amount.

During the Revolving Period, the remaining Available Principal Funds not used for the assignment of additional Mortgage Loans, shall remain credited to the Principal Account.

IV.1.4.4 Election Requirements.

In order to be assigned and included in the Fund, the additional Mortgage Loans shall on the respective assignment date satisfy all the election requirements listed in this section (the “**Election Requirements**”).

Individual Requirements

The following are the requirements each of the additional Mortgage Loans shall individually satisfy to be assigned to the Fund (the “**Individual Requirements**”):

1. That the Obligor is an individual resident or not resident in Spain.
2. That the Mortgage Loan is denominated and payable in euros only.
3. That the Mortgage Loan has not matured before, and does not mature on, the date of assignment to the Fund.
4. That the Mortgage Loan principal has already been fully drawn down.
5. That the sum of the Outstanding Balance of the Mortgage Loans of a same Obligor does not exceed 0.18% of the Maximum Mortgage Loan Amount.
6. That the time elapsed between the Mortgage Loan origination date and the date of assignment to the Fund is not less than six (6) months.
7. That the Final Maturity Date of the Mortgage Loan is not after June 23, 2032.
8. That the Mortgage Loan is not in a repayment-free period.
9. That the Mortgage Loan interest and repayment instalments are monthly.

10. That the Mortgage Loan principal repayment system is a repayment system with periodic instalments such as the French method, a variable geometric or arithmetic progression repayment instalments method or an equal, constant repayment instalments method.
11. That, on the date of assignment to the Fund, the Mortgage Loan is a floating interest rate loan during the entire period remaining until final maturity, without any clauses establishing interest rate caps, limiting the quantity of the interest rate applicable to the Loan.
12. That the periodicity in determining the interest rate applicable to the Mortgage Loan is not in excess of 12 months.
13. That determination of the interest rate applicable to the Mortgage Loan is referenced to the following mortgage market benchmark rates or indices, established in section 3 of rule six bis of Bank of Spain Circular no. 8/1990, September 7, and (i) that the margin or spread applicable to the EURIBOR and MIBOR indices (numbers 1 and 2) is not less than 50 basic percentage points, or (ii) in the case of the remaining benchmark indices (numbers 3 to 6), that the margin or spread applicable to each of the remaining benchmark indices, expressed in basic percentage points, is not less than the result of increasing by 50 basic percentage points the difference between the simple means of the values of the last three (3) months, published by the Bank of Spain, of the (a) one-year EURIBOR index and of (b) the relevant benchmark index.

Benchmark rate or index
1. One-year interbank benchmark (EURIBOR)
2. One-year interbank rate (MIBOR)
3. Savings banks' average rate for mortgage loans for more than three years
4. Savings banks' active benchmark rate (CECA indicator, active rate)
5. Banks' average rate for mortgage loans for more than three years
6. All institutions' average rate for mortgage loans for more than three years

14. That the initial principal of the Mortgage Loan upon origination does not exceed 80% of the appraisal value of the mortgaged property or properties.
15. That the outstanding principal of the Mortgage Loan pending repayment does not exceed 65% of the appraisal value of the mortgaged property or properties.
16. That, on the date of assignment to the Fund, the Mortgage Loan has no overdue amount owing by the Obligor.

Global Requirements.

In addition to satisfying the Individual Requirements, the following are the requirements the additional Mortgage Loans must satisfy as a whole to be assigned to the Fund (the “**Global Requirements**”):

1. That the mean ratio of the Mortgage Loans, expressed as a percentage, resulting from dividing the initial principal of the Mortgage Loan upon origination and the appraisal value of the mortgaged property or properties, weighted by the Outstanding Balance of each Mortgage Loan, is not in excess of 68.70%.

2. That the mean ratio of the Mortgage Loans, expressed as a percentage, resulting from dividing the Outstanding Balance of the Mortgage Loan and the appraisal value of the mortgaged property or properties, weighted by the Outstanding Balance of each Mortgage Loan, is not in excess of 60.00%.
3. That the average time elapsed from the Mortgage Loan arrangement date until the assignment date weighted by the Outstanding Balance of each Mortgage Loan is not less than twenty-four (24) months.
4. That the average time remaining until the final maturity date of the additional Mortgage Loans, weighted by the Outstanding Balance of each additional Mortgage Loan, is not in excess of sixteen (16) years.
5. That the average life of the additional Mortgage Loans weighted by the Outstanding Balance of each additional Mortgage Loan is not in excess of one hundred and ten (110) months.
6. That the percentage of the Outstanding Balance of the Mortgage Loans granted for financing holiday homes, as internally classified by BANCAJA, does not exceed five (5) percent of the total Outstanding Balance.

IV.1.4.5 Procedure for acquiring additional Mortgage Loans.

1. On the Offer Date, the Management Company shall send BANCAJA a written notice demanding the assignment of additional Mortgage Loans for the Fund, specifying the Acquisition Amount and the Payment Date on which the assignment to the Fund and payment for the assignment shall be made.
2. By 9am (CET time) on the fourth (4th) Business Day preceding the Payment Date, BANCAJA shall send the Management Company a written notice offering to assign additional Mortgage Loans, along with a data file detailing the characteristics of the selected loan included in the assignment offer and which shall satisfy the Individual Requirements.
3. By the Business Day preceding the Payment Date, the Management Company shall send BANCAJA a written notice accepting the assignment of additional Mortgage Loans, along with a data file with the details of the additional Mortgage Loans accepted and their characteristics notified by BANCAJA.

In determining which additional Mortgage Loans to include on the acceptance for assignment, the Management Company shall:

- a) Check that the loans listed on the assignment offer satisfy the Individual Requirements in view of the characteristics notified by BANCAJA and that, along with the characteristics of the Mortgage Loans remaining in the Fund, they satisfy the Global Requirements.
- b) Determine the additional Mortgage Loans that acceptable and eligible for assignment to the Fund for a total amount equal or as near as possible to the Acquisition Amount.
4. On the Payment Date, the Management Company, acting for the Fund, and BANCAJA shall proceed to perfect the assignment of the additional Mortgage Loans to the Fund, and the Fund, represented by the Management Company, to pay the assignment price comprising the face value of the capital of the additional Mortgage Loans assigned.

The remaining Available Principal Funds not used for the assignment of additional Mortgage Loans, shall remain credited to the Principal Account.

IV.1.5 Assignment price of the Mortgage Loans.

The assignment price of the Mortgage Loans shall be at par with the capital or principal of each of the Mortgage Loans. The total price payable by the Fund for acquiring the Mortgage Loans shall be the amount equivalent to the sum of (i) the face value of the principal of each of the Mortgage Loans, and (ii) the ordinary interest accrued on each of the Mortgage Loans from their last interest settlement date on or before the date of assignment, inclusive, until the same (the “**accrued interest**”).

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

1. The part of the assignment price consisting of the face value of the capital of all the Mortgage Loans shall be paid by the Fund, represented by the Management Company, as follows:
 - a) The assignment price of the initial Mortgage Loans shall be fully paid by 3pm (CET time) on the Closing Date, same day value, upon the subscription for the Bond Issue being fully paid up.
 - b) The assignment price of the additional Mortgage Loans shall be fully paid on the relevant Payment Date on which the assignment occurs, same day value.

In both cases a) and b), the Management Company shall instruct BANCAJA to proceed to debit the amount of the relevant price to the Treasury Account opened in the name of the Fund.

2. The part of the assignment price consisting of the interest accrued on each of the Mortgage Loans shall be paid on the collection date falling on the first interest settlement date for each of them, after the assignment date, and will not be subject to the Fund Priority of Payments.

If the Fund constitution and hence the assignment of the initial Mortgage Loans by means of the issue of and subscription for the Mortgage Certificate should terminate, (i) the Fund’s obligation to pay the total assignment price shall terminate, (ii) the Management Company shall be obliged to restore to BANCAJA any rights whatsoever accrued for the Fund upon the assignment of the initial Mortgage Loans, and (iii) BANCAJA shall once again enter the initial Mortgage Loans among its balance-sheet assets.

IV.1.6 Terms of the assignment of the Mortgage Loans and description of the rights conferred in favour of the Fund.

Transfer of the Mortgage Loans to the Fund shall take place on the following terms:

1. The assignment shall be made for all the outstanding principal pending repayment on the relevant assignment date and for all the ordinary and late-payment interest on each assigned Loan.

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

- a) To receive all accrued Loan capital or principal repayment amounts.

- b) To receive all ordinary interest amounts accrued on the Loan principal.
- c) To receive all late-payment interest amounts accrued on the Loans.
- d) To receive any other amounts, assets or rights received as payment of Loan principal, interest or expenses, either in the form of the auction sale price or amount determined by a court decision or notarial procedure in claiming under the mortgage or other securities, on the sale or operation 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 on the Loans accruing for the Originator, including those derived from the damage insurance contracts attached to the Loans which are also assigned to the Fund, and those derived from any ancillary right attached to the Loans, excluding the fees established for each of the Loans.

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

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

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

In accordance with article 348 of the Commercial Code, the Originator will be liable to the Fund for the existence and lawfulness of the Mortgage Loans, and for the personality with which the assignment is made, but shall not be liable for the solvency of the Obligor. The Originator shall not bear with the risk of default on the Mortgage Loans and shall therefore have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Mortgage Loans, and shall not be answerable for the enforceability of the securities ancillary thereto. It will not take on any other responsibility whatsoever to directly or indirectly guarantee that the assignment will be duly performed, nor give any guarantees or securities, nor indeed agree to repurchase or substitute the Mortgage Loans, with the exception of the provisions of section IV.1.9 below.

3. In the event of prepayment of the Mortgage Loans upon a full or partial repayment of the principal, there will be no direct substitution of the Mortgage Loans affected thereby.
4. The Fund's rights resulting from the Mortgage Loans shall be linked to the payments made by the Obligors and are therefore directly affected by the evolution, late payments, prepayments or any other incident in connection therewith.
5. The Fund shall bear with all conceivable expenses or legal costs resulting for the Originator derived from recovery actions in the event of a breach by the Mortgage Loan Obligors of their obligations.

6. In the event of renegotiation consented to by the Management Company, for and on behalf of the Fund, of the Mortgage Loans, or their due dates, the change in the terms shall affect the Fund in accordance with rule fifteen, section 2.d), of Bank of Spain Circular 4/91, June 16.
7. The Mortgage Loans shall be assigned to the Fund by having BANCAJA issue and the Fund subscribe for an equal number of mortgage certificates perfecting the assignment of each of the Mortgage Loans.

The Mortgage Certificates shall be issued as established in Mortgage Market Regulation Act 2/1981, March 25, Royal Decree 685/1982, March 17, implementing certain aspects of Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree's articles.

The issue of the Mortgage Certificates by BANCAJA perfecting the assignment of the initial Mortgage Loans and their subscription by the Fund, shall be perfected in the Deed of Constitution of the Fund.

The assignment to the Fund of additional Mortgage Loans shall be made by means of an issue de Mortgage Certificates by BANCAJA perfecting their assignment and their subscription by the Fund, which shall be perfected in a public deed executed by the Management Company and BANCAJA on each assignment date. In the event of there being statutory changes, the Management Company and BANCAJA may however perfect the assignment to the Fund of the additional Mortgage Loans by any other lawful procedure differing from the issue of and subscription for Mortgage Certificates, subject at all times to the Rating Agencies' approval.

The issue of the Mortgage Certificates shall be made for the assignment price of the Mortgage Loans established in section IV.1.5 and on the same terms, conditions and rights established in paragraphs IV.1.6 et seq. of this section IV.1.

IV.1.7 Terms relating to the Mortgage Certificates.

The Mortgage Certificates shall be represented by a multiple registered certificate by each assignment date, which shall contain the minimum specifications provided in article 64 of Royal Decree 685/1982, March 17, amended by Royal Decree 1289/1991, August 2, and specifically the registration particulars of the properties securing the Mortgage Loans.

Given that the Fund is an institutional investor and that the Fund has subscribed for the Mortgage Certificates, for the purposes of paragraph two of article 64.1 of Royal Decree 685/1982, March 17, as per the wording given by Royal Decree 1289/1991, August 2, the issue of the Mortgage Certificates shall not be subject to a marginal note on each entry of the mortgage underlying each of the Mortgage Loans in the Land Registry.

The Mortgage Certificates subscribed for by the Fund and represented by means of registered certificates shall be deposited at BANCAJA, and the relations between the Management Company, on behalf of the Fund, and BANCAJA shall be governed by the Mortgage Loan Servicing and Management and Mortgage Certificate Custody Agreement. That deposit shall be established for the benefit of the Fund and BANCAJA shall therefore custody the Mortgage Certificates deposited following the Management Company's instructions.

Both in the event that any Mortgage Certificate should be substituted, as prescribed in section IV.1.9, and in the event that the Management Company, acting for and on behalf of the Fund, should proceed to foreclose a Mortgage Loan participated by a given Mortgage Certificate, as prescribed in section IV.1.11, and moreover

if there should be an early liquidation of the Fund, in the events and on the terms of section III.8.1, and said Mortgage Certificates have to be sold, BANCAJA agrees to split, as the case may be, any multiple certificates into such individual or global certificates as may be necessary, or to substitute or exchange the same for the above purposes.

As provided by Mortgage Market Regulation Royal Decree 685/1982, amended by Royal Decree 1289/1991, the Mortgage Certificates may be transferred by a written statement on the very certificate and, in general, by any means admitted by Law. The transfer of the certificate and the new holder's address shall be notified by the transferee to BANCAJA as issuer.

The transferor shall not be liable for the solvency of the issuer or of the obligor of the participated credit, nor indeed for the sufficiency of the mortgage securing the credit.

BANCAJA, as the issuer, shall keep a special book in which it shall enter the Mortgage Certificates issued on each Mortgage Loan, and such transfers of those certificates as are notified to it, and the provisions of article 53 of the aforesaid Royal Decree in regard to registered certificates shall apply to the Mortgage Certificates. The same book shall be used for recording changes of address notified by Mortgage Certificate holders, moreover including therein (i) Mortgage Loan origination and maturity date, amount and settlement method; and (ii) the registration particulars of the mortgage securing the Mortgage Loan.

IV.1.8 Representations of the Originator the Mortgage Loans and the Mortgage Certificates.

BANCAJA, as holder of the Mortgage Loans until their assignment to the Fund and issuer of the Mortgage Certificates, shall represent and warrant as follows in the Fund Deed of Constitution to the Management Company and the Fund, which shall be confirmed on each of the documents perfecting the assignment of additional Mortgage Loans;

1. In relation to BANCAJA.

- (1) That it is a credit institution duly incorporated in accordance with the laws in force for the time being, entered in the Companies Register and authorised to grant loans and operate in the mortgage market.
- (2) That neither at today's date nor at any time since it was incorporated has it been insolvent, under receivership or bankrupt, nor in any circumstance generating a liability which might result in the credit institution authorisation being revoked.
- (3) That it has audited accounts for the last three years with at least a favourable opinion and without any negative notes from the Auditors in the last year and that it has filed last year's annual accounts with the CNMV.

2. In relation to the Mortgage Loans and the Mortgage Certificates.

- (1) That its corporate bodies have validly passed all resolutions required for the assignment of the Loans and the issue of the Mortgage Certificates and to validly execute the Fund Deed of Constitution, and the additional deeds, agreements and undertakings.
- (2) That all the Mortgage Loans exist and are valid and enforceable in accordance with Spanish laws, and that all statutory provisions applicable to them were observed in perfecting the same.
- (3) That the Loans are struck off the assets of BANCAJA on the relevant date of assignment to the Fund and in the amount of their assignment, in accordance with the provisions of Bank of Spain Circular

4/91, without prejudice to the effects, as the case may be, of a partial or total subscription for the Bond Issue for BANCAJA in accordance with said Circular.

- (4) That the additional Mortgage Loans all satisfy upon being assigned the set Individual Requirements to be so assigned.
- (5) That the Obligors are all individuals.
- (6) That the Mortgage Loans were granted by BANCAJA for financing with real estate mortgage security the purchase, building or renovation of residential homes located in Spain, or are subrogations by private individuals of financing granted to home developers.
- (7) That the Mortgage Loans are all secured with a real estate mortgage ranking first on properties belonging in fee absolute and entirely to the respective mortgagor, and BANCAJA is not aware of the existence of any lawsuits whatsoever in relation to the ownership of those properties which may detract from the validity of the mortgages.
- (8) That the Mortgage Loans were all originated in a public deed, and BANCAJA has a first copy of that deed.
- (9) That the loans were all duly originated and entered as a first mortgage in the relevant Land Registries on the fee absolute of the mortgaged property or properties.
- (10) That BANCAJA holds absolute title to all the Mortgage Loans, free and clear of all and any liens and claims.
- (11) That upon being authorised and granted, the Mortgage Loans complied with the BANCAJA policies for granting credits in force at the time and were assessed by BANCAJA in accordance therewith, and, in the event of subrogation of subsequent borrowers in the Obligor's position, the authorisation and assessment shall be made based on the BANCAJA policies for granting in force at the time.
- (12) That in relation to each of the Mortgage Loans, BANCAJA has received no notice of claim or set-off whatsoever before their assignment to the Fund.
- (13) That in relation to each of the Mortgage Loans, BANCAJA has received no firm instructions from the Obligor for their full or partial repayment, which repayment is pending application to the Loan on the assignment date.
- (14) That it is not aware of the existence of any litigation whatsoever in relation to the Mortgage Loans which may detract from their validity, and they are not subject to any tax deduction or withholding in relation to the Obligor's payments derived from the Mortgage Loan.
- (15) That the Mortgage Loans stand as a valid and binding payment obligation for the Obligor, and are enforceable on their own terms, other than where that enforceability is limited as a result of insolvency proceedings.
- (16) That the mortgaged property or properties underlying the Mortgage Loans, are finished homes and, as the case may be, their annexes, and are located in Spanish territory designed to be occupied by the Obligor.
- (17) That the mortgaged properties underlying the Mortgage Loans have all been appraised in a manner satisfying all the requirements established in the mortgage market laws by duly qualified institutions, evidence of which appraisal has been provided in the form of an appropriate certificate.
- (18) That the properties on which mortgage security has been granted are all covered by at least a valid fire damage insurance, and the insured capital thereunder is not less than either the appraisal value of the mortgaged property, excluding elements that cannot by nature be insured, or the balance of the

loan. To this end, BANCAJA has taken out a general insurance policy to cover those risks in the event of the damage insurance policy taken out by the Obligor not existing or being insufficient or ineffective.

- (19) That the Loans are clearly identified in the information system at BANCAJA as from being granted, and are serviced, analysed and monitored by BANCAJA in accordance with the usual set procedures.
- (20) That the securities or other guarantees underlying the Loans are valid and enforceable in accordance with the applicable laws, and BANCAJA is not aware of the existence of any circumstance which might prevent the securities from being enforced.
- (21) That BANCAJA is not aware that the Obligors may howsoever object to paying any amount relating to the Mortgage Loans.
- (22) That on the date of assignment to the Fund, no other debt of the Obligor to BANCAJA shall be booked as doubtful or very doubtful by BANCAJA and the Obligor shall not be recorded on the databases of BANCAJA as having delinquent balances in such external delinquency or default registers as ASNEF-EQUIFAX, CIRBE, or any other additional register commonly used by BANCAJA or which may take their stead.
- (23) That, in accordance with the terms of the public deeds underlying the Mortgage Loans or with all applicable rules, there is no obstacle whatsoever for the Mortgage Loans to be assigned to the Fund, nor indeed is any authorisation or communication required therein for the assignment to take place.
- (24) That the Mortgage Certificates are issued at arm's length and in accordance with Act 2/1981, Royal Decree 685/1982, Royal Decree 1289/1991, Act 19/1992 and other applicable regulations, and meet all the requirements established for Mortgage Certificates to be issued.
- (25) That nobody has any rights taking precedence over those of the Fund as holder of the Mortgage Loans.
- (26) That both the grant of the Loans and their assignment to the Fund and all aspects related thereto have been and will be made at arm's length.
- (27) That on the date of assignment to the Fund, the outstanding principal balance of each of the Mortgage Loans is equivalent to the capital figure of the relevant Mortgage Certificate.
- (28) That on the date of assignment to the Fund, the principal balance of each of the initial Mortgage Loans shall not exceed 80% of the appraisal value of the properties mortgaged as security for the relevant initial Mortgage Loan.
- (29) That on the date of assignment to the Fund, none of the Mortgage Loans has any overdue payments.
- (30) That the details and information on the loans selected to be assigned to the Fund and the statistical information of BANCAJA respectively contained in sections IV.4 and IV.3.2 of the Offering Circular, fairly present the position as of the date to which they refer and are accurate and complete.
- (31) That the details relating to the Mortgage Loans and to the Mortgage Certificates, represented by a multiple registered certificate, accurately present the current position of those Loans and Certificates, and are accurate and complete.
- (32) That the Mortgage Loans have none of the features of credits excluded or restricted by article 32 of Royal Decree 685/1982 to be used for backing the issue of mortgage certificates.
- (33) That the mortgaged properties are not ineligible assets for admission as security pursuant to article 31.1.d) of Royal Decree 685/1982.

- (34) That it is not aware of there having been any drop in the value of any of the mortgaged properties in excess of 20% of the appraisal value.
- (35) That it is not aware of the premiums accrued heretofore by the damage insurance taken out referred to in paragraph (18) above not having been fully paid.
- (36) That the Mortgage Loans are not perfected in registered, negotiable or bearer securities, other than the Mortgage Certificates issued to be subscribed for by the Fund.
- (37) That the Mortgage Loans are not earmarked for any issue whatsoever of mortgage bonds or mortgage certificates, other than the issue of the Mortgage 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.

IV.1.9 Set rules for replacing Mortgage Loans in the event of latent defects therein.

In the event that latent defects should appear in any of the Mortgage Loans because it is found during their life that any of them fail to conform to the Election Requirements, the representations contained in section IV.1.8 or their specific characteristics notified by the Originator to the Management Company, the Originator agrees, subject to the Management Company's consent, to replace such Mortgage Loans in accordance with the following rules:

1. The party becoming acquainted with the existence of a latent defect, be it the Originator or the Management Company, shall advise the other party of that circumstance in writing. The Originator shall have a period of five (5) Business Days from said notice to remedy that circumstance if it may be so remedied or proceed to a partial or full substitution of the affected Mortgage Loans, notifying the Management Company of that intention and, in a data file, of the characteristics of the loans proposed for assignment to take their stead, which shall at all events satisfy the Individual Election Requirements and the representations contained in section IV.1.8. Once the Management Company has checked satisfaction of the Individual and Global Election Requirements, and after advising the Originator expressly of the loans eligible for replacement, the Originator shall terminate the assignment of the affected Mortgage Loans, cancelling the relevant Mortgage Certificate, and assign the new substitute Mortgage Loans.

Substitution shall be perfected in an agreement, subject to the same formalities established for the assignment of additional Mortgage Loans.

2. Secondly to the obligation undertaken under rule 1 above, should the affected Mortgage Loans not be fully replaced by an assignment of other loans on the terms established in that rule, the assignment of affected Mortgage Loans not substituted shall be terminated. That termination shall result in a cash repayment to the Fund by the Originator of the outstanding principal of the affected Mortgage Loans not substituted, the interest accrued thereon and not paid calculated until the repayment date, and any other amount owing to the Fund under those Mortgage Loans, and in cancellation of the relevant Mortgage Certificate.

IV.1.10 Call Right.

The Fund shall grant the Originator a call right (the "**Call Right**") over all of the Mortgage Certificates or Mortgage Loans held by the Fund remaining after the time on which the amount of the Outstanding Balance of the Mortgage Loans is less than 10 percent of the Maximum Mortgage Loan Amount.

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

- (i) Acquisition shall take place on a Payment Date and refer to all the remaining Mortgage Loans held by the Fund, and the right may not therefore be partially used.
- (ii) The Originator shall give the Management Company and the CNMV notice of its decision to exercise the Call Right at least 30 days in advance of the Payment Date on which the acquisition is to take place. Such notice will be duly given by the Originator in writing, and shall be signed by a person or persons duly authorised to do so.
- (iii) The Originator shall first secure all such administrative and internal permissions and authorisations as may be necessary for that purpose.

The price the Originator shall pay the Fund upon exercising the Call Right over the remaining Mortgage Certificates or Mortgage Loans shall be based on the following terms:

- 1. For each of the Mortgage Loans in good standing or in arrears with overdue payments having a seniority of up to 12 months from the oldest overdue payment, an amount equivalent to the sum of (i) the face value of the outstanding capital or principal, (ii) interest accrued not due until the Payment Date, exclusive, and (iii) interest due and not paid.
- 2. For each of the Mortgage Loans in arrears with overdue payments having a seniority in excess of 12 months from the oldest overdue payment or where the respective Obligor has been adjudged a bankrupt or insolvent, the amount established in subparagraph 1 above or the amount specified by a third party, designated with one accord among the Originator and the Management Company, having regard to the prospects of recovering the same.
- 3. In any event, the total price shall be sufficient for all the payment obligations derived from the Bonds issued by the Fund to be honoured in the Priority of Payments.

Upon exercising the Call Right and paying the call price, the Originator shall become the holder of the Mortgage Loans, wherefore the Fund shall have made a full and unconditional assignment.

The Originator's exercise of the Call Right shall result in the termination and early liquidation of the Fund in accordance with the provisions of section III.8 of the Offering Circular.

IV.1.11 Remedies in the event of default on the Mortgage Loans.

The Fund shall have an action, through the Servicer or through the Management Company, 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, satisfying, as the case may be, the requirements as to capacity enabling it to do so.

The Management Company, acting for and on behalf of the Fund, as holder of the Mortgage Certificates, shall have the following remedies prescribed in article 66 of Royal Decree 685/1982, amended by Royal Decree 1289/1991:

- (i) To demand BANCAJA as Servicer to apply for foreclosure.
- (ii) To take part on an equal standing with BANCAJA, as issuer of the Mortgage 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 BANCAJA 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 action foreclosing the Mortgage Loan, claiming both principal and interest, and BANCAJA shall be bound to issue a certificate of the balance existing on the Mortgage Loan.
- (iv) In the event that the proceedings instituted by BANCAJA should come to a standstill, the Fund, duly represented by the Management Company, as holder of the relevant Mortgage Certificate, may be subrogated in the position of the former and continue the foreclosure proceedings, without the above period having to elapse.

In the events provided for 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 Mortgage Certificate, the notice served through a Notary Public provided for in section (iii) above and an office certificate as to the registration and subsistence of the mortgage.

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 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 an Obligor under any of the Mortgage Loans.

The Management Company, for and on behalf of the Fund as holder of the Mortgage Certificates, may also take part on an equal standing with the Servicer 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 its credit. 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 recovery actions, as the case may be.

Bondholders shall have no direct right of action against Obligors failing to meet their payment obligations; that action shall rest with the Management Company, as the representative of the Fund holding the Mortgage Loans subject of the issue of the Mortgage Certificates, who shall have that action on the terms described in this section.

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

BANCAJA, Originator of the Mortgage Loans to be acquired by the Fund, as established in article 2.2.b) of Royal Decree 926/1998, and for the Mortgage Certificates, in article 61.3 of Royal Decree 685/1982, shall be responsible as attorney for the Management Company for servicing and managing the Mortgage Loans, the relations between BANCAJA and the Fund, represented by the Management Company, being governed by the Mortgage Loan Servicing and Management and Mortgage Certificate Custody Agreement (the “**Servicing Agreement**”).

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

- (i) To service and manage the Mortgage Loans acquired by the Fund subject to the terms and ordinary servicing and management procedures established in the Servicing Agreement.
- (ii) To continue servicing the Mortgage Loans, devoting the same time and effort to them and the same degree of skill, care and diligence in servicing the same as it would devote and use to service its own loans and in any event to exercise a suitable degree of skill, care and diligence in providing the services for which provision is made in the Servicing Agreement.
- (iii) That the procedures it applies and will apply to service and manage the Mortgage Loans are and will continue to be in accordance with the laws and statutory regulations in force applicable thereto.
- (iv) To full faithfully observe the instructions issued by the Management Company.
- (v) To pay the Fund damages resulting from a breach of the obligations undertaken.

In any event, the Servicer waives the privileges and remedies it may avail of by law as the manager of collections for the Fund, as Servicer of the Mortgage Loans and custodian of the relevant agreements, and in particular those for which provision is made in articles 1730 and 1780 of the Civil Code and 276 of the Commercial Code.

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

1. Custody of deeds, documents and files.

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

The Servicer shall allow the Management Company or the auditors of the Fund duly authorised thereby reasonable access at all times to said deeds, agreements, documents and 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, agreements and documents.

2. 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.

Provided that those payments are received by the Servicer, the latter shall proceed to pay them fully to the Fund, on the set collection dates on days 7, 17 and 27 of each month, or on the preceding Business Day if they should not fall on a Business Day in accordance with the bank holiday calendar for the capital city of Madrid, for the amounts received in the day intervals between day 21 and the last day of the preceding month and days 1 to 10 and 11 to 20 in the ongoing month, respectively, in accordance with the set terms and conditions. Notwithstanding the above, if that should be deemed necessary to better defend Bondholders' interests, the Management Company may change the periods, collection dates and method of payment at any time during the term of the Servicing Agreement.

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

3. Fixing the interest rate.

In connection with Mortgage Loans having a floating interest rate, the Servicer shall continue fixing the interest rates as established in the relevant Loan agreements, submitting such communications and notices as may be established therein.

4. Information.

The Servicer shall regularly communicate to the Management Company the information concerning the individual characteristics of each of the Mortgage Loans, fulfilment by the Obligors of their obligations under the Mortgage Loans, delinquency status, changes in the characteristics of the Mortgage Loans, actions demanding payment in the event of late payment and legal actions, 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.

5. 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 Obligor are similar to those of the former Obligor and those characteristics observe the policies for granting loans described in the relevant Memorandum on Policies for Granting Loans attached to the Fund Deed of Constitution, and moreover provided that the expenses derived from that change are fully borne by the Obligors. The Management Company may fully or partially limit this authority of the Servicer or lay down conditions therefor, in the

event that those substitutions might adversely affect the ratings accorded to the Bonds by the Rating Agencies.

The Obligor may apply for subrogation to the Servicer in connection with the Mortgage Loans pursuant to Act 2/1994. Subrogation of a new creditor under the Mortgage Loan and the ensuing payment of the amount due shall result in a prepayment of a Mortgage Loan or the relevant Mortgage Certificate.

6. Authorities and actions in relation to Mortgage Loan renegotiation procedures.

The Servicer may not voluntarily cancel the Mortgage Loans or their securities for any reason other than payment of the Loan, relinquish or settle in regard thereto, forgive the Loans in full or in part or extend the same, or in general do anything that may diminish the status, legal effectiveness or economic value of the Mortgage Loans or of the securities, without prejudice to its heeding requests by the Obligors with the same diligence and procedure as if they were own loans.

Notwithstanding the above, the Management Company may in exceptional circumstances, as manager of third-party business, issue instructions to or authorise the Servicer previously to agree with the Obligor, on such terms and conditions as it shall see fit in accordance with the requirements established in this section, and further bearing in mind Act 2/1994 on mortgage loan subrogation and amendment, a novation changing the Mortgage Loan at issue by renegotiating the interest rate.

The Servicer may at no event entertain on its own account, without an application being made by the Obligor, interest rate renegotiations which may result in a decrease in the interest rate applicable to a Mortgage Loan.

Without prejudice to the provisions hereinafter, any interest rate 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 a Obligor has requested a renegotiation. The Management Company will nevertheless initially authorise the Servicer to accept renegotiations of the interest rate applicable to the Mortgage Loans, requested by the Obligors, without requiring the prior consent of the Management Company, subject to the following general eligibility requirements:

- (i) The Servicer may renegotiate the interest rate clause of the Loans on conditions that are deemed to be at arm's length and that do not differ from those applied by the actual Servicer in renegotiating or granting its credits and loans. For these purposes, the market interest rate shall be deemed to be the rate offered by credit institutions in the Spanish market for loans or credits in an amount and other conditions substantially similar to the Loan.
- (ii) Renegotiating the interest rate applicable to a Mortgage Loan shall at no event result in its being changed to a floating interest rate with a benchmark index for determination other than the following mortgage market rates or indices, established in section 3 of rule six bis of Bank of Spain Circular no. 8/1990, September 7, and (i) that the margin or spread applicable to the EURIBOR and MIBOR indices (numbers 1 and 2) is not less than 50 basic percentage points, or (ii) in the case of the remaining benchmark indices (numbers 3 to 6), that the margin or spread applicable to each of the remaining benchmark indices, expressed in basic percentage points, is not less than the result of increasing by 50 basic percentage points the difference between the simple means of the values of the last three (3) months, published by the Bank of Spain, of the (a) one-year EURIBOR index and of (b) the relevant benchmark index.

Benchmark rate or index
1. One-year interbank benchmark (EURIBOR)
2. One-year interbank rate (MIBOR)
3. Savings banks' average rate for mortgage loans for more than three years
4. Savings banks' active benchmark rate (CECA indicator, active rate)
5. Banks' average rate for mortgage loans for more than three years
6. All institutions' average rate for mortgage loans for more than three years

The Management Company may at any time, on behalf of the Fund, cancel, suspend or change the eligibility and requirements for renegotiation by the Servicer established in this section or, in the event of a change, which it may previously have authorised the Servicer. In any event, whether or not it was generically authorised, any Mortgage Loan interest rate renegotiation shall be taken on and settled bearing in mind the interests of the Fund.

If there should be any renegotiation of a Mortgage Loan, the Servicer shall forthwith notify the Management Company of the terms resulting from each renegotiation. That notice shall be made by means of the data or computer file provided for updating the terms of the Mortgage Loans. Both the public deeds and the agreements pertaining to the novation of Mortgage Loans shall be kept by the Servicer, as established in paragraph 1 above.

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

7. Loan extension.

If the Servicer should become aware at any time that for any reason the value of a mortgaged real estate securing a Mortgage Loan has dropped in excess of the percentages permitted by law, it shall, in accordance with the provisions of articles 26 and 29 of Royal Decree 685/1982, request the Obligor at issue to the extent legally required to:

- a) extend the mortgage to other assets sufficient to cover the required ratio between the value of the asset and the credit secured thereby, or
- b) return all the Mortgage Loan or such portion of the loan as may be in excess of the amount resulting from applying to the current appraisal the percentage used to initially determine its amount.

If within two (2) months of an extension being requested the Obligor should fail to do so or return the portion of the Mortgage Loan referred to in the preceding paragraph, the Obligor shall be deemed to have elected to return the entire Mortgage Loan, which the Obligor shall be forthwith required to do by the Servicer.

8. Action against Obligors in the event of default on the Mortgage Loans.

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 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 actions as the Servicer may deem necessary to claim and collect the amounts due by the borrowers.

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 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. These authorities may be extended or amended in another deed where appropriate.

The Servicer shall generally file for foreclosure, anticipating all expenses required to do so, if, for a period of six (6) months, the Obligor of a Mortgage Loan having failed to honour his payment obligations should not resume payments to the Servicer or the latter, with the Management Company's consent, should not obtain a payment commitment satisfactory to the Fund's interests. The Servicer shall in any event forthwith proceed to file a recovery action if the Management Company, acting for the Fund, and after analysing the specific circumstances of the case, should deem this necessary.

The Management Company, acting for and on behalf of the Fund as holder of the Mortgage Certificates, shall have the authorities provided for in article 66 of Royal Decree 685/1982, amended by Royal Decree 1289/1991, and the actions itemised in section IV.1. 9 of this Circular.

The Servicer agrees to promptly advise of payment demands, legal actions and any other circumstances affecting collection of overdue amounts on the Mortgage Loans. Furthermore, the Servicer will provide the Management Company with all such documents as the latter may request in relation to said Loans and in particular the documents required for the Management Company to take legal actions, as the case may be.

9. 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 properties or reducing the amount payable in any claim thereunder. The Servicer shall act due diligently and in any event exercise the rights conferred under the insurance policies or the Mortgage Loans in order to keep those policies (or any other policy granting equivalent cover) in force and fully effective in relation to each Mortgage Loan and the respective property.

The Servicer shall be bound to advance payment of policy premiums not paid by the Obligors 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 loss, the 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, if any, to the Fund.

10. 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 any of the Mortgage Loans should therefore be fully or partially set-off against that credit, the Servicer shall remedy such circumstance or, if it cannot be remedied, the Servicer shall proceed to pay into the Fund the amount set off plus the accrued interest which would have been payable to the Fund until the date on which the payment is made, calculated on the terms applicable to the relevant Loan.

11. 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 at 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.

IV.2.2 Term.

The services shall be provided by the Servicer until all the obligations undertaken by the Servicer as Originator of the Mortgage Loans terminate, once all the Mortgage Loans have been amortised, or when the liquidation of the Fund concludes after it terminates, without prejudice to the possible early revocation of its appointment under the Servicing Agreement.

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

- (i) Demand the Servicer to subcontract or delegate or have the performance of those obligations secured by another institution which, in the opinion of the Management Company and the Rating Agencies, has suitable legal and technical qualifications, and moreover a credit rating and quality acceptable to the Rating Agencies.
- (ii) Terminate the Servicing Agreement, to which end the Management Company shall previously designate a new Servicer having a credit rating and quality acceptable to the Rating Agencies.
- (iii) If neither of actions (i) and (ii) above is possible, the Management Company shall directly take on the performance of the services provided in the Servicing Agreement as new Servicer.

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

The Servicer may in turn voluntarily relinquish the servicing and management of the Mortgage Loans if that is possible in accordance with the laws in force from time to time and provided that (i) this is authorised by the Management Company, (ii) the Management Company designates a new Servicer with a credit rating and quality acceptable to the Rating Agencies, and (iii) the Servicer pays the Fund the damages resulting from such relinquishment and substitution.

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.

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.

IV.2.3 Liability of the Servicer and indemnity.

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

The Servicer takes on the obligation to indemnify the Fund or its Management Company for any damage, loss or expense resulting for the same on account of any breach by the Servicer of its obligations to service, manage and report on the Mortgage Loans and custody the Loans.

The Management Company shall, for and on behalf of the Fund, have a recovery action against the Servicer to enforce the principal and interest falling due under the Mortgage Certificates, where the breach of the obligation to pay those amounts does not result from default by the Obligor of the Mortgage Loans.

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.

IV.2.4 Remuneration of the Servicer for servicing and managing the Mortgage Loans and custody of the Mortgage Certificates.

In consideration of the servicing and management of the Mortgage Loans and custody of the Mortgage Certificates, BANCAJA as 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 mean daily Outstanding Balance of the Mortgage Loans serviced during each Interest Accrual Period. If BANCAJA should be replaced in that servicing task, if that is possible in accordance with the laws in force from time to time, the Management Company will be entitled to change the above percentage fee in favour of the new Servicer by up to not more than 0.15% per annum.

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

Furthermore, on each Payment Date, the Servicer shall be entitled to a reimbursement of all expenses of an exceptional nature incurred, such as in connection with recovery actions or managing the sale of the assets or

properties awarded to the Fund, and after first justifying the same in relation to the servicing of the Mortgage Loans. Those expenses will be paid whenever the Fund has sufficient liquidity and in the Priority of Payments.

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

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

The Originator's policies for analysing and assessing the credit risk in granting Mortgage Loans are described in Appendix 8 to this Circular and in the schedules to the Deed of Constitution, entitled "Bancaja memorandum on policies for granting individuals credits and loans backed by a real estate mortgage".

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

The following tables show several aspects of the evolution in recent years of the credit investment by BANCAJA as Originator, for loans with real estate mortgage security granted to individuals as a segment representing the mortgage loans selected to be assigned to the Fund.

Credit investment and delinquency.

Date	Net credit investment			Doubtful assets (balance)	Gross credit investment (balance)	Delinquency Rate %	Suspended assets (balance)
	Loans	Balance	Nominal interest rate %				
1	2	3	4	5	6	7	8
31/12/01	85,863	3,365.0	5.44	20.5	3,385.5	0.61%	6.9
31/12/00	84,374	3,125.3	5.39	23.1	3,148.4	0.73%	6.2
31/12/99	81,858	2,783.3	4.95	25.5	2,808.8	0.91%	6.0
31/12/98	77,652	2,373.2	6.31	20.7	2,393.9	0.86%	5.4
31/12/97	73,777	1,938.9	7.86	21.2	1,960.1	1.08%	4.1
31/12/96	68,423	1,486.1	9.99	26.2	1,512.3	1.73%	2.5
Balances in EUR million							
4: 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							
8: Suspended asset, written off the balance sheet, in accordance with Bank of Spain Circular 4/1991.							

IV.4 Description of the portfolio of mortgage loans to be pooled in the Fund upon being constituted.

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

The provisional portfolio of selected loans which shall mostly be assigned to the Fund upon being constituted comprises 14,952 loans, the principal value of which as of June 30, 2002 amounted to EUR 584,575,181.89. That provisional portfolio of loans selected as of June 30, 2002 has been audited, as explained in section I.3 and in Appendix 4 to this Circular.

b) Maximum, minimum and average values of the Loan principal balances.

The following table shows the distribution of the outstanding principal balance of the loans in EUR 12,000 intervals, and their average, minimum and maximum amount.

Loan portfolio as of 30.06.2002 Classification by outstanding principal balance					
Principal Interval (in EUR)		Loans No. %		Outstanding Principal (EUR) %	
0.00	11,999.00	1,024	6.85	8,307,608.69	1.42
12,000.00	23,999.00	3,348	22.39	62,163,497.73	10.63
24,000.00	35,999.00	3,685	24.65	110,050,761.08	18.83
36,000.00	47,999.00	2,722	18.20	113,550,171.70	19.42
48,000.00	59,999.00	1,793	11.99	96,022,247.78	16.43
60,000.00	71,999.00	1,038	6.94	68,150,730.75	11.66
72,000.00	83,999.00	552	3.69	42,846,203.63	7.33
84,000.00	95,999.00	346	2.31	30,906,082.57	5.29
96,000.00	107,999.00	175	1.17	17,732,716.01	3.03
108,000.00	119,999.00	113	0.76	12,835,420.99	2.20
120,000.00	131,999.00	68	0.45	8,551,225.52	1.46
132,000.00	143,999.00	42	0.28	5,778,838.89	0.99
144,000.00	155,999.00	20	0.13	2,997,775.90	0.51
156,000.00	167,999.00	10	0.07	1,616,572.91	0.28
168,000.00	179,999.00	6	0.04	1,032,285.53	0.18
180,000.00	191,999.00	3	0.02	546,651.97	0.09
192,000.00	203,999.00	1	0.01	201,810.39	0.03
204,000.00	215,999.00	2	0.01	411,145.92	0.07
216,000.00	227,999.00	4	0.03	873,433.93	0.15
Total Portfolio		14,952	100.00	584,575,181.89	100.00
Average principal:				39,096.79	
Minimum principal:				45.98	
Maximum principal:				221,784.80	

c) Nature of the interest rate and benchmark indices applicable for determining the floating interest rates applicable to the loans.

The following table shows the distribution of the mortgage loans according to the benchmark index applicable for determining the floating interest rate.

Loan portfolio as of 30.06.2002 Classification by Interest rate benchmark index					
Benchmark Index	Loans %		Outstanding Principal (EUR) %		%Margin * o/index
1-year EURIBOR/MIBOR	10,396	69.53	430,380,666.82	73.62	1.01
SAVINGS BANKS MLMR	4,442	29.71	152,232,698	26.04	0.11
Active rate CECA indicator	114	0.76	1,961,817	0.34	0.41
Total Portfolio	14,952	100.00	584,575,181.89	100.00	
* Margin over the average benchmark index weighted by the outstanding principal.					

f) Applicable nominal interest rates: maximum, minimum and average rates of the loans.

The following table shows the distribution of the loans in 0.50% nominal interest rate intervals, and their average, minimum and maximum values.

Loan portfolio as of 30.06.2002						
Classification by Nominal Interest Rates						
Interest Rate % Interval		Loans %		Outstanding Principal (EUR) %		%Interest Rate*
3.50	3.99	33	0.22	1,630,124.51	0.28	3.85
4.00	4.49	1,272	8.51	65,071,962.53	11.13	4.21
4.50	4.99	4,012	26.83	167,417,347.52	28.64	4.64
5.00	5.49	4,407	29.47	176,162,802.44	30.14	5.12
5.50	5.99	3,695	24.71	127,168,863.42	21.75	5.62
6.00	6.49	1,352	9.04	42,618,694.68	7.29	6.09
6.50	6.99	137	0.92	3,686,728.79	0.63	6.58
7.00	7.49	42	0.28	780,102.54	0.13	7.12
7.50	7.99	1	0.01	11,394.68	0.00	7.50
8.50	8.99	1	0.01	27,160.78	0.00	8.50
Total Portfolio		14,952	100.00	584,575,181.89	100.00	
Weighted average:						5.07 %
Simple average:						5.15 %
Minimum:						3.75 %
Maximum:						8.50 %
* Average nominal interest rate of the interval weighted by the outstanding principal.						

g) Loan origination and final maturity dates.

Origination date

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

Loan portfolio as of 30.06.2002				
Classification by loan origination date				
Date Interval	Loans		Outstanding Principal	
		%	(EUR)	%
01/01/1994 to 30/06/1994	15	0.10	317,019.39	0.05
01/07/1994 to 31/12/1994	7	0.05	149,369.19	0.03
01/01/1995 to 30/06/1995	18	0.12	315,806.67	0.05
01/07/1995 to 31/12/1995	15	0.10	249,185.44	0.04
01/01/1996 to 30/06/1996	302	2.02	7,257,668.19	1.24
01/07/1996 to 31/12/1996	814	5.44	21,553,042.62	3.69
01/01/1997 to 30/06/1997	1,012	6.77	30,480,722.75	5.21
01/07/1997 to 31/12/1997	1,011	6.76	33,743,135.83	5.77
01/01/1998 to 30/06/1998	2,011	13.45	69,258,741.60	11.85
01/07/1998 to 31/12/1998	2,073	13.86	76,911,837.18	13.16
01/01/1999 to 30/06/1999	1,739	11.63	69,399,110.92	11.87
01/07/1999 to 31/12/1999	1,388	9.28	57,828,968.86	9.89
01/01/2000 to 30/06/2000	1,257	8.41	56,392,527.75	9.65
01/07/2000 to 31/12/2000	826	5.52	36,730,932.13	6.28
01/01/2001 to 30/06/2001	1,385	9.26	68,358,963.78	11.69
01/07/2001 to 31/12/2001	1,079	7.22	55,628,149.59	9.52
Total Portfolio	14,952	100.00	584,575,181.89	100.00
Weighted average seniority	36.49		Months	
Maximum seniority	04/01/1994	7.96	Months	
Minimum seniority	31/10/2001	101.88	Months	

Final maturity date and residual life.

Loans are repaid throughout the life remaining until fully repaid, during which period obligors must pay monthly instalments comprising capital repayment and interest.

At any time during the life of the loans, obligors 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 Loans according to final maturity date in annual intervals, and the weighted average residual life and the minimum and maximum final maturity dates.

Loan portfolio as of 30.06.2002						
Classification by final repayment date						
Final Repayment Year	Loans		Outstanding Principal		Total Residual Life *	
		%	(EUR)	%	Months	Date
2003	2	0.01	10,405.31	0.00	15.38	11/10/2003
2004	2	0.01	5,633.35	0.00	21.46	13/04/2004
2005	5	0.03	44,691.95	0.01	38.00	30/08/2005
2006	242	1.62	3,707,790.36	0.63	50.42	12/09/2006
2007	395	2.64	6,833,571.91	1.17	59.93	28/06/2007
2008	570	3.81	12,033,196.13	2.06	72.51	15/07/2008
2009	544	3.64	13,454,222.89	2.30	83.66	19/06/2009
2010	472	3.16	12,671,432.53	2.17	96.08	2/07/2010
2011	1,075	7.19	30,852,388.87	5.28	108.95	29/07/2011
2012	990	6.62	30,397,381.58	5.20	120.17	5/07/2012
2013	1,695	11.34	55,488,647.09	9.49	132.23	7/07/2013
2014	1,213	8.11	45,984,934.31	7.87	143.74	22/06/2014
2015	630	4.21	24,769,356.68	4.24	155.32	10/06/2015
2016	875	5.85	36,974,383.09	6.33	168.09	2/07/2016
2017	525	3.51	21,429,354.39	3.67	180.52	16/07/2017
2018	1,118	7.48	48,569,119.51	8.31	192.51	16/07/2018
2019	854	5.71	40,530,700.92	6.93	203.96	29/06/2019
2020	679	4.54	32,507,787.13	5.56	215.39	11/06/2020
2021	766	5.12	39,478,670.93	6.75	227.81	24/06/2021
2022	186	1.24	8,599,965.43	1.47	240.98	30/07/2022
2023	480	3.21	23,894,904.25	4.09	252.57	18/07/2023
2024	518	3.46	26,635,736.85	4.56	264.07	1/07/2024
2025	462	3.09	27,565,607.18	4.72	275.93	28/06/2025
2026	642	4.29	41,472,204.42	7.09	287.46	14/06/2026
2027	12	0.08	663,094.83	0.11	295.82	23/02/2027
Total portfolio	14,952	100.00	584,575,181.89	100.00		
	Weighted average:				183.35	10/10/2017
	Simple average:				165.21	6/04/2016
	Minimum:				14.42	12/09/2003
	Maximum:				297.99	30/04/2027
* Residual life (months and date) lists averages weighted by the outstanding principal.						

h) Specification of the maximum, minimum and average value of the ratio “present loan amount/ appraisal value”.

The ratio of the outstanding principal balance as of 30.06.2002 of the selected mortgage loans to the appraisal value of the mortgaged property, expressed as a percentage, ranged between 0.06% and 79.18%, the average ratio weighted by the outstanding balance on each loan being 57.98%.

The following table shows the distribution de these mortgage loans according to 5.00% intervals of that ratio.

Mortgage loan portfolio as of 30.06.2002					
Classification by Ratio Outstanding Balance/Appraisal Value					
Ratio Intervals (%)	Loans		Outstanding Principal		Outstanding principal/ Appraisal V. (%)
		%	(EUR)	%	
0.01 - 5.00	49	0.33	159,011.91	0.03	4.06
5.01 - 10.00	146	0.98	1,003,711.74	0.17	8.06
10.01 - 15.00	270	1.81	3,115,644.49	0.53	13.15
15.01 - 20.00	380	2.54	5,959,916.23	1.02	17.69
20.01 - 25.00	520	3.48	10,097,766.10	1.73	22.77
25.01 - 30.00	600	4.01	14,695,780.31	2.51	27.57
30.01 - 35.00	818	5.47	22,081,504.46	3.78	32.65
35.01 - 40.00	875	5.85	26,535,036.92	4.54	37.56
40.01 - 45.00	982	6.57	33,154,824.50	5.67	42.52
45.01 - 50.00	1,119	7.48	41,826,143.97	7.15	47.54
50.01 - 55.00	1,239	8.29	49,538,262.57	8.47	52.62
55.01 - 60.00	1,558	10.42	65,577,455.13	11.22	57.63
60.01 - 65.00	1,710	11.44	76,186,589.45	13.03	62.62
65.01 - 70.00	1,881	12.58	86,578,008.12	14.81	67.56
70.01 - 75.00	1,792	11.99	90,646,960.04	15.51	72.52
75.01 - 80.00	1,013	6.78	57,418,565.95	9.82	76.79
Total	14,952	100.00	584,575,181.89	100.00	
Weighted average:					57.98
Simple average:					52.88
Minimum:					0.06
Maximum:					79.18
* Ratio Outstanding Balance/Appraisal Value lists averages weighted by the outstanding principal.					

The ratio of the initial balance of these mortgage loans to the appraisal value of the mortgaged property, expressed as a percentage, ranged between 4.87% and 90.00%, the average ratio weighted by the outstanding principal on each loan being 68.70%.

The following table shows the distribution of these mortgage loans according to 5.00% intervals of that ratio.

Mortgage loan portfolio as of 30.06.2002					
Classification by Ratio Initial Balance/Appraisal Value					
Ratio Intervals	Loans		Outstanding Principal		Initial Princip. / Appraisal V. (%)
		%	(EUR)	%	
0.01 - 5.00	1	0.01	3,664.68	0.00	4.87
5.01 - 10.00	18	0.12	177,027.81	0.03	8.99
10.01 - 15.00	33	0.22	411,672.17	0.07	13.23
15.01 - 20.00	90	0.60	1,483,623.49	0.25	17.94
20.01 - 25.00	128	0.86	2,461,859.85	0.42	22.91
25.01 - 30.00	199	1.33	4,773,507.13	0.82	27.77
30.01 - 35.00	329	2.20	7,825,771.14	1.34	32.72
35.01 - 40.00	429	2.87	12,119,336.02	2.07	37.64
40.01 - 45.00	546	3.65	16,650,674.94	2.85	42.71
45.01 - 50.00	709	4.74	21,710,749.10	3.71	47.73
50.01 - 55.00	758	5.07	26,889,147.14	4.60	52.67
55.01 - 60.00	979	6.55	36,667,298.77	6.27	57.67
60.01 - 65.00	1,167	7.80	47,536,645.65	8.13	62.52
65.01 - 70.00	1,602	10.71	68,773,062.47	11.76	67.80
70.01 - 75.00	1,807	12.09	78,295,162.43	13.39	72.67
75.01 - 80.00	4,669	31.23	197,778,983.63	33.83	78.52
80.01 - 85.00	1,053	7.04	43,014,874.12	7.36	81.85
85.01 - 90.00	435	2.91	18,002,121.35	3.08	87.31
Total	14,952	100.00	584,575,181.89	100.00	
Weighted average:					68.70
Simple average:					66.53
Minimum:					4.87
Maximum:					90.00
* Ratio Initial Balance/Appraisal Value lists averages weighted by the outstanding principal.					

As set forth in section IV.1.4.4.13) concerning the Individual Requirements, the initial principal of the additional Mortgage Loans upon their origination shall not be in excess of 80% of the appraisal value of the mortgaged property or properties.

i) Information on geographical distribution by Autonomous Communities.

The following table shows the mortgage loan geographical distribution according to the Autonomous Communities where the properties securing the loans are located.

Loan portfolio as of 30.06.2002				
Classification by Autonomous Communities				
	Loans		Outstanding principal	
		%	(EUR)	%
Andalusia	26	0.17	1,070,233.13	0.18
Aragón	70	0.47	3,103,399.91	0.53
Asturies	2	0.01	123,513.28	0.02
Balearic Isles	293	1.96	17,006,982.85	2.91
Canary Islands	22	0.15	1,510,648.22	0.26
Catalonia	50	0.33	3,589,944.91	0.61
Basque Country	2	0.01	77,127.44	0.01

Loan portfolio as of 30.06.2002 Classification by Autonomous Communities				
	Loans		Outstanding principal	
		%	(EUR)	%
Extremadura	2	0.01	65,111.90	0.01
Castile and León	8	0.05	310,371.00	0.05
Madrid	388	2.59	22,919,922.23	3.92
Castile-La Mancha	665	4.45	25,073,346.91	4.29
Murcia	19	0.13	891,428.41	0.15
La Rioja	1	0.01	42,933.41	0.01
Valencian Community	13,404	89.65	508,790,218.29	87.04
Total Portfolio	14,952	100.00	584,575,181.89	100.00

- j) **Specification as to whether there are arrears in collecting loan principal or interest instalments and, if so, amount of the current principal of loans in arrears exceeding 30, 60 and 90 days.**

The following table shows the number of loans, the outstanding principal and the overdue principal on the selected loans with any arrears in payment of amounts due as of June 30, 2002.

Arrears in payment of instalments due as of 30.06.2002			
Day Interval	Loans	Outstanding Principal	Overdue Principal
1-15	142	5,820,797.14	16,318.17
16-30	90	3,499,863.23	8,360.60
31-60	30	1,103,959.26	6,409.81
61-91	10	431,074.31	4,005.65

Furthermore, in accordance with Individual Requirement number 9 contained in section IV.1.4.4, and as BANCAJA has declared in section IV.1.8 (29), none of the Mortgage Loans finally assigned to the Fund shall have overdue payments pending collection on the date of assignment.

- k) **Specification of the current amount of selected mortgage loans considered by the Originator to be assets with a 50% weighting, for the purposes provided in the Order dated December 30, 1992 on Credit Institution solvency rules.**

The provisional portfolio mortgage loans are all considered by the BANCAJA to be risk assets with a 50% weighting in the solvency ratio Credit Institutions must have for the purposes provided in the Order dated December 30, 1992.

CHAPTER V

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

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

Initial balance sheet of the Fund.

The balance sheet of the Fund on the Closing Date will be as follows assuming that all set-up and Bond issuance expenses are met that day:

ASSETS		LIABILITIES	
Fixed Assets	521,441,910.00	Bond Issue	521,441,910.00
Mortgage Certificates	520,900,000.00	Series A Bonds	500,100,000.00
		Series B Bonds	10,400,000.00
Set-up and issuance expenses	541,910.00	Series C Bonds	10,400,000.00
Current assets	to be determined	Other long-term liabilities	541,910.00
Treasury Account*	0.00	Start-Up Loan	541,910.00
Principal Account	0.00		
Accrued interest receivable**	to be determined	Short-term creditors	to be determined
		Loan interest accrued **	to be determined
Total assets	521,441,910.00	Total liabilities	521,441,910.00
MEMORANDUM ACCOUNTS			
Subordinated Credit Available	2,604,500.00		
Interest Swap	to be determined		
Interest Swap	to be determined		

(Amounts in EUR)

* Assuming that all Fund set-up and Bond issuance expenses are paid on the Closing Date.

** As set forth in section IV.1.5 of the 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 pooled in the Fund.

The tables shown in section V.1.3 below relate to one of the possible scenarios that could, in relation to the Fund's income and payments, arise during the term of the Fund and this Bond Issue.

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

a) Mortgage Loans/Mortgage Certificates.

Initial Mortgage Loans.

- (i) Amount of the provisional portfolio as of 30.06.2002 from which the loans to be assigned as initial Mortgage Loans shall be taken and Mortgage Certificates shall be issued: EUR 584,575,181.89.
- (ii) Interest rate: 5.07% (weighted average interest rate of the portfolio of loans selected at 30.06.2002), assumed constant throughout the life of the transaction.
- (iii) CPR: 9% per annum and 13% per annum.
- (iv) Delinquency rate: 0% per annum.
- (v) Defaults: 0%.

Additional Mortgage Loans.

- (i) Termination of the Revolving Period: 23.06.2007.
- (ii) Cover for the Acquisition Amount on each Payment Date: 100%.
- (iii) Interest rate: 5.07% (the same interest rate applicable to the initial Mortgage Loans).
- (iv) The final weighted average maturity of the additional Mortgage Loans acquired during the Revolving Period is 14 years.

b) Bonds.

- (i) Total amount of the Bond Issue: EUR 520,900,000.

	<u>EUR</u>
Series A Bonds	500,100,000
Series B Bonds	10,400,000
Series C Bonds	10,400,000
Total	520,900,000

- (ii) Interest rate: floating interest rate for the outstanding balances of each of the Series, assuming that the interest rates in each Series remain constant for the first Interest Accrual Period as follows.

	Series A Bonds	Series B Bonds	Series C Bonds
Nominal interest rate	3.618%	3.858%	6.750%

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

	Series A Bonds	Series B Bonds	Series C Bonds
Nominal interest rate	3.661%	3.901%	6.750%

- (iii) It is assumed that the principal of each of the Bond Series will be paid in accordance with the rules established in sections II.11.3.1 to II.11.3.5 of the Circular.

c) Ancillary agreements.

(i) Treasury Account.

It is assumed that the Treasury Account shall be maintained at BANCAJA.

Interest rate: it is assumed to be 3.358% for the first accrual period and 3.401% for successive accrual periods for remunerating all the amounts credited to the Treasury Account.

(ii) Principal Account.

It is assumed that the Principal Account shall be maintained at BANCAJA.

Interest rate: it is assumed to be 3.358% for the first accrual period and 3.401% for successive accrual periods for remunerating all the amounts credited to the Principal Account.

(iii) Start-Up Loan Agreement.

- Amount: EUR 541,910 which shall be allocated to financing the expenses of setting-up the Fund and issuing the Bonds.
- Interest rate: it is assumed to be 4.358% for the first accrual period and 4.401% for successive accrual periods.
- Repayment: the principal will be repaid in twenty (20) equal, consecutive quarterly instalments on each Payment Date, from the first and subsequent Payment Dates until the Payment Date falling on June 23, 2007, inclusive.

(iv) Subordinated Credit Agreement.

- Amount: the lower of the following amounts: (i) EUR 2,604,500, equivalent to 0.50% of the face amount of the Bond Issue, and (ii) 1.60% of the Outstanding Principal Balance of the Bond Issue minus the balance on the Principal Account on the Payment Date, when the Mortgage Loan Revolving Period is over, which may not be less than EUR 2,083,600.
- Interest rate: it is assumed to be 4.358% for the first accrual period and 4.401% for successive accrual periods.
- It is assumed that the rating of the short-term debt of BANCAJA will at no time fall below P-1 or F1 respectively in Moody's and Fitch's rating scales and, therefore, that the Maximum Subordinated Credit Amount shall not be drawn down in consequence of this to set up the Cash Reserve.

d) Cash Reserve.

It is assumed that the rating of the short-term debt of BANCAJA will at no time fall below P-1 or F1 respectively in Moody's and Fitch's rating scales and, therefore, that the Cash Reserve will not be set up upon the Maximum Subordinated Credit Amount being drawn down.

e) Expenses, fees and margin.

- (i) Mortgage Loan Servicing Fee: 0.01% per annum on the mean daily Outstanding Balance of the Mortgage Loans during each Interest Accrual Period corresponding to the ongoing Payment Date, inclusive of VAT if there is no exemption.
- (ii) Management Company Fee: 0.026% per annum on the Outstanding Principal Balance of the Bonds, with a minimum annual amount of EUR 27,050,000 and an assumed annual RPI of 2.50%.
- (iii) Annual expenses for auditing the Fund's annual accounts, monitoring and maintaining the rating of the Bonds: EUR 13,000.22 and an assumed annual RPI of 2.50%.
- (iv) Bond Paying Agent Fees: 0.01% on the amount to be distributed to the Bondholders on each Bond Payment Date.
- (v) Financial Intermediation Margin: variable remuneration settled quarterly on each Payment Date, to be accrued every year in an amount equal to the positive difference, if any, between the Fund's income and expenditure before its official accounts are closed.

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 arrange for a Subordinated Credit (section V.3.3) 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 Bond interest and amortisation payments as they fall due. Moreover, the 0.60 margin excess obtained through the Swap and the deferment or subordination in payment of interest and repayment of Series C Bond principal with respect to the Series A and 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.

The interest risk between the fixed and floating interest on the Mortgage Loans based on different review and settlement periods and benchmark indices, and the floating interest on the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods, is neutralised by means of the Interest Swap (section V.3.6), which does not neutralise the credit risk remaining in the Fund, since the amounts payable and receivable by the Fund exclude amounts derived from Mortgage Loans with an arrears in excess of ninety (90) days.

As for the incidence the prepayment of the Mortgage Loans might have on the Bonds, section II.12.a) of this 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 (CPR).

In general, the quality of the Mortgage Loans and the mechanisms in place for maintaining the financial balance of the Fund are such that no extreme prepayment, or delinquency and default rates should reasonably be considered resulting, upon both the prepayment risk and the risk of delinquency on the Mortgage Loans being properly transferred, in the financial structure of the Fund being imbalanced. Nevertheless, the ratings assigned by the Rating Agencies to each of the Bond Series express the Rating Agencies' opinion about the Fund's ability to meet payments of interest as they fall due on each set Payment Date and of the principal during the life of the transaction, and in any event before the Final Maturity Date of the Fund.

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

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

Said outline is based not only on the assumptions referred to in section V.1.1 above but also on 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 prepayment rates on the Loans are subject to continual changes.

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

**FUND CASH FLOWS
(AMOUNTS IN EUR)**

CPR = 9.00%

31-Jul-2002

520,900,000.00 Acquisition of the Mortgage Certificates

541,910.00 Gastos de constitución y emisión

Avail, Subordinated Credit	MC Outs, Bal,	Principal Account Balance	Date	COLLECTIONS				
				MC Principal Rep,	Netos Swap Int,	Reinvest, Interest	Subord, Credit Drawdown	Total
				(5)	(6)	(7)	(8)	(9)
(1)	(2)	(3)	(4)					
TOTALES:				915,675,182.69	220,369,259.13	10,205,796.83	0,00	1,146,250,238.65
2,604,500.00	520,900,000.00	0,00	29-Jul-2002	0,00	0,00	0,00	0,00	0,00
2,604,500.00	520,900,000.00	0,00	23-Sep-2002	4,774,648.48	3,348,337.50	18,453.71	0,00	8,141,439.69
2,604,500.00	520,900,000.00	0,00	23-Dec-2002	19,205,779.00	5,698,057.26	134,885.52	0,00	25,038,721.78
2,604,500.00	520,900,000.00	0,00	24-Mar-2003	19,334,962.29	5,698,057.26	135,370.03	0,00	25,168,389.58
2,604,500.00	520,900,000.00	0,00	23-jun-2003	19,184,022.80	5,698,057.26	134,141.95	0,00	25,016,222.02
2,604,500.00	520,900,000.00	0,00	23-Sep-2003	19,674,249.07	5,760,673.28	138,308.24	0,00	25,573,230.58
2,604,500.00	520,900,000.00	0,00	23-Dec-2003	19,830,018.19	5,698,057.26	137,427.83	0,00	26,665,837.29
2,604,500.00	520,900,000.00	0,00	23-Mar-2004	19,975,280.25	5,698,057.26	137,985.09	0,00	25,811,322.60
2,604,500.00	520,900,000.00	0,00	23-jun-2004	19,946,883.85	5,760,673.28	139,030.88	0,00	25,846,588.01
2,604,500.00	520,900,000.00	0,00	23-Sep-2004	20,298,995.39	5,760,673.28	140,791.88	0,00	26,200,460.54
2,604,500.00	520,900,000.00	0,00	23-Dec-2004	20,455,919.71	5,698,057.26	139,860.41	0,00	26,293,837.39
2,604,500.00	520,900,000.00	0,00	23-Mar-2005	20,593,991.34	5,635,441.25	138,805.53	0,00	26,368,238.12
2,604,500.00	520,900,000.00	0,00	23-jun-2005	20,527,666.11	5,760,673.28	141,227.28	0,00	26,429,566.66
2,604,500.00	520,900,000.00	0,00	23-Sep-2005	20,928,115.49	5,760,673.28	143,179.33	0,00	26,831,968.09
2,604,500.00	520,900,000.00	0,00	23-Dec-2005	21,085,063.21	5,698,057.26	142,194.14	0,00	26,925,314.61
2,604,500.00	520,900,000.00	0,00	23-Mar-2006	21,225,622.62	5,635,441.25	141,104.92	0,00	27,002,168.79
2,604,500.00	520,900,000.00	0,00	23-jun-2006	21,193,825.57	5,760,673.28	143,791.59	0,00	27,098,290.44
2,604,500.00	520,900,000.00	0,00	25-Sep-2006	21,525,868.43	5,885,905.31	148,501.75	0,00	27,560,275.48
2,604,500.00	520,900,000.00	0,00	25-Dec-2006	21,634,439.00	5,698,057.26	144,138.19	0,00	27,476,634.46
2,604,500.00	520,900,000.00	0,00	23-Mar-2007	21,716,871.40	5,510,209.22	139,640.51	0,00	27,366,721.14
2,604,500.00	520,900,000.00	0,00	25-jun-2007	21,662,960.49	5,885,905.31	148,702.81	0,00	27,697,568.61
2,604,500.00	498,970,045.20	21,929,954.80	24-Sep-2007	21,929,954.80	5,698,057.26	145,153.21	0,00	27,773,165.28
2,604,500.00	477,712,798.00	43,187,202.00	24-Dec-2007	21,257,247.20	5,698,057.26	327,123.54	0,00	27,282,428.00
2,604,500.00	457,110,582.00	63,789,418.00	24-Mar-2008	20,602,216.01	5,698,057.26	503,568.73	0,00	26,803,842.01
2,604,500.00	437,248,931.00	83,651,069.00	23-jun-2008	19,861,650.99	5,698,057.26	674,163.01	0,00	26,233,871.27
2,604,500.00	417,935,117.58	102,964,882.42	23-Sep-2008	19,313,813.43	5,760,673.28	848,753.97	0,00	25,923,240.67
2,604,500.00	399,255,527.19	121,644,472.81	23-Dec-2008	18,679,590.39	5,698,057.26	999,917.11	0,00	25,377,564.77
2,604,500.00	381,194,861.80	139,705,138.20	23-Mar-2009	18,060,665.39	5,635,441.25	1,142,376.96	0,00	24,838,483.60
2,604,500.00	363,837,228.95	0,00	23-jun-2009	17,357,632.85	5,760,673.28	1,319,002.56	0,00	24,437,308.69
2,604,500.00	346,938,478.34	0,00	23-Sep-2009	16,898,750.61	4,050,381.86	100,326.57	0,00	21,049,459.04
2,604,500.00	330,596,176.40	0,00	23-Dec-2009	16,342,301.94	3,824,341.88	94,504.55	0,00	20,261,148.37
2,604,500.00	314,781,832.20	0,00	23-Mar-2010	15,814,344.20	3,608,229.77	89,012.47	0,00	19,511,586.44
2,604,500.00	299,563,284.52	0,00	23-jun-2010	15,218,547.68	3,516,206.74	86,262.60	0,00	18,821,017.02
2,604,500.00	284,757,250.53	0,00	23-Sep-2010	14,806,034.00	3,350,488.60	82,505.79	0,00	18,239,028.38
2,604,500.00	270,432,627.81	0,00	23-Dec-2010	14,324,622.72	3,154,596.51	77,667.20	0,00	17,556,886.43
2,604,500.00	256,583,822.35	0,00	23-Mar-2011	13,848,805.46	2,967,337.57	73,049.58	0,00	16,889,192.61
2,604,500.00	243,282,255.33	0,00	23-jun-2011	13,301,567.02	2,881,904.43	70,654.59	0,00	16,254,126.04
2,604,500.00	230,392,086.31	0,00	23-Sep-2011	12,890,169.02	2,736,746.93	67,362.54	0,00	15,694,278.49
2,604,500.00	217,994,652.67	0,00	23-Dec-2011	12,397,433.64	2,567,860.69	63,144.41	0,00	15,028,438.74
2,604,500.00	206,089,724.14	0,00	23-Mar-2012	11,904,928.54	2,434,040.38	59,774.21	0,00	14,398,743.13
2,604,500.00	194,666,476.49	0,00	25-jun-2012	11,423,247.64	2,381,542.96	58,360.46	0,00	13,863,151.07
2,604,500.00	183,635,350.90	0,00	24-Sep-2012	11,031,125.59	2,182,231.51	53,678.92	0,00	13,267,036.02
2,604,500.00	173,018,165.19	0,00	24-Dec-2012	10,617,185.71	2,063,159.40	50,839.26	0,00	12,731,184.37
2,604,500.00	162,802,188.76	0,00	25-Mar-2013	10,215,976.44	1,948,555.43	48,123.88	0,00	12,212,655.74
2,448,776.48	153,048,529.78	0,00	24-jun-2013	9,753,658.98	1,838,282.19	45,290.01	0,00	11,637,231.18
2,299,181.05	143,698,815.72	0,00	23-Sep-2013	9,349,714.06	1,732,999.30	42,818.55	0,00	11,125,531.91
2,156,364.30	134,772,768.62	0,00	23-Dec-2013	8,926,047.10	1,632,076.67	40,321.86	0,00	10,598,445.63
2,083,600.00	126,231,364.26	0,00	24-Mar-2014	8,541,404.36	1,535,727.18	38,006.95	0,00	10,115,138.49
2,083,600.00	118,090,289.92	0,00	23-jun-2014	8,141,074.34	1,443,529.60	35,695.45	0,00	9,620,299.39
2,083,600.00	110,265,870.53	0,00	23-Sep-2014	7,824,419.39	1,370,550.55	34,125.83	0,00	9,229,095.77
2,083,600.00	102,772,129.98	0,00	23-Dec-2014	7,493,740.55	1,271,194.96	31,801.80	0,00	8,796,737.31
2,083,600.00	95,583,609.19	0,00	23-Mar-2015	7,188,520.79	1,177,225.78	29,645.83	0,00	8,395,392.39
2,083,600.00	88,703,079.71	0,00	23-jun-2015	6,880,529.48	1,124,939.38	28,486.62	0,00	8,033,955.49
2,083,600.00	82,062,933.50	0,00	23-Sep-2015	6,640,146.21	1,049,853.45	26,955.07	0,00	7,716,954.73
2,083,600.00	75,666,082.58	0,00	23-Dec-2015	6,396,850.91	966,766.97	25,157.73	0,00	7,388,775.62
2,083,600.00	69,505,576.98	0,00	23-Mar-2016	6,160,505.60	897,718.12	23,718.83	0,00	7,081,942.54

**FUND CASH FLOWS
(AMOUNTS IN EUR)**

CPR = 9.00%

31-Jul-2002

520,900,000.00 Mortgage Certificate Acquisition Payment

541,910.00 Start-Up Loan

	PAGOS								
Date	Current Expenses	MC Acqu,	Bond Interest	Bond Principal Amort,	Start-Up Loan Interest	Start-Up Loan Repayment	MC Service Fee	Financ, Intermd, Margin	Total
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
TOTALES:	1,561,073.40	394,775,182.69	190,047,157.80	520,900,000.00	61,130.99	541,910.00	472,486.98	37,891,296.79	1,146,250,238.65
29-Jul-2002	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
23-Sep-2002	33,823.93	4,774,648.48	2,879,527.50	0.00	3,673.67	27,095.50	7,991.89	414,678.72	8,141,439.69
23-Dec-2002	33,889.80	19,205,779.00	4,908,025.60	0.00	5,727.18	27,095.50	12,986.82	845,217.88	25,038,721.78
24-Mar-2003	33,889.80	19,334,962.29	4,908,025.60	0.00	5,425.75	27,095.50	12,986.82	846,003.82	25,168,389.58
23-jun-2003	33,889.80	19,184,022.80	4,908,025.60	0.00	5,124.32	27,095.50	12,986.82	845,077.17	25,016,222.02
23-Sep-2003	47,263.81	19,674,249.07	4,961,959.94	0.00	4,875.89	27,095.50	13,129.53	844,656.83	25,573,230.58
23-Dec-2003	33,889.80	19,830,018.19	4,908,025.60	0.00	4,521.46	27,095.50	12,986.82	848,965.92	25,665,503.29
23-Mar-2004	34,733.94	19,975,280.25	4,908,025.60	0.00	4,220.03	27,095.50	12,986.82	848,980.46	25,811,322.60
23-jun-2004	34,263.59	19,946,883.85	4,961,959.94	0.00	3,961.66	27,095.50	13,129.53	859,293.92	25,846,588.01
23-Sep-2004	47,588.82	20,298,995.39	4,961,959.94	0.00	3,656.92	27,095.50	13,129.53	848,034.44	26,200,460.54
23-Dec-2004	33,889.80	20,455,919.71	4,908,025.60	0.00	3,315.74	27,095.50	12,986.82	852,604.22	26,293,837.39
23-Mar-2005	34,350.90	20,593,991.34	4,854,091.25	0.00	2,981.18	27,095.50	12,844.11	842,883.83	26,368,238.12
23-jun-2005	34,263.59	20,527,666.11	4,961,959.94	0.00	2,742.69	27,095.50	13,129.53	862,709.30	26,429,566.66
23-Sep-2005	47,921.95	20,928,115.49	4,961,959.94	0.00	2,437.94	27,095.50	13,129.53	851,307.73	26,831,968.09
23-Dec-2005	33,889.80	21,085,063.21	4,908,025.60	0.00	2,110.01	27,095.50	12,986.82	856,143.67	26,925,314.61
23-Mar-2006	34,350.90	21,225,622.62	4,854,091.25	0.00	1,788.71	27,095.50	12,844.11	846,375.70	27,002,168.79
23-jun-2006	34,263.59	21,193,825.57	4,961,959.94	0.00	1,523.72	27,095.50	13,129.53	866,492.58	27,098,290.44
25-Sep-2006	49,011.09	21,525,868.43	5,069,828.64	0.00	1,245.47	27,095.50	13,414.96	873,811.40	27,560,275.48
25-Dec-2006	33,889.80	21,634,439.00	4,908,025.60	0.00	37.69	27,095.50	12,986.82	859,293.44	27,476,634.46
23-Mar-2007	33,584.91	21,716,871.40	4,746,222.56	0.00	582.99	27,095.50	12,558.68	829,805.09	27,366,721.14
25-jun-2007	35,011.27	21,662,960.49	5,069,828.64	0.00	12.98	27,095.50	13,414.96	888,946.38	27,697,568.61
24-Sep-2007	48,239.61	0.00	4,908,025.60	0.00	0.00	0.00	12,440.08	874,505.19	5,843,210.48
24-Dec-2007	32,468.26	0.00	4,908,025.60	0.00	0.00	0.00	11,910.10	1,072,776.84	6,025,180.80
24-Mar-2008	31,864.48	0.00	4,908,025.60	0.00	0.00	0.00	11,396.46	1,250,339.47	6,201,626.00
23-jun-2008	29,754.85	0.00	4,908,025.60	0.00	0.00	0.00	10,901.27	1,423,538.56	6,372,220.28
23-Sep-2008	43,490.14	0.00	4,961,959.94	0.00	0.00	0.00	10,534.26	1,593,442.90	6,609,427.24
23-Dec-2008	27,215.42	0.00	4,908,025.60	0.00	0.00	0.00	9,954.04	1,752,779.32	6,697,974.38
23-Mar-2009	26,357.36	0.00	4,854,091.25	0.00	0.00	0.00	9,399.33	1,887,970.27	6,777,818.21
23-jun-2009	29,121.95	0.00	4,961,959.94	157,062,771.05	0.00	0.00	9,170.69	2,079,423.25	164,142,446.89
23-Sep-2009	39,441.18	0.00	3,492,498.11	16,898,750.61	0.00	0.00	8,744.75	610,024.39	21,049,459.04
23-Dec-2009	22,985.68	0.00	3,298,151.85	16,342,301.94	0.00	0.00	8,242.26	589,466.63	20,261,148.37
23-Mar-2010	22,197.41	0.00	3,112,335.50	15,814,344.20	0.00	0.00	7,761.74	554,947.58	19,511,586.44
23-jun-2010	21,095.43	0.00	3,033,541.27	15,218,547.68	0.00	0.00	7,550.64	540,282.00	18,821,017.02
23-Sep-2010	35,537.09	0.00	2,891,158.23	14,806,034.00	0.00	0.00	7,177.44	499,121.62	18,239,028.38
23-Dec-2010	18,889.43	0.00	2,722,714.68	14,324,622.72	0.00	0.00	6,742.29	483,917.31	17,556,886.43
23-Mar-2011	18,181.02	0.00	2,561,688.63	13,848,805.46	0.00	0.00	6,326.72	454,190.78	16,889,192.61
23-jun-2011	17,218.55	0.00	2,488,475.90	13,301,567.02	0.00	0.00	6,132.05	440,732.52	16,254,126.04
23-Sep-2011	32,172.65	0.00	2,363,714.14	12,890,169.02	0.00	0.00	5,807.14	402,415.55	15,694,278.49
23-Dec-2011	15,303.91	0.00	2,218,432.69	12,397,433.64	0.00	0.00	5,434.94	391,833.56	15,028,438.74
23-Mar-2012	14,838.20	0.00	2,103,415.16	11,904,928.54	0.00	0.00	5,138.13	370,423.11	14,398,743.13
25-jun-2012	14,151.57	0.00	2,058,669.06	11,423,247.64	0.00	0.00	5,013.33	362,069.47	13,863,151.07
24-Sep-2012	29,180.69	0.00	1,886,987.35	11,031,125.59	0.00	0.00	4,578.31	315,164.08	13,267,036.02
24-Dec-2012	12,217.09	0.00	1,784,645.78	10,617,185.71	0.00	0.00	4,313.60	312,822.19	12,731,184.37
25-Mar-2013	11,796.61	0.00	1,686,144.54	10,215,976.44	0.00	0.00	4,058.90	294,679.25	12,212,655.74
24-jun-2013	10,839.93	0.00	1,591,365.54	9,753,658.98	0.00	0.00	3,815.73	277,551.01	11,637,231.18
23-Sep-2013	26,836.56	0.00	1,500,875.70	9,349,714.06	0.00	0.00	3,582.63	244,522.97	11,125,531.91
23-Dec-2013	9,576.21	0.00	1,414,133.47	8,926,047.10	0.00	0.00	3,360.09	245,328.77	10,598,445.63
24-Mar-2014	9,344.37	0.00	1,331,321.82	8,541,404.36	0.00	0.00	3,147.14	229,920.81	10,115,138.49
23-jun-2014	9,332.25	0.00	1,252,078.70	8,141,074.34	0.00	0.00	2,944.17	214,869.94	9,620,299.39
23-Sep-2014	26,382.58	0.00	1,189,478.77	7,824,419.39	0.00	0.00	2,779.30	186,035.72	9,229,095.77
23-Dec-2014	9,312.14	0.00	1,103,958.39	7,493,740.55	0.00	0.00	2,562.26	187,163.96	8,796,737.31
23-Mar-2015	9,527.47	0.00	1,023,067.58	7,188,520.79	0.00	0.00	2,356.86	171,919.69	8,395,392.39
23-jun-2015	9,523.02	0.00	978,377.84	6,880,529.48	0.00	0.00	2,235.80	163,289.34	8,033,955.49
23-Sep-2015	26,999.08	0.00	913,842.06	6,640,146.21	0.00	0.00	2,068.44	133,898.94	7,716,954.73
23-Dec-2015	9,505.17	0.00	842,304.86	6,396,850.91	0.00	0.00	1,886.47	138,228.21	7,388,775.62
23-Mar-2016	9,730.75	0.00	782,957.89	6,160,505.60	0.00	0.00	1,732.88	127,015.42	7,081,942.54

FUND CASH FLOWS (AMOUNTS IN EUR) CPR = 13.00%									
31-Jul-2002				520,900,000.00 Acquisition of the Mortgage Certificates 541,910.00 Set-up and issuance expenses					
Avail, Subordinated Credit	MC Outs, Bal,	Principal Account Balance	Date	COLLECTIONS					
				MC Principal	Netos Swap	Reinvest, Interest	Subord, Credit	Total	
				Rep,	Int,		Drawdown		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
TOTALES:				1,021,077,605.32	207,750,855.69	11,169,534.80	0,00	1,239,997,995.80	
2,604,500.00	520,900,000.00	0,00	29-Jul-2002	0,00	0,00	0,00	0,00	0,00	
2,604,500.00	520,900,000.00	0,00	23-Sep-2002	5,815,039.55	3,348,337.50	18,453.71	0,00	9,181,830.76	
2,604,500.00	520,900,000.00	0,00	23-Dec-2002	24,882,312.70	5,698,057.26	134,885.52	0,00	30,715,255.48	
2,604,500.00	520,900,000.00	0,00	24-mar-2003	24,989,973.97	5,698,057.26	135,370.03	0,00	30,823,401.26	
2,604,500.00	520,900,000.00	0,00	23-Jun-2003	24,697,570.97	5,698,057.26	134,141.95	0,00	30,529,770.19	
2,604,500.00	520,900,000.00	0,00	23-Sep-2003	25,316,603.29	5,760,673.28	138,308.24	0,00	31,215,584.80	
2,604,500.00	520,900,000.00	0,00	23-Dec-2003	25,457,716.46	5,698,057.26	137,427.83	0,00	31,293,201.56	
2,604,500.00	520,900,000.00	0,00	23-mar-2004	25,583,044.88	5,698,057.26	137,985.09	0,00	31,419,087.23	
2,604,500.00	520,900,000.00	0,00	23-Jun-2004	25,470,187.40	5,760,673.28	139,030.88	0,00	31,369,891.56	
2,604,500.00	520,900,000.00	0,00	23-Sep-2004	25,873,782.59	5,760,673.28	140,791.88	0,00	31,775,247.75	
2,604,500.00	520,900,000.00	0,00	23-Dec-2004	26,009,842.91	5,698,057.26	139,860.41	0,00	31,847,760.58	
2,604,500.00	520,900,000.00	0,00	23-mar-2005	26,119,571.76	5,635,441.25	138,805.53	0,00	31,893,818.54	
2,604,500.00	520,900,000.00	0,00	23-Jun-2005	25,962,307.05	5,760,673.28	141,227.28	0,00	31,864,207.61	
2,604,500.00	520,900,000.00	0,00	23-Sep-2005	26,410,911.64	5,760,673.28	143,179.33	0,00	32,314,764.24	
2,604,500.00	520,900,000.00	0,00	23-Dec-2005	26,540,979.90	5,698,057.26	142,194.14	0,00	32,381,231.30	
2,604,500.00	520,900,000.00	0,00	23-mar-2006	26,649,212.08	5,635,441.25	141,104.92	0,00	32,425,758.25	
2,604,500.00	520,900,000.00	0,00	23-Jun-2006	26,541,917.84	5,760,673.28	143,791.59	0,00	32,446,382.71	
2,604,500.00	520,900,000.00	0,00	25-Sep-2006	26,898,038.36	5,885,905.31	148,501.75	0,00	32,932,445.41	
2,604,500.00	520,900,000.00	0,00	25-Dec-2006	26,982,924.82	5,698,057.26	144,138.19	0,00	32,825,120.28	
2,604,500.00	520,900,000.00	0,00	23-mar-2007	27,041,215.23	5,510,209.22	139,640.51	0,00	32,691,064.97	
2,604,500.00	520,900,000.00	0,00	25-Jun-2007	26,934,451.91	5,885,905.31	148,702.81	0,00	32,969,060.03	
2,604,500.00	493,688,046.77	27,211,953.23	24-Sep-2007	27,211,953.23	5,698,057.26	145,153.21	0,00	33,055,163.71	
2,604,500.00	467,659,682.29	53,240,317.71	24-Dec-2007	26,028,364.48	5,698,057.26	372,532.73	0,00	32,098,954.47	
2,604,500.00	442,770,009.14	78,129,990.86	24-mar-2008	24,889,673.15	5,698,057.26	589,995.09	0,00	31,177,725.51	
2,604,500.00	419,084,664.65	101,815,335.35	23-Jun-2008	23,685,344.49	5,698,057.26	797,448.52	0,00	30,180,850.28	
2,604,500.00	396,353,045.94	124,546,954.06	23-Sep-2008	22,731,618.71	5,760,673.28	1,006,627.68	0,00	29,498,919.67	
2,604,500.00	374,650,011.80	146,249,988.20	23-Dec-2008	21,703,034.14	5,698,057.26	1,185,457.58	0,00	28,586,548.99	
2,604,500.00	353,938,297.14	166,961,702.86	23-mar-2009	20,711,714.66	5,635,441.25	1,351,585.35	0,00	27,698,741.26	
2,604,500.00	334,285,911.95	0,00	23-Jun-2009	19,652,385.19	5,760,673.28	1,555,901.48	0,00	26,968,959.95	
2,604,500.00	315,406,047.97	0,00	23-Sep-2009	18,879,863.98	3,728,591.00	100,326.57	0,00	22,708,781.55	
2,604,500.00	297,389,204.04	0,00	23-Dec-2009	18,016,843.93	3,484,710.45	94,504.55	0,00	21,596,058.93	
2,604,500.00	280,193,186.66	0,00	23-mar-2010	17,196,017.38	3,254,492.50	89,012.47	0,00	20,539,522.35	
2,604,500.00	263,869,071.18	0,00	23-Jun-2010	16,324,115.48	3,139,563.30	86,262.60	0,00	19,549,941.37	
2,604,500.00	248,203,159.97	0,00	23-Sep-2010	15,665,911.21	2,961,406.98	82,505.79	0,00	18,709,823.98	
2,604,500.00	233,256,972.83	0,00	23-Dec-2010	14,946,187.14	2,760,116.88	77,667.20	0,00	17,783,971.22	
2,604,500.00	219,008,091.73	0,00	23-mar-2011	14,248,881.10	2,570,226.76	73,049.58	0,00	16,892,157.43	
2,604,500.00	205,504,883.00	0,00	23-Jun-2011	13,503,208.73	2,471,847.55	70,654.59	0,00	16,045,710.86	
2,604,500.00	192,588,700.23	0,00	23-Sep-2011	12,916,182.77	2,324,489.57	67,362.54	0,00	15,308,034.88	
2,604,500.00	180,320,987.78	0,00	23-Dec-2011	12,267,712.45	2,159,803.59	63,144.41	0,00	14,490,660.45	
2,604,500.00	168,683,139.03	0,00	23-mar-2012	11,637,848.75	2,027,383.52	59,774.21	0,00	13,725,006.48	
2,522,579.06	157,661,191.31	0,00	25-Jun-2012	11,021,947.72	1,964,457.77	58,360.46	0,00	13,044,765.96	
2,354,497.29	147,156,080.37	0,00	24-Sep-2012	10,505,110.94	1,782,789.27	53,678.92	0,00	12,341,579.12	
2,194,870.20	137,179,387.40	0,00	24-Dec-2012	9,976,692.97	1,669,395.06	50,839.26	0,00	11,696,927.29	
2,083,600.00	127,708,895.33	0,00	25-mar-2013	9,470,492.07	1,561,704.69	48,123.88	0,00	11,080,320.65	
2,083,600.00	118,778,752.77	0,00	24-Jun-2013	8,930,142.55	1,459,478.36	45,290.01	0,00	10,434,910.92	
2,083,600.00	110,311,029.07	0,00	23-Sep-2013	8,467,723.71	1,363,084.66	42,818.55	0,00	9,873,626.92	
2,083,600.00	102,317,755.95	0,00	23-Dec-2013	7,993,273.11	1,271,682.41	40,321.86	0,00	9,305,277.38	
2,083,600.00	94,762,553.54	0,00	24-mar-2014	7,555,202.42	1,185,401.46	38,006.95	0,00	8,778,610.83	
2,083,600.00	87,650,231.37	0,00	23-Jun-2014	7,112,322.17	1,103,849.14	35,695.45	0,00	8,251,866.76	
2,083,600.00	80,899,666.77	0,00	23-Sep-2014	6,750,564.60	1,038,363.92	34,125.83	0,00	7,823,054.34	
2,083,600.00	74,518,552.46	0,00	23-Dec-2014	6,381,114.31	954,210.44	31,801.80	0,00	7,367,126.55	
2,083,600.00	68,482,080.00	0,00	23-mar-2015	6,036,472.46	875,602.54	29,645.83	0,00	6,941,720.83	
2,083,600.00	62,788,052.60	0,00	23-Jun-2015	5,694,027.41	829,185.48	28,486.62	0,00	6,551,699.52	
2,083,600.00	57,374,569.72	0,00	23-Sep-2015	5,413,482.87	767,047.63	26,955.07	0,00	6,207,485.57	
2,083,600.00	52,242,837.57	0,00	23-Dec-2015	5,131,732.15	700,275.97	25,157.73	0,00	5,857,165.86	
2,083,600.00	0,00	0,00	23-mar-2016	52,242,837.57	644,883.06	23,718.83	0,00	52,911,439.46	

FUND CASH FLOWS

(AMOUNTS IN EUR)

CPR = 13.00%

31-Jul-2002

520,900,000.00 Mortgage Certificate Acquisition Payment

541,910.00 Start-Up Loan

	PAGOS								
Date	Current Expenses	MC Acqu,	Bond Interest	Bond Principal Amort,	Start-Up Loan Interest	Start-Up Loan Repayment	MC Service Fee	Financ, Intermd, Margin	Total
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
TOTALES:	1,458,099.09	500,177,605.32	179,156,572.42	520,900,000.00	61,130.99	541,910.00	441,052.45	37,261,625.54	1,239,997,995.80
29-Jul-2002	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
23-Sep-2002	33,823.93	5,815,039.55	2,879,527.50	0,00	3,673.67	27,095.50	7,991.89	414,678.72	9,181,830.76
23-Dec-2002	33,889.80	24,882,312.70	4,908,025.60	0,00	5,727.18	27,095.50	12,986.82	845,217.88	30,715,255.48
24-Mar-2003	33,889.80	24,989,973.97	4,908,025.60	0,00	5,425.75	27,095.50	12,986.82	846,003.82	30,823,401.26
23-Jun-2003	33,889.80	24,697,570.97	4,908,025.60	0,00	5,124.32	27,095.50	12,986.82	845,077.17	30,529,770.19
23-Sep-2003	47,263.81	25,316,603.29	4,961,959.94	0,00	4,875.89	27,095.50	13,129.53	844,656.83	31,215,584.80
23-Dec-2003	33,889.80	25,457,716.46	4,908,025.60	0,00	4,521.46	27,095.50	12,986.82	848,965.92	31,293,201.56
23-Mar-2004	34,733.94	25,583,044.88	4,908,025.60	0,00	4,220.03	27,095.50	12,986.82	848,980.46	31,419,087.23
23-Jun-2004	34,263.59	25,470,187.40	4,961,959.94	0,00	3,961.66	27,095.50	13,129.53	859,293.92	31,369,891.56
23-Sep-2004	47,588.82	25,873,782.59	4,961,959.94	0,00	3,656.92	27,095.50	13,129.53	848,034.44	31,775,247.75
23-Dec-2004	33,889.80	26,009,842.91	4,908,025.60	0,00	3,315.74	27,095.50	12,986.82	852,604.22	31,847,760.58
23-Mar-2005	34,350.90	26,119,571.76	4,854,091.25	0,00	2,981.18	27,095.50	12,844.11	842,883.83	31,893,818.54
23-Jun-2005	34,263.59	25,962,307.05	4,961,959.94	0,00	2,742.69	27,095.50	13,129.53	862,709.30	31,864,207.61
23-Sep-2005	47,921.95	26,410,911.64	4,961,959.94	0,00	2,437.94	27,095.50	13,129.53	851,307.73	32,314,764.24
23-Dec-2005	33,889.80	26,540,979.90	4,908,025.60	0,00	2,110.01	27,095.50	12,986.82	856,143.67	32,381,231.30
23-Mar-2006	34,350.90	26,649,212.08	4,854,091.25	0,00	1,788.71	27,095.50	12,844.11	846,375.70	32,425,758.25
23-Jun-2006	34,263.59	26,541,917.84	4,961,959.94	0,00	1,523.72	27,095.50	13,129.53	866,492.58	32,446,382.71
25-Sep-2006	49,011.09	26,898,038.36	5,069,828.64	0,00	1,245.47	27,095.50	13,414.96	873,811.40	32,932,445.41
25-Dec-2006	33,889.80	26,982,924.82	4,908,025.60	0,00	37.69	27,095.50	12,986.82	859,293.44	32,825,120.28
23-Mar-2007	33,584.91	27,041,215.23	4,746,222.56	0,00	582.99	27,095.50	12,558.68	829,805.09	32,691,064.97
25-Jun-2007	35,011.27	26,934,451.91	5,069,828.64	0,00	12.98	27,095.50	13,414.96	888,946.38	32,969,060.03
24-Sep-2007	48,239.61	0,00	4,908,025.60	0,00	0,00	0,00	12,308.39	874,636.88	5,843,210.48
24-Dec-2007	32,125.87	0,00	4,908,025.60	0,00	0,00	0,00	11,659.46	1,118,779.07	6,070,589.99
24-Mar-2008	31,196.53	0,00	4,908,025.60	0,00	0,00	0,00	11,038.92	1,337,791.31	6,288,052.36
23-Jun-2008	28,825.27	0,00	4,908,025.60	0,00	0,00	0,00	10,448.41	1,548,206.51	6,495,505.78
23-Sep-2008	42,299.76	0,00	4,961,959.94	0,00	0,00	0,00	9,990.27	1,753,050.98	6,767,300.96
23-Dec-2008	25,816.43	0,00	4,908,025.60	0,00	0,00	0,00	9,340.59	1,940,332.23	6,883,514.85
23-Mar-2009	24,740.48	0,00	4,854,091.25	0,00	0,00	0,00	8,727.25	2,099,467.63	6,987,026.60
23-Jun-2009	28,090.91	0,00	4,961,959.94	186,614,088.05	0,00	0,00	8,425.84	2,318,098.06	193,930,662.81
23-Sep-2009	37,548.12	0,00	3,216,019.27	18,879,863.98	0,00	0,00	7,949.96	567,400.22	22,708,781.55
23-Dec-2009	20,976.64	0,00	3,006,344.61	18,016,843.93	0,00	0,00	7,414.36	544,479.39	21,596,058.93
23-Mar-2010	20,042.25	0,00	2,808,408.69	17,196,017.38	0,00	0,00	6,908.87	508,145.16	20,539,522.35
23-Jun-2010	18,848.68	0,00	2,709,933.74	16,324,115.48	0,00	0,00	6,650.95	490,392.53	19,549,941.37
23-Sep-2010	33,211.33	0,00	2,556,807.74	15,665,911.21	0,00	0,00	6,256.08	447,637.62	18,709,823.98
23-Dec-2010	16,527.07	0,00	2,383,675.42	14,946,187.14	0,00	0,00	5,815.45	431,766.15	17,783,971.22
23-Mar-2011	15,739.59	0,00	2,220,341.30	14,248,881.10	0,00	0,00	5,400.20	401,795.25	16,892,157.43
23-Jun-2011	14,752.20	0,00	2,136,035.14	13,503,208.73	0,00	0,00	5,179.85	386,534.95	16,045,710.86
23-Sep-2011	29,688.54	0,00	2,009,382.08	12,916,182.77	0,00	0,00	4,854.29	347,927.20	15,308,034.88
23-Dec-2011	12,841.28	0,00	1,867,710.73	12,267,712.45	0,00	0,00	4,495.67	337,900.32	14,490,660.45
23-Mar-2012	12,319.48	0,00	1,753,896.68	11,637,848.75	0,00	0,00	4,205.52	316,736.03	13,725,006.48
25-Jun-2012	11,627.03	0,00	1,700,187.52	11,021,947.72	0,00	0,00	4,060.32	306,943.37	13,044,765.96
24-Sep-2012	26,759.96	0,00	1,543,669.79	10,505,110.94	0,00	0,00	3,668.82	262,369.61	12,341,579.12
24-Dec-2012	9,827.68	0,00	1,446,208.33	9,976,692.97	0,00	0,00	3,420.09	260,778.21	11,696,927.29
25-Mar-2013	9,388.15	0,00	1,353,649.29	9,470,492.07	0,00	0,00	3,183.98	243,607.16	11,080,320.65
24-Jun-2013	9,130.72	0,00	1,265,786.53	8,930,142.55	0,00	0,00	2,961.33	226,889.78	10,434,910.92
23-Sep-2013	25,758.31	0,00	1,182,936.89	8,467,723.71	0,00	0,00	2,750.22	194,457.79	9,873,626.92
23-Dec-2013	9,102.95	0,00	1,104,377.35	7,993,273.11	0,00	0,00	2,550.94	195,973.03	9,305,277.38
24-Mar-2014	9,311.83	0,00	1,030,219.53	7,555,202.42	0,00	0,00	2,362.57	181,514.48	8,778,610.83
23-Jun-2014	9,298.86	0,00	960,125.93	7,112,322.17	0,00	0,00	2,185.25	167,934.54	8,251,866.76
23-Sep-2014	26,347.84	0,00	903,966.89	6,750,564.60	0,00	0,00	2,039.11	140,135.89	7,823,054.34
23-Dec-2014	9,277.13	0,00	831,512.62	6,381,114.31	0,00	0,00	1,857.86	143,364.63	7,367,126.55
23-Mar-2015	9,492.19	0,00	763,824.71	6,036,472.46	0,00	0,00	1,688.60	130,242.87	6,941,720.83
23-Jun-2015	9,486.20	0,00	724,179.63	5,694,027.41	0,00	0,00	1,582.60	122,423.68	6,551,699.52
23-Sep-2015	26,961.52	0,00	670,772.62	5,413,482.87	0,00	0,00	1,446.15	94,822.41	6,207,485.57
23-Dec-2015	9,467.40	0,00	613,257.88	5,131,732.15	0,00	0,00	1,302.49	101,405.94	5,857,165.86
23-Mar-2016	15,370.35	0,00	565,648.09	52,242,837.57	0,00	0,00	1,181.28	86,402.16	52,911,439.46

Key to the number outline.

- (1) Maximum Subordinated Credit Amount or Cap available.
- (2) Outstanding Balance of the Mortgage Loans on each quarterly Payment Date, upon the payment of principal (3).
- (3) Balance on the Principal Account.
- (4) Quarterly Payment Dates.

a) Collections.

- (5) Amount of principal repaid on the Mortgage Loan portfolio from the immediately preceding quarterly date until the date given.
- (6) Net interest collected by the Fund from the immediately preceding quarterly Payment Date until the Payment Date given. Such is the interest received on the Mortgage Loans and the interest resulting from the application of the Interest Swap.
- (7) Return of the Treasury Account and the Principal Account.
- (8) Amount drawn on the Subordinated Credit.
- (9) Total income on each Payment Date, being the sum of amounts (5), (6), (7) and (8).

b) Payments.

- (10) Quarterly Payment Dates.
- (11) Amounts for the Fund's current expenses.
- (12) Acquisition Amount of additional Mortgage Loans.
- (13) Amount of interest payable to the Bondholders.
- (14) Amount of principal repaid on the Bonds.
- (15) Interest payment amounts on the Start-Up Loan and on the Subordinated Credit.
- (16) Periodic Start-Up Loan principal repayment and Subordinated Credit repayment.
- (17) Mortgage Loan Servicing Fee.
- (18) Variable Financial Intermediation Margin related to the Fund's other income and expenditure.
- (19) Total payments on each payment date, being the sum of amounts (11), (12), (13), (14), (15), (16), (17) and (18).

V.2 Accounting policies used by the Fund.

The income and expenditure will be booked 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 Fund constitution and Bond issue expenses described in section II.14 of the Circular will be subject to a straight-line depreciation during the months elapsing since the constitution of the Fund until May 31, 2007, 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 and services arranged by the Management Company on behalf of the Fund, in order to enhance the risk, increase payment regularity, neutralise interest rate differences on the Mortgage Loans, or, in general, transform the financial characteristics of all or part of said securities.

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

The Management Company may, in order for the Fund to operate on the terms provided in the Deed of Constitution, in the 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; the foregoing shall be subject to the laws in force from time to time, to the prior authorisation, if necessary, of the CNMV, or competent administrative body and to notice thereof being given on the Rating Agencies, provided that those actions do not detract from Bondholders' interests.

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) Mortgage Loan principal and interest;
- (ii) any other amounts relating to the Mortgage Loans and from the sale or operation of the real estate or assets awarded or under administration or interim possession in foreclosure proceedings;

- (iii) drawdown, if any, of Subordinated Credit principal and the amounts withheld to maintain the Cash Reserve from time to time if it is actually set up;
- (iv) drawdown of Start-Up Loan principal;
- (v) amounts paid to the Fund under the Interest Swap;
- (vi) the amounts of the returns obtained on the balances existing in the actual Treasury Account and in the Principal Account; and
- (vii) 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 guarantees an annual nominal interest rate, variable quarterly and settled quarterly, applicable on each interest accrual period (differing from the Interest Accrual Period established for the Bonds), equivalent to the Reference Rate determined for the Bonds. The accrued interest to be settled on March 22, June 22, September 22 and December 22 of each year 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.

In the event that the rating of the non-subordinated and unsecured short-term debt of BANCAJA should, at any time during the life of the Bond issue, fall below P-1 or F1 respectively in Moody's and Fitch's rating scales, the Management Company shall within not more than ten (10) Business Days from the time of that occurrence put in place, after consulting with 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:

- a) Obtaining from an institution having a credit rating for its non-subordinated and unsecured short-term debt of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, and subject at all times to the Rating Agencies' approval, 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.
- b) Transferring the Fund's Treasury Account to an institution whose non-subordinated and unsecured short-term debt has a rating of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, and the highest possible yield shall be arranged 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 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) In that same event and if the above options should not be feasible on the set terms, the Management Company may invest the balances for not more than quarterly periods, in short-term fixed-income assets in euros issued by institutions having ratings of at least P-1 and F1 for 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 may subsequently transfer the balances back to BANCAJA under the Guaranteed Interest Rate Account (Treasury Account) Agreement, in the event that its short-term debt should again attain the P-1 and F1 ratings, in the above-mentioned scales.

The Guaranteed Interest Rate Account (Treasury Account) Agreement mitigates the risk relating to the timing difference between the Fund's receipts of principal and interest on the Mortgage Loans, which is mostly monthly, and the amortisation and payment of interest on the Bonds, which is quarterly.

V.3.2 **Guaranteed Interest Rate Account (Principal Account) Agreement.**

The Management Company, acting for and on behalf of the Fund, and BANCAJA shall enter into a Guaranteed Interest Rate Account (Principal 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 (Principal Account) Agreement shall specifically determine that the amounts remaining of the Available Principal Funds not applied for the acquisition of additional Mortgage Loans during the Revolving Period, or upon that period terminating, to amortising the Bonds, will be paid into a financial account in euros (the "**Principal Account**") opened at BANCAJA, in the name of the Fund by the Management Company.

BANCAJA guarantees an annual nominal interest rate, variable quarterly and settled quarterly, applicable on each interest accrual period (differing from the Interest Accrual Period established for the Bonds), equivalent to the Reference Rate determined for the Bonds. The accrued interest to be settled on March 22, June 22, September 22 and December 22 of each year 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.

In the event that the rating of the non-subordinated and unsecured short-term debt of BANCAJA should, at any time during the life of the Bond issue, fall below P-1 or F1 respectively in Moody's and Fitch's rating scales, the Management Company shall within not more than ten (10) Business Days from the time of that occurrence put in place, after consulting with 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:

- a) Obtaining from an institution having a credit rating for its non-subordinated and unsecured short-term debt of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, and subject at all times to the Rating Agencies' approval, 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 Principal Account, during the time over which the loss of the P-1 or F1 ratings is maintained.
- b) Transferring the Fund's Principal Account to an institution whose non-subordinated and unsecured short-term debt has a rating of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, and the highest possible yield shall be arranged 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 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) In that same event and if the above options should not be feasible on the set terms, the Management Company may invest the balances for not more than quarterly periods, in short-term fixed-income assets

in euros issued by institutions having ratings of at least P-1 and F1 for 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 may subsequently transfer the balances back to BANCAJA under the Guaranteed Interest Rate Account (Principal Account) Agreement, in the event that its short-term debt should again attain the P-1 and F1 ratings, in the above-mentioned scales.

The Guaranteed Interest Rate Account (Principal Account) Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Bond Series as final by the start of the Subscription Period.

V.3.3 Subordinated Credit Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a Subordinated Credit Agreement (the "**Subordinated Credit Agreement**") which shall be applied on each Payment Date, along with the other Available Funds, to meeting fulfilment of certain payment or withholding obligations of the Fund, in the Priority of Payments, due to a shortage of the remaining Available Funds, or as the case may be, to setting up a Cash Reserve, although granting of that Credit shall in no event guarantee that the Mortgage Loans will be duly performed.

Maximum Subordinated Credit Amount.

The Maximum Subordinated Credit Amount shall from time to time during the term of the Subordinated Credit Agreement be equal to the lower of the following amounts: (i) EUR two million six hundred and four thousand five hundred (2,604,500) equivalent to 0.50% of the face amount of the Bond Issue, and (ii) 1.60% of the Outstanding Principal Balance of the Bond Issue, minus the balance on the Principal Account when the Mortgage Loan Revolving Period is over.

Notwithstanding the above, the Maximum Subordinated Credit Amount shall remain at the level established on the preceding Payment Date if the sum of (i) the Outstanding Balance of the Mortgage Loans in good standing or, in the event of delinquency, with an arrears of less than 90 days and (ii) the balance on the Principal Account is less than 99% of the Outstanding Principal Balance of the Bond Issue.

The Maximum Subordinated Credit Amount may not be reduced when there is a Principal Deficiency on a given Payment Date, as defined in section II.11.3.4.3 of this Circular.

In any event, the Maximum Subordinated Credit Amount may not be less than EUR two million and eighty-three thousand six hundred (2,083,600).

The Maximum Subordinated Credit Amount may however be reduced on a Payment Date and throughout the life of the Fund following an express discretionary authorisation of the Rating Agencies.

Drawdown.

The Management Company may, for and on behalf of the Fund, draw on the Subordinated Credit, limited to the Maximum Subordinated Credit Amount, provided that the Available Funds do not allow on any Payment Date payment of obligations numbered (i) 1 to 5 in the Fund Priority of Payments, and (ii) 1 to 5 and 8 and 9, if payment of interest accrued on the Series B or C Bonds is respectively deferred to numbers 8 and 9; or 1 to 9 in the case of the Liquidation Priority of Payments.

In accordance with the section III.2.3, the Management Company shall draw the full amount available up to the Maximum Subordinated Credit Amount on the date on which this drawdown is made, allotting it to setting up a Cash Reserve, in the event of the rating of the non-subordinated and unsecured short-term debt rating of BANCAJA falling below P-1 or F1 respectively in Moody's and Fitch's rating scales, within not more than ten (10) days of that occurrence, unless BANCAJA should provide for the benefit of the Fund and at its cost a first demand security or guarantee of an institution whose short-term debt has a rating of at least P-1 and F1 respectively in the above-mentioned rating scales, guaranteeing for the Fund, simply upon the Management Company so requesting, the amount of the drawings requested from BANCAJA up to the Maximum Subordinated Credit Amount available on the relevant drawdown date, all of which shall be subject to the terms and conditions approved by the Rating Agencies for the ratings assigned to each of the Series in the Bond issue to be maintained.

Repayment.

The Fund will repay any drawdown on the Subordinated Credit on any Payment Date on which the Available Funds, not including the amounts available on the Subordinated Credit, allow such payment in the application priority established in the Priority of Payments.

Nevertheless, in the event that the Maximum Subordinated Credit Amount should be fully drawn down, as a result of a downgrade in the rating of BANCAJA and the Cash Reserve being set up, repayment shall be made on each of the Payment Dates in an amount equal to the positive difference existing between the Required Cash Reserve on the preceding Payment Date and the Required Cash Reserve on the ongoing Payment Date, and in the application priority established for that event in the Priority of Payments, and provided that the conditions for the Cash Reserve to be reduced in due course established in section III.2.3 of this Circular are satisfied.

In the event that the Fund should not have sufficient liquidity to proceed to the relevant repayment of the Subordinated Credit on a Payment Date, in the Priority of Payments, the portion of the principal not repaid shall be repaid on the following Payment Date along with the amount that should be repaid, as the case may be, on that same Payment Date, until it is fully repaid.

Financial yield.

The Subordinated Credit shall accrue an annual nominal interest, determined quarterly in each interest accrual period (differing from the Interest Accrual Period established for the Bonds), which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) a 1.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments. The interest accrued, which shall be settled on March 23, June 23, September 23 and December 23 of each year and payable when due on the given Payment Date, 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.

Interest accrued and not paid on a Payment Date shall be accumulated to the principal of the Credit, earning additional interest at the same interest rate applicable to the Subordinated Credit for the interest accrual period at issue, and shall be paid, provided that the Fund has sufficient liquidity, in the same number provided for payment of interest accrued on the Subordinated Credit in the Priority of Payments, on the following Payment Date.

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

V.3.4 Start-Up Loan Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a loan agreement amounting to EUR five hundred and forty-one thousand nine hundred and ten (541,910) (the “**Start-Up Loan Agreement**”), which shall be designed to finance the expenses of setting up the Fund and issuing the Bonds.

The loan will accrue an annual nominal interest, determined quarterly for each interest accrual period (differing from the Interest Accrual Period for the Bonds), which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) a 1.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments. The interest accrued, which shall be settled on March 23, June 23, September 23 and December 23 of each year and payable when due on the given Payment Date, 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.

Interest accrued and not paid on a Payment Date will be accumulated and accrue a late-payment interest at the same rate as the nominal interest of the Start-Up Loan and will be paid, provided that the Fund has sufficient liquidity, and in the Priority of Payments, on the following Payment Date.

Payment of the Start-Up Loan principal will be effected in twenty (20) consecutive quarterly instalments for an equal amount, on each Payment Date, the first of which shall fall due on the first Payment Date, to wit September 23, 2002, and the following until the Payment Date falling on June 23, 2007, inclusive.

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 Loan on that Payment Date, satisfying in the first place overdue interest and secondly repayment of principal, in the Fund Priority of Payments.

V.3.5 Interest Swap Agreement.

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

The execution of the Swap agreement derives from the need to eliminate or mitigate the interest rate risk occurring in the Fund because the Mortgage Loans are subject to floating interests with different benchmark indices and different review and settlement periods at the floating interest established for each of the Bond Series issued by the Fund (the “**Base Risk**”).

The Interest Swap agreement enables the Fund to pay BANCAJA all interest received on the Mortgage Loans and paid into the Fund during the settlement period falling due.

In exchange, BANCAJA pays the Fund an amount depending on the average interest rate on the Bond Series and on the balance on the Principal Account in order to cover the cumulative cost of the Principal Funds on the Principal Account.

Under the Swap Agreement, the Fund will make payments to BANCAJA calculated on the interest rate of the Mortgage Loans, and in consideration BANCAJA will make payments to the Fund calculated on the weighted average interest rate of the Bond Series, the foregoing as described hereinafter.

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

Party B : **BANCAJA.**

1. Settlement dates.

The settlement dates shall fall on the Bond Payment Dates, i.e. on March 23, June 23, September 23 and December 23 in every year, or the following Business Day if any of these dates is not a Business Day.

2. Settlement periods.

Party A:

The settlement periods for Party A shall be the exact number of days elapsed between two consecutive settlement dates, not including the first but including the last date. Exceptionally, the length of the first settlement period for Party A shall be equivalent to the exact number of days elapsed between the Date of constitution of the Fund (inclusive) and September 23, 2002 (inclusive).

Party B:

The settlement periods for Party B shall be the exact number of days elapsed between two consecutive settlement dates, including the first but not including the last date. Exceptionally, the length of the first settlement period for Party B shall be equivalent to the exact number of days elapsed between the Bond Issue Closing Date (inclusive) and September 23, 2002 (exclusive).

3. Swap Notional.

This shall be the sum of (i) the daily average during the settlement period falling due of the Outstanding Balance of the Mortgage Loans which have no arrears in payment of overdue amounts in excess of ninety (90) days and (ii) the product of a) the daily average during the settlement period falling due of the balance on the Principal Account, and b) the average margin of each Bond Series weighted by the Outstanding Principal Balance of each Series during the ongoing Interest Accrual Period, and c) the result of dividing one (1) by the Party B Interest Rate. In this connection, the Series C Bonds margin shall be the difference between the nominal interest rate of Series C (6.75%) and the Reference Rate determined, which shall be the basis for calculating the nominal interest rate applicable to the Series A and B Bonds.

4. Amounts payable by Party A.

This shall be the result of applying the Interest Rate of Party A to the Swap Notional according to the number of days in the settlement period.

4.1 Interest Rate of Party A.

On each settlement date this shall be the annual interest rate resulting from dividing (i) the sum of interest received on the Mortgage Loans and paid into the Fund during the settlement period falling due, by (ii) the Swap Notional, multiplied by the result of dividing 360 by the number of days in the settlement period.

5. Amounts payable by Party B.

This shall be the result of applying the Interest Rate of Party B to the Swap Notional according to the number of days in the settlement period.

5.1 Interest Rate of Party B.

For each settlement period this shall be the annual interest rate resulting from adding (i) the nominal interest rate applicable to each Bond Series determined for the ongoing Interest Accrual Period, weighted by the Outstanding Principal Balance in each Series during the ongoing Interest Accrual Period and (ii) 0.60%.

If on a settlement date the Fund should not have sufficient liquidity to make payment of the aggregate amount payable to BANCAJA, the Swap Agreement shall be terminated. In that event, the Fund shall take over the obligation to pay the settlement amount established on the terms of the Swap Agreement, the foregoing in the Priority of Payments. Without prejudice to the foregoing, other than in an extreme 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.

In the event of the rating of the non-subordinated and unsecured long-term debt of BANCAJA falling below A1 or A+ respectively in Moody's and Fitch's rating scales, and within not more than ten (10) Business Days from the date on which notice of that circumstance is given, BANCAJA shall irrevocably agree to put in place any of the following options: (i) establishing a cash or securities deposit in favour of the Fund in an amount equal to the market value of the Swap satisfactory to Moody's and Fitch; (ii) that a third-party institution, whose non-subordinated and unsecured long-term debt has a rating equal to or higher than A1 or A+ in Moody's and Fitch's rating scales, would secure fulfilment of its contractual obligations, (iii) that a third-party institution, whose non-subordinated and unsecured long-term debt has a rating equal to or higher than A1 or A+ respectively in Moody's and Fitch's rating scales, would take over its contractual position and substitute it before terminating the Swap Agreement with BANCAJA; all of which shall be subject to such terms and conditions as the Management Company and the Rating Agencies shall see fit for the ratings assigned to each of the Bond Series to be maintained. All costs, expenses and taxes incurred in connection with the fulfilment of the above obligations shall be borne by BANCAJA.

The occurrence, as the case may be, of an early termination of the Swap Agreement will not in itself be an early maturity event of the Bond Issue and an Early Liquidation Event of the Fund referred to in sections II.11.3.4.7 and III.8.1 of this 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 Swap Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Bond Series as final by the start of the Subscription Period.

V.3.6 Mortgage Loan Servicing and Management and Mortgage Certificate Custody Agreement.

BANCAJA, Originator of the Mortgage Loans to be acquired by the Fund, as established in article 2.2.b) of Royal Decree 926/1998, and for the Mortgage Certificates, in article 61.3 of Royal Decree 685/1982, shall be responsible as attorney for the Management Company for servicing and managing the Mortgage Loans, the relations between BANCAJA (the “**Servicer**”) and the Fund, represented by the Management Company being governed by the Servicing Agreement (the “**Servicing Agreement**”).

The terms of the Servicing Agreement are described in section IV.2 of this Circular.

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 ratings by the start of the Subscription Period.

V.3.7 Bond Issue Management, Underwriting and Placement Agreement.

The Management Company shall, for and on behalf of the Fund, enter into a Bond Issue Management, Underwriting and Placement Agreement with CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED (“**CREDIT SUISSE FIRST BOSTON**”) and with CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA (“**BANCAJA**”) as Lead Managers and Underwriter and Placement Agents of the Bond Issue.

The Bond Issue Underwriters and Placement Agents take on the obligations contained in the Management, Underwriting and Placement Agreement, which are basically the following: 1) securing placement by a third-party subscription for the Bonds in each Series, to their respective extent; 2) an undertaking to subscribe for the Bonds not subscribed when the Subscription Period is closed, up to the set amounts; 3) paying to the Fund, through the Paying Agent, by 1pm (CET time) on the Closing Date, same day value, as appropriate, the face amount actually placed in each Series, and the relevant face amount up to their underwriting commitment, whereupon the Paying Agent shall pay to the Fund by 2pm (CET time) on that same day, same day value, the total amount for that subscription; 4) an undertaking to pay late-payment interest as covenanted in the Agreement in the event of late payment of the amounts due; and 5) providing subscribers with a document proving subscription.

CREDIT SUISSE FIRST BOSTON, as underwriter of the Series A Bonds, shall receive an underwriting fee from the Fund amounting to 0.01% on the total face amount of the Series A Bonds.

BANCAJA, as underwriter of the Series B and C Bonds, shall receive no remuneration whatsoever from the Fund for underwriting the same.

CREDIT SUISSE FIRST BOSTON and BANCAJA shall be involved as Lead Managers and shall receive no remuneration whatsoever from the Fund for managing the Bond Issue.

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

V.3.8 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 Agreement are summarily as follows:

- (i) Paying to the Fund by 2pm (CET time) on the Closing Date, same day value, the amount received from CREDIT SUISSE FIRST BOSTON under the Management, Underwriting and Placement Agreement, plus its own amount, being the face amount actually placed in each Series, and the relevant face amount up to their underwriting commitment, crediting the Fund’s Treasury Account.
- (ii) On each of the Bond Payment Dates, paying interest and 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.
- (iii) 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 non-subordinated and unsecured short-term debt of BANCAJA falling below the ratings assigned by Moody’s and Fitch at any time during the life of the Bonds, the Management Company may, having regard to the Rating Agencies’ policies, revoke the appointment of BANCAJA as Paying Agent, and shall thereupon designate a substitute institution.

In consideration of the services provided by the Paying Agent, the Fund shall pay it during the term of the agreement a fee of 0.01%, inclusive of taxes as the case may be, on the amount distributed to the Bondholders on every Bond Payment Date, payable on the same Payment Date, provided that the Fund has sufficient liquidity and after meeting all payment obligations, in the Priority of Payments.

In the event that the Fund should not have sufficient liquidity to pay said full fee, then the amounts accrued and not paid shall be accumulated without any penalty whatsoever to the fee falling due on the 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 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.3.9 Financial Intermediation Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a Financial Intermediation Agreement designed to remunerate the financial intermediation process carried out and which has permitted the financial transformation defining the Fund’s activity, the assignment to the Fund of the Mortgage Loans and the satisfactory rating assigned to each of the Bond Series.

BANCAJA shall be entitled to receive from the Fund a variable subordinated remuneration which shall be determined annually as an amount equal to the positive difference, if any, between the income and expenditure accrued by the Fund with reference to its accounts and before the close of each fiscal year, reduced, as the case may be, by the amount of losses brought forward from preceding years, which may be set off to adjust the year’s book profit or loss for the purposes of settling the annual Corporation Tax. Part payments in this connection, which may be made on each Payment Date, calculated on the last day of the month preceding the Payment Date and in the Fund Priority of Payments, shall be considered to be payments on account of the annual remuneration.

Furthermore, when the amount of the annual remuneration at the close of a fiscal year of the Fund is less than the aggregate amount of the quarterly interim payments made during that fiscal year on each of the Payment Dates, BANCAJA shall be bound, upon the Management Company so requesting, to reimburse to the Fund the difference between the quarterly interim payments received and the annual remuneration due to it. The reimbursement to the Fund may under no circumstances exceed the amount of the interim payment theretofore made in the relevant fiscal year.

If the Fund should not have sufficient liquidity on a Payment Date in the Fund Priority of Payments to pay the full remuneration, the amount not paid shall accumulate without any penalty whatsoever on the remuneration payable on the following Payment Date until it is paid in full.

The Financial Intermediation 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.4 Priority rules established in Fund payments.

V.4.1 Source and application of funds on the Bond Closing Date.

The source and application of the amounts available for the Fund on the Bond Issue Closing Date shall be as follows:

1. Source: the Fund shall have funds under the following items:

- a) Payment of subscription for the Bonds.
- b) Drawing on the Start-Up Loan.

2. Application: in turn, the Fund will apply the funds described above to the following payments:

- a) Payment of the price of the face value of the Mortgage Loan principal.
- b) Payment of the expenses of setting up the Fund and issuing the Bonds.

V.4.2 Source and application of funds from the Closing Date until the last Payment Date or final liquidation of the Fund, exclusive.

On each Payment Date, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation in the priority of payments established hereinafter for each of them (the “**Priority of Payments**”).

V.4.2.1 Available Funds: composition and application.

1. Composition.

The Available Funds on each Payment Date (the “**Available Funds**”) shall be as follows:

- a) Income received from Mortgage Loan principal repayment between the preceding Payment Date and the ongoing Payment Date, inclusive. Those amounts shall have been credited to the Treasury Account.

- b) Ordinary and late-payment interest received on the Mortgage Loans between the preceding Payment Date and the ongoing Payment Date, inclusive. Those amounts shall have been credited to the Treasury Account.
- c) The return received on the amounts credited to the Treasury Account.
- d) The return received on the amounts credited to the Principal Account, which shall have been credited to the Treasury Account.
- e) The drawdowns on the Subordinated Credit, designed only to meet payment of obligations numbered (i) 1 to 5, both inclusive, in the Priority of Payments established in section 2 below, and (ii) 1 to 5 and 8 to 9, if payment of interest accrued on the Series B or C Bonds is respectively deferred to numbers 8 and 9
- f) If the Cash Reserve is ever set up, the amount with which it is provisioned which shall have been credited to the Treasury Account.
- g) The amounts received under the Interest Swap Agreement.
- h) Any other amounts received by the Fund between the preceding Payment Date and the ongoing Payment Date, inclusive, including those resulting from the sale of properties or rights awarded to the Fund, or their operation.

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 application number 1, which may occur 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 same, 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 and under the Servicing Agreement in this priority.
2. Payment of the Swap amount and in the event of termination of that Agreement following a breach by the Fund, the amount 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 9.70% of the Outstanding Balance of the Mortgage Loans, and if the Series A Bonds have not been fully amortised.
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 5.60% of the Outstanding Balance of the Mortgage Loans, and if the Series A and the Series B Bonds have not been fully amortised.

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

This application will only be effected if the Cash Reserve is ever established upon the Subordinated Credit being fully drawn down, as provided for in section III.2.4 of this Circular.

Moreover, this application shall not be effected on the last Payment Date or date of liquidation of the Fund.

7. Principal Withholding to set up the Available Principal Funds to be distributed in accordance with their application system.

The Principal Withholding required on a Payment Date shall be equal to the positive difference between (i) the Outstanding Principal Balance of the Bond Issue less (ii) the balance on the Principal Account on the immediately preceding Determination Date and the (iii) Outstanding Balance of the Mortgage Loans.

8. Payment of interest due on the Series B Bonds when this payment is moved 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 moved from item number 5 in the priority of payments as established in that number
10. Payment of interest due on the Subordinated Credit.
11. Repayment of principal drawn on the Subordinated Credit.
12. Payment of interest due on the Start-Up Loan.
13. Repayment of Start-Up Loan principal in the amortised amount.
14. Payment to the Servicer under the Servicing Agreement of the fee for servicing the Mortgage Loans .

In the event that BANCAJA should be replaced by another institution as Servicer of the Mortgage Loans, payment of the servicing fee accrued by the other institution, to wit the new servicer, shall be included in item number 1 of the application of the Available Funds, along with the other payments included in this number.

15. Payment of the variable remuneration under the Financial Intermediation Agreement.

When in a same priority of payments amounts are due for different items and the Available Funds are not sufficient to satisfy the amounts due under all of them, the application of the remaining Available Funds shall be made pro rata to the ratio of each of the amounts due to the aggregate amount of all of them.

V.4.2.2 Available Principal Funds: composition, distribution and application.

1. Composition.

The available principal funds on each Payment Date (the “**Available Principal Funds**”) shall be as follows:

- a) The amount applied to Principal Withholding upon applying the Available Funds on the ongoing Payment Date.
- b) The balance on the Principal Account on the Determination Date preceding the ongoing Payment Date.

2. Distribution.

The Available Principal Funds on each Payment Date shall be distributed in accordance with the following rules:

- a) During the Mortgage Loan Revolving Period, to payment of the assignment price comprising the face value of the capital of the additional Mortgage Loans assigned to the Fund on the Payment Date.

The remaining Available Principal Funds not used for the assignment of additional Mortgage Loans, shall remain credited to the Principal Account.

- b) After the Revolving Period terminates:
 - i) Until the first Payment Date (inclusive) on which the ratio (i) Outstanding Principal Balance of Series B to (ii) the difference between (a) the Outstanding Principal Balance of Series A and (b) the balance on the Principal Account, is equal to or greater than 4.00%, the Available Principal Funds shall be credited to the Principal Account until the start of the Series A Amortisation Period or, with that period under way, shall be wholly applied for amortising Series A.
 - ii) From the Payment Date after the date on which the above ratio is equal to or greater than said 4.00%, the Available Principal Funds shall be applied pro rata to (a) amortising Series A or, if the Series A Amortisation Period is not yet under way, to crediting the Principal Account, and (b) to amortising Series B, thereby for the ratio Outstanding Principal Balance of Series B to the difference between the Outstanding Principal Balance of Series A and the balance on the Principal Account, to remain at 4.00% or closest possible higher percentage.

The Available Principal Funds will however not be applied to amortising Series B, and that shall not occur on the Payment Date, if either of the following two circumstances occur:

- a) That on the Determination Date for the ongoing 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 is in excess of 3.00% of the Outstanding Balance of the Mortgage Loans.
- b) That there is a Principal Deficiency.
- iii) Once the Series A and B Bonds are fully amortised, the amortisation of the Series C Bonds shall begin until they are fully amortised.

2. Application.

1. The Available Principal Funds shall be applied on each Payment Date to meeting the Fund's payment or withholding obligations in the following priority: Payment of the assignment price comprising the face value of the capital of the additional Mortgage Loans assigned to the Fund on the Payment Date.

This application shall only occur on the Payment Dates comprised in the Mortgage Loan Revolving Period.

2. Series A Bond principal repayment.

This application shall only occur during the Series A Amortisation Period.

3. Series B Bond principal repayment.

This application shall only occur, upon the Mortgage Loan Revolving Period terminating, from the first and subsequent Payment Dates, inclusive, after the Determination Date on which the ratio (i) Outstanding Principal Balance of Series B to (ii) the difference between (a) the Outstanding Principal Balance of Series A and (b) the balance on the Principal Account, is equal to or greater than 4.00%, and in an amount permitting that ratio to be kept at 4.00%, or closest possible higher percentage. The amortisation of Series B Bonds may however be stopped in certain circumstances provided for in said section.

4. Series C Bond principal repayment.

The amortisation of the Series C Bonds shall only occur when the Series A and B Bonds are fully amortised.

5. The remaining Available Principal Funds not applied in the above numbers shall remain credited to the Principal Account.

V.4.2.3 Application of the assets and Available Funds on the final liquidation of the Fund.

The Management Company shall proceed to liquidate the Fund on the last Payment Date or date of liquidation of the Fund, as provided for in section III.8 of the Circular, by applying the Available Funds described in section V.4.2.1 above, the funds obtained from time to time on the disposal of the assets remaining in the following priority of payments and the amount, if any, drawn on the credit facility for final amortisation as provided for in section III.8.1 hereinafter ("**Liquidation Priority of Payments**"):

1. Reserve for honouring final termination and liquidation expenses in regard to tax, administration or advertising.
2. Payment of the Fund's properly supported ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the same, and all other expenses and service fees, including those derived from the 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 and under the Servicing Agreement in this priority.
3. Payment of amounts due, if any, upon the Swap terminating.
4. Payment of interest due on the Series A Bonds.

5. Series A Bond principal repayment.
6. Payment of interest due on the Series B Bonds.
7. Series B Bond principal repayment.
8. Payment of interest due on the Series C Bonds.
9. Series C Bond principal repayment.
10. Payment of interest and repayment of principal drawn on the credit facility for final amortisation, if arranged for.
11. Payment of interest accrued on and repayment of the principal of the Subordinated Credit.
12. Payment of interest accrued on and repayment of the principal of the Start-Up Loan.
13. Payment to the Servicer of amounts due under the Servicing Agreement.
14. Payment of the variable remuneration under the Financial Intermediation Agreement.

Should there be a remainder upon the liquidation of the Fund and after making all payments by distributing the Available Funds in the above Liquidation Priority of Payments, that remainder shall be paid to the Originator. Should such remainder not be liquid amounts since deriving from Mortgage Loans in process of termination in recovery actions brought upon a default by the Obligor, both their continuance and the proceeds of the termination shall be for the Originator.

CHAPTER VI

GENERAL INFORMATION ON THE ASSET SECURITISATION FUND MANAGEMENT COMPANY

In accordance with Royal Decree 926/1998 and Act 19/1992, Asset Securitisation Funds have no own legal personality, and Securitisation Fund Management Companies are entrusted with constituting, managing and legally representing those Funds, and as managers of third-party business with representing and defending the interests of the holders of the securities issued by the Funds they manage and 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 BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS.

VI.1 In relation to the company, other than its share capital.

VI.1.1 Name and registered office.

- **Company name:** EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- **Registered office:** Madrid, Calle Lagasca number 120
- **VAT REG. No.:** A-80514466
- **Business Activity Code No.:** 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 a Notary Public of Madrid, 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 a Notary Public of Madrid, 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 special register of the CNMV, under number 2.

The Management Company has perpetual existence, other than in any of the events of dissolution 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 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 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 verified and entered in the official registers of the CNMV on July 29, 2002. It is publicly available, free of charge, at the Management Company’s registered office and at the Underwriters and Placement Agents. It may also be found at the CNMV in Madrid, Paseo de la Castellana, 19, and at the AIAF governing body, of Madrid, Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, planta 43.

Upon the 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, SCLV, 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 divided into two series:

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

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, other than the rounding up of the face value of the shares in Series A and the rounding down of the face value of the shares in Series B, to the nearest euro cent upon the redenomination of the share capital in euros pursuant to a resolution of the Board of Directors at a meeting held on March 27, 2001 in accordance with the provisions of article 21 of Act 46/1998, December 17, on the changeover to the euro.

VI.3 Information relating to shareholdings.

VI.3.1 Existence or not of shareholdings in other companies.

There are no shareholdings in any other company.

VI.3.2 Group of companies in which the company has membership.

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

VI.3.3 Significant shareholders.

The ownership of shares in the Management Company is distributed among the companies listed below, specifying the percentage holding of each one:

Name of shareholder company	Holding * (%)
Banco Bilbao Vizcaya Argentaria , S.A.	82.9703
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 Atlántico, S.A	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 Urquijo, S.A.	0.7658
BNP España, S.A.	0.7658
Caja de Ahorros y Monte de Piedad de Madrid	0.3829
Caja de Ahorros de Salamanca y Soria - Caja Duero	0.3829
	100.0000

- 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:

Chairwoman:	Ms Rosario Martín Gutiérrez de Cabiedes
Directors:	Mr José Manuel Aguirre Larizgoitia
	Mr José M ^a . Castellón Leal
	on behalf of Barclays Bank, S.A.
	Ms Ana Fernández Manrique
	Mr Francisco Javier Lodín González*
	Mr Mario Masiá Vicente
	Mr Juan Ortueta Monfort*
	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 Rafael Salinas Martínez de Lecea
	Mr José Miguel Raboso Díaz
	on behalf of Citibank España, S.A
	Mr José Manuel Tamayo Pérez*
	Mr Xavier Tintoré Belil,
	on behalf of J.P. Morgan España, S.A.
	Banco Pastor, S.A.*

Non-Director Secretary: Ms Belén Rico Arévalo

(*Appointment made by the Shareholders' Meeting at the meeting held on June 10, 2002 which is pending registration at the Companies Register.)

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 per 100.

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 management and administration functions for which provision is made in this Offering Circular.

There are none.

RECENT EVOLUTION AND PROSPECTS OF THE ASSET SECURITISATION FUND

VII.1 Most recent significant trends in the mortgage market in general.

The Spanish mortgage market has in recent years undergone a major transformation in regard to both its laws and the prevailing interest credit institutions have developed in the market.

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 2/94, 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 2/94.

Moreover, 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 such Mortgage Loan Subrogation and Amendment Act, 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 seniority and higher interest rate of the loans in relation to those offered from time to time.

VII.3 Implications that might derive from the trends remarked in the preceding point VII.1.

The Mortgage Loans backing the Mortgage Certificates 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 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 mortgagors' creditworthiness, as set forth in section IV.4.h), some of the provisional portfolio mortgage loans which shall back the issue the Mortgage Certificates upon constitution were liable at June 30, 2002 for arrears of up to 90 days in payment of amounts due, which situation was checked, as explained in section II.12 of the audit report attached as Appendix V to this Circular. Nevertheless, the Mortgage Loans that will finally be assigned to the Fund shall have no overdue amounts on the date of assignment, under number 9 of the Individual Requirements contained in section IV.1.4.4 and the statement by Bancaja of section IV.1.2 (29).

Signature: MARIO MASÍÁ VICENTE
General Manager
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.

APPENDIX I

DEFINITIONS

APPENDIX I

DEFINITIONS

“Acquisition Amount” shall mean on each Payment Date the lower of the following amounts (i) the amount of the Available Principal Funds and (ii) EUR fifty-two million and ninety thousand (52,090,000,00), equivalent to ten (10) percent of the Maximum Mortgage Loan Amount.

“Additional Mortgage Loans” shall mean the mortgage loans assigned to the Fund during the Revolving Period.

“AIAF” shall mean AIAF Mercado de Renta Fija.

“Available Funds” shall mean on each Payment Date the sum of (i) the balance on the Treasury Account, (ii) the drawdowns on the Subordinated Credit, designed to meet payment of the certain of the Fund’s obligations only, (iii) any other amounts received by the Fund between the preceding Payment Date and the ongoing Payment Date, inclusive, including those resulting from the sale of properties or rights awarded to the Fund, or their operation, and (v) other funds as established in section V.4.2.1.3.

“Available Principal Funds” shall mean on each Payment Date the sum of (i) the amount applied to Principal Withholding upon applying the Available Funds on the ongoing Payment Date and (ii) the balance on the Principal Account on the Determination Date preceding the ongoing Payment Date.

“Bancaja” shall mean Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja.

“Bond Issue Management, Underwriting and Placement Agreement” shall mean the Bond Issue Management, Underwriting and Placement Agreement entered into between the Management Company, acting for and on behalf of the Fund, and Credit Suisse First Boston and Bancaja as Lead Managers and Underwriters and Placement Agents.

“Bond Issue” shall mean the Asset-Backed Bonds issued by the Fund.

“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.

“Bonds” shall mean the Series A, B and C Bonds issued by the Fund.

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

“Call Right” shall mean the Call Right granted by the Fund, represented by the Management Company, to the Originator over all the remaining Mortgage Loans held by the Fund on the terms and conditions set forth in section IV.1.2.d).

DEFINITIONS

“Closing Date” shall mean the date on which the amount of the subscription for the Bonds is paid up and the nominal price of the Mortgage Loans is paid, i.e. July 31, 2002.

“CNMV” shall mean the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

“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 Circular.

“Credit Suisse First Boston” shall mean Credit Suisse First Boston (Europe) Limited.

“Deed of Constitution” shall mean the public deed recording the constitution of BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS, the issue of the Asset-Backed Bonds and the issue of and subscription for the Mortgage Certificates, on the terms prescribed in Royal Decree 926/1998.

“Determination Date” shall mean the date falling on the third Business Day preceding each Payment Date.

“Early Amortisation of the Bonds” shall mean an exceptional early Bond amortisation system, from the ongoing Payment Date, inclusive, on which any of the circumstances set forth in section II.11.3.4.5 occur.

“Early Liquidation Events” shall mean the events contained in section III.8.1 in which 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 Maturity of the Bond Issue” shall mean the early maturity of the Bond issue on a Payment Date, in the Early Liquidation Events and subject to the requirements established in section III.8.1 of this Circular.

“Election Requirements” shall mean the election requirements the additional Mortgage Loans must satisfy on the respective assignment date.

“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 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 June 23, 2034 or the next Business Day if that is not a Business Day.

“Financial Intermediation Agreement” shall mean the Financial Intermediation Agreement entered into between the Management Company, acting for and on behalf of the Fund, and Bancaja.

DEFINITIONS

“Financial Intermediation Margin” shall mean the variable subordinated remuneration to be accrued every year in an amount equal to the positive difference, if any, between the income and expenditure of the Fund before its official accounts are closed and before the fiscal year is closed, reduced by the amount, if any, of the tax losses brought forward yet to be set off in settling the Corporation Tax, and which shall be settled quarterly on each Payment Date, by means of part payments on account of the annual remuneration.

“Fitch” shall mean Fitch Ratings España, S.A.

“Fund” shall mean BANCAJA 3 FONDO DE TITULIZACIÓN DE ACTIVOS.

“Global Requirements” shall mean the global requirements which the additional Mortgage Loans as a whole must satisfy, in addition to the Individual Requirements, to be assigned to the Fund.

“Guaranteed Interest Rate Account (Principal Account) Agreement” shall mean the Guaranteed Interest Rate Account (Principal Account) Agreement entered into between the Management Company, acting for and on behalf of the Fund, and Bancaja.

“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.

“Individual Requirements” shall mean the individual requirements the additional Mortgage Loans must each satisfy individually to be assigned to the Fund.

“Initial Mortgage Loans” shall mean the mortgage loans assigned to the Fund upon the Fund being constituted.

“Interest Accrual Period” shall mean the exact number of days elapsed between each Payment Date, including the beginning Payment Date, but not including the ending Payment Date. The length of the first Interest Accrual Period shall be equivalent to the days elapsed between the Closing Date, inclusive, and the first Payment Date, exclusive.

“Interest Rate Fixing Date” shall mean the date being the second Business Day preceding each Payment Date.

“Interest Swap Agreement” or **“Swap Agreement”** shall mean the Interest Swap Agreement entered into between the Management Company, acting for and on behalf of the Fund, and Bancaja.

“IRR” shall mean internal rate of return.

“Liquidation Priority of Payments” shall mean the liquidation priority of payments for applying the Fund’s payment or withholding obligations listing in the application of the available funds on the ending Payment Date or for the liquidation thereof.

“Management Company” shall mean Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización.

DEFINITIONS

“Maximum Mortgage Loan Amount” shall mean EUR 520,900,000.

“Maximum Subordinated Credit Amount” shall mean on each Payment Date the lower of the following amounts: (i) EUR two million six hundred and four thousand five hundred (2,604,500), equivalent to 0.50% of the face amount of the Bond Issue, and (ii) 1.60% of the difference between the Outstanding Principal Balance of the Bonds and the balance on the Principal Account on the Payment Date. In any event, the Maximum Subordinated Credit Amount may not be less than EUR two million and eighty-three thousand six hundred (2,083,600).

“Moody’s” shall mean Moody’s Investors Service España, S.A.

“Mortgage Certificates” shall mean the mortgage certificates issued by the Originator and pooled in the Fund, as established in Mortgage Market Regulation Act 2/1981, March 25, Royal Decree 685/1982, March 17, implementing certain aspects of Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree’s articles.

“Mortgage Loan Servicing and Management and Mortgage Certificate Custody Agreement” shall mean the Mortgage Loan Servicing and Management and Mortgage 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 credit rights making up the Fund assets which shall exclusively consist of credit rights owned by BANCAJA derived from loans with real estate mortgage security granted by BANCAJA to individuals for building, purchasing or renovating residential homes in Spanish territory, both directly and through subrogations of financing granted to developers for building homes, assigned by BANCAJA to the Fund.

“Notional Balance of the Mortgage Loans” shall mean the daily average during the settlement period falling due of the Outstanding Balance of the Mortgage Loans which have no arrears in payment of overdue amounts in excess of ninety (90) days.

“Obligors” shall mean the Mortgage Loan borrowers.

“Originator” shall mean Bancaja.

“Outstanding Balance of the Mortgage Loans” shall mean the sum of capital pending maturity and the capital due and not paid into the Fund for each and every one of the Mortgage Loans, deducting the balance on the Recovery Shortfall Account.

“Outstanding Principal Balance of the Bonds in one Series” shall mean the sum of the outstanding principal balance to be amortised on all the Bonds making up the Series, such balances including the principal amounts that should, as the case may be, have been amortised and were not so settled due to a shortage of Available Funds for Amortisation in the Priority of Payments.

DEFINITIONS

“Outstanding Principal Balance of the Bonds” shall mean the sum of the Outstanding Principal Balance of the Bonds in all the Series.

“Paying Agent” shall mean the firm servicing the Bonds under the Bond Paying Agent Agreement. The Paying Agent shall be Bancaja.

“Payment Date” shall mean March 23, June 23, September 23 and December 23 of each year or the next Business Day, as the case may be. The first Payment Date shall be September 23, 2002.

“Principal Account” shall mean the account opened by the Management Company on the Fund’s behalf under the Guaranteed Interest Rate Account (Principal Account) Agreement to which the Management Company, for and on behalf of the Fund, shall credit the remaining amounts of the Available Funds for Amortisation not applied.

“Principal Withholding” shall mean the positive difference between (i) the Outstanding Principal Balance of the Bond Issue less (ii) the Balance on the Principal Account on the immediately preceding Determination Date and (iii) the Outstanding Balance of the Mortgage Loans.

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

“Rating Agencies” shall mean Moody’s Investors Service España, S.A. and Fitch Ratings España, S.A.

“Recovery Shortfall Account” shall mean the account containing the positive difference from time to time between the principal amounts due on the Loans on their enforcement dates and the principal amount recovered upon such enforcement.

“Reference Rate” shall mean shall mean the three- (3-) month Euribor rate, other than for the first Interest Accrual Period, in which it shall be the result of a straight-line interpolation between the one- (1-) month and the three- (3-) month Euribor rate, fixed at 11am (CET time) on the Interest Rate Fixing Date, or as the case may be the substitute Reference Rate.

“Required Cash Reserve” shall mean, if the Cash Reserve is set up, the lower of the following amounts: (i) EUR two million six hundred and four thousand five hundred (2,604,500) equivalent to 0.50% of the face amount of the Bond Issue, and (ii) 1.60% of the difference between the Outstanding Principal Balance of the Bonds and the balance on the Principal Account on the Payment Date. In any event, the Required Cash Reserve may not be less than EUR two million and eighty-three thousand six hundred (2,083,600).

“Revolving Period” shall mean the period of time for acquiring additional Mortgage Loans comprised between the Closing Date and June 23, 2007, inclusive, or the next Business Day if that is not a Business Day. The Revolving Period shall however be subject to an early termination in certain circumstances.

“SCLV” shall mean Servicio de Compensación y Liquidación de Valores, S.A.

DEFINITIONS

“Series A Bonds Amortisation Period” shall mean the Series A amortisation period. The first partial amortisation of the Series A Bonds shall be on (i) the Payment Date falling on June 23, 2009 or, (ii) upon an early termination of the Mortgage Loan Revolving Period, on the Payment Date falling on the second anniversary of the Payment Date on which the Revolving Period terminated.

“Series A Bonds” shall mean the Series A Bonds issued by the Fund having a total face amount of EUR five hundred million one hundred thousand (500,100,000) consisting of five thousand and one (5,001) Bonds having a unit face value of EUR one hundred thousand (100,000).

“Series B Bonds” shall mean the Series B Bonds issued by the Fund having a total face amount of EUR ten million four hundred thousand (10,400,000) consisting of one hundred and four (104) Bonds having a unit face value of EUR one hundred thousand (100,000).

“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) consisting of one hundred and four (104) Bonds having a unit face value of EUR one hundred thousand (100,000).

“Servicer” shall mean Bancaja, Originator of the Mortgage Loans to be acquired by the Fund, under the Mortgage Loan Servicing and Management and Mortgage Certificate Custody Agreement.

“Start-Up Loan Agreement” shall mean the Start-Up Loan Agreement entered into between the Management Company, acting for and on behalf of the Fund, and Bancaja.

“Subordinated Credit Agreement” shall mean the Subordinated Credit Agreement entered into between the Management Company, acting for and on behalf of the Fund, and Bancaja.

“Subscription Period” shall mean the period comprised between 12 o’clock noon (CET time) on July 30, 2002, and 5pm on that same day.

“Swap Notional” shall mean the sum of (i) the daily average during the settlement period falling due of the Outstanding Balance of the Mortgage Loans which have no arrears in payment of overdue amounts in excess of ninety (90) days and (ii) the product of a) the daily average during the settlement period falling due of the balance on the Principal Account, and b) the average margin of each Bond Series weighted by the Outstanding Principal Balance of each Series during the ongoing Interest Accrual Period, and c) the result of dividing one (1) by the Party B Interest Rate.

“Swap” or “Interest Swap”, shall mean the interest swap agreement based on the standard Spanish Banking Association’s Master Financial Transaction Agreement (CMOF) entered into between the Management Company, for and on behalf of the Fund, and Bancaja.

“Treasury Account” shall mean the account opened on the Fund’s behalf initially at Bancaja which shall guarantee a variable yield on amounts credited by the Fund through its Management Company under the Guaranteed Interest Rate Account (Treasury Account) Agreement. That account shall be credited with all the amounts received by the Fund as detailed in section V.3.1.

DEFINITIONS

“Underwriters and Placement Agents” shall mean the firms Bancaja and Credit Suisse First Boston for underwriting and placing the Bond Issue.