

FONDO DE TITULIZACIÓN DE ACTIVOS FTPYME SANTANDER 2

SECURITIZATION NOTES

Euro 1.800.000.000

CLASS A:	Euro 1.228.500.000	EURIBOR 3M + 0,20%
CLASS B (G):	Euro 373.500.000	EURIBOR 3M + 0,00%
CLASS C:	Euro 81.000.000	EURIBOR 3M + 0,30%
CLASS D:	Euro 58.500.000	EURIBOR 3M + 0,70%
CLASS E:	Euro 58.500.000	EURIBOR 3M + 1,50%

BACKED BY CREDIT RIGHTS ASSIGNED BY



ISSUE MANAGING ENTITIES



NATIONAL TRANCHE
UNDERWRITING ENTITIES

INTERNATIONAL TRANCHE
UNDERWRITING ENTITIES



Payment Agent



Designed, Promoted and Managed by:



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SUMMARY OF THE INFORMATION PROPECTUS

DENOMINATION AND INCORPORATION OF THE FUND

The Fund's name is FONDO DE TITULIZACION DE ACTIVOS, FTPYME SANTANDER 2 (hereinafter also the "**Fund**").

Said Fund shall be incorporated under the provisions of Order of December 28, 2001, on the Promotion Covenants of Asset Securitization Funds in order to encourage business funding, amended by Order ECO/1064/2003, of April 29 (hereinafter "**Order of December 28, 2001**"), cancelling the previous Order of May 28, 1999, and shall be subject to the legal regime provided by (i) public deed of the Fund's incorporation (hereinafter the "**Deed of Incorporation**" or the "**Deed**") granted after assessing registration of this information prospectus (hereinafter the "**Prospectus**") (ii) Royal Decree 926/1998 of May 14 ruling Asset Securitization Funds and Management Companies of Securitization Funds (hereinafter the "**Royal Decree 926/1998**") and the provisions thereof; (iii) in the Act 19/1992 of July 7, on Regime for Real Estate Investment Companies and Funds and on Mortgage Securitization Funds (hereinafter "**Act 19/1992**") regarding what is not included in Royal Decree 926/1998 and while it is applicable; (iv) in the Act 24/1988 of July 28 on the Securities Exchange, as amended by the Act 37/1998, of November 16, and by the Act 44/2002, of November 22, (hereinafter the "**Securities Exchange Act**" or "**Act 24/1988**") as regards to the surveillance, inspection, sanctioning thereof and to any other relevant extent; and (v) in the remaining legal and statutory provisions in force applying at each time.

NATURE OF THE FUND

The Fund shall be a separate capital, with no legal personality and shall have the nature of being closed by the asset and by the liabilities, pursuant to the provisions of section 3 of Royal Decree 926/1998.

The purpose of the Fund shall be to acquire the credit rights (hereinafter the "**Credit Rights**") assigned to the Fund by the entity BANCO SANTANDER CENTRAL HISPANO, S.A. (hereinafter also "**BSCH**", the "**BANK**" or the "**Assignor**") and to issue the Notes (hereinafter the "**Notes**") with charge to the same.

MANAGEMENT COMPANY

The Management Company promoting the Fund's incorporation is SANTANDER DE TITULIZACION, S.G.F.T., S.A. (hereinafter also the "**Management Company**"). Said Management Company shall carry out the management and legal representation of the Fund under the provisions of Royal Decree 926/1998.

SECURITIZATION NOTES ISSUED WITH CHARGE TO THE FUND

Features:

- Amount of the Issue: one thousand eight hundred million Euro (€ 1,800,000,000), comprised by eighteen thousand (18,000) Notes, grouped into five (5) Class (hereinafter, each of them the “**Class**” and all of them “**Classes**”). The face amount shall be distributed among the five (5) Class, each of them with the following total face amount:
 - Class A: one thousand two hundred and twenty eight million five hundred thousand Euro (€ 1,228,500,000).
 - Class B(G): three hundred and seventy three million five hundred thousand Euro (€ 373,500,000).
 - Class C: eighty one million Euro (€ 81,000,000).
 - Class D: fifty eight million five hundred thousand Euro (€ 58,500,000).
 - Class D: fifty eight million five hundred thousand Euro (€ 58,500,000).
- Face value: 100,000 Euro per Note.
- Issue Price: 100,000 Euro per Note, free of taxes and subscription expenses for the subscriber.
- Reimbursement price: 100,000 Euro per Note.
- Quarterly variable interest rate: 3 month EURIBOR plus a margin for each of the Class:
 - 0.20% for Class A Notes.
 - 0.00% for Class B(G) Notes.
 - 0.30% for Class C Notes.
 - 0.70% for Class D Notes.
 - 1.50% for Class E Notes.
- Interest payment terms: quarterly on January 18, April 18, July 18 and October 18 of every year (hereinafter as defined in section II.10.3 of the Prospectus, each of them the “**Payment Date**” and all of them the “**Payment Dates**”) or, as the case may be, the following business day (pursuant the TARGET, Madrid Calendar) (hereinafter, the “**Business Day**”) until full repayment.

For the First Interest Accrual Period, 3 month EURIBOR, of the REUTERS monitor, page “EURIBOR01” in the same terms described in the paragraph above, shall apply.

Notwithstanding the above the first interest payment for the Notes of all Class shall be January 18, 2005.

- Final maturity date: The Note standard or early repayment date.

- Legal maturity date: April 18, 2037 or, should this not be a Business Day, the following Business Day, notwithstanding the possibility of early repayment of the same under the terms and conditions provided by section III.8.1 hereof.

Note Repayment:

General Repayment Rules

The principal amount of Class A Notes, Class B(G) Notes, Class C Notes, Class D Notes and Class E Notes shall be repaid pursuant to the repayment rules herein described, unless there were not enough available funds according to the established preference order.

Repayment of the principal amount of Class A and B(G) Notes shall be made quarterly, at each Payment Date, prorata, in terms of the Available Funds for Repayment as defined in section II.11.3.g).

Once Class A and B(G) Notes have been repaid, all Available Funds for Repayment shall be quarterly used for repayment of Class C Notes principal amount until full repayment thereof.

Once Class C Notes have been repaid, all Available Funds for repayment shall be quarterly used for repayment of Class D Notes principal amount until full repayment thereof.

Once Class D Notes have been repaid, all Available Funds for Repayment shall be quarterly used for repayment of Class E Notes principal amount until full repayment thereof.

Early Repayment Rules

As an exception, the Management Company shall be empowered to proceed to early repay all of the Notes at a Payment Date in the following cases:

- (i) On the date when the Credit Rights principal amount balance pending repayment (hereinafter the “**Credit Rights Outstanding Balance**”) is under ten percent (10%) of the initial balance of the Credit Rights, provided the amount of the sale of Credit Rights outstanding repayment, together with the balance at the time in the Cash Account allows a full cancellation of all outstanding obligations with the Note holders and respecting the payments prior to these the priority order of which is preferent pursuant to the provisions of section V.5.2.1.2 hereof;
- (ii) When the issued Notes are fully repaid;
- (iii) When due to an amendment to the current regulations or to the happening of exceptional circumstances, in the Management Company’s opinion there was a substantial alteration in the Fund or the Fund’s financial balance was permanently damaged;
- (iv) In the case provided by section 19 of Royal Decree 926/1998, establishing the duty to early repay the Fund in the event that four (4) months had passed since a determining event took place for forced replacement of the Management Company, due to the latter being declared under early receivership or bankruptcy,

and not having found a new management company prepared to undertake the Fund's management;

- (v) When a default in payment showing a serious and permanent unbalance regarding any of the Notes or any of the unsubordinated loan takes place, or it is foreseen to take place;
- (vi) Up to thirty six (36) months having elapsed as from the last Credit Rights' maturity.

Credit Risk Ratings (“ratings”) provisionally appointed:

The Rating Agency Standard & Poor's España has granted the following ratings, considering the granting of the State Guarantee:

- Class A Notes: AAA
- Class B(G) Notes: AAA
- Class C Notes: AA
- Class D Notes: A
- Class E Notes: BBB-

Regarding the rating of the Class B(G) Notes, the Rating Agency has granted the same rating AAA, without consider the granting of the State Guarantee.

Not granting the final ratings before the Subscription Period starts (as defined in section II.18.3) is a condition subsequent of the Guarantee, the Fund and all the agreements relating to the latter.

State Guarantee:

The payment obligations of Class B(G) Notes shall be guaranteed by the State Guarantee (hereinafter the “**Guarantee**”), which shall guarantee, exclusively, waiving the benefit of excussion, payment of the principal amount (in case of early repayment as contained in section V.3.3.2.(ii) hereof) and of the relevant interests (hereinafter also the “**Guaranteed Class**”).

Chapter V hereof sets forth the terms of the Guarantee.

The Ministry of Finance shall grant, by means of an Order prior to the date of the Fund's incorporation, the Guarantee.

The Guarantee will be legally claimed subject to the following: (i) registration with the CNMV of the Prospectus; (ii) granting of the Fund's Deed of Incorporation filed with the CNMV's registry; (iii) confirmation as definitive by the Rating Agent, before the Subscription Period starts, of the provisional ratings given to each of the Classes, (iv) that the Issue's Management, Underwriting and Placement Agreements are not terminated; and (v) remittance to the *Dirección General del Tesoro y Política Financiera* of the documentation mentioned in the following paragraph.

The Management Company must forward to the *Dirección General del Tesoro y Política Financiera*: (i) a copy of this Prospectus; (ii) an authorised copy of the Fund's Deed of Incorporation filed with the CNMV's registry; (iii) a BSCH certificate indicating that the

Loans meet the terms and conditions of the Collaboration Framework Agreement enclosed to the Order of December 28, 2001, and that at least ninety nine percent (99%) of the same are loans granted to Pymes pursuant to the Recommendation of April 3, 1996 of the European Commission or another one replacing it; (iv) a copy of the Rating Agent' letter informing of the definitive rating given to each of the Note Classes; and (v) an authorised copy of the notary minutes (*acta notarial*) for the Note subscription disbursement granted by the Management Company.

Organised Secondary Market where application for listing shall be submitted:

AIAF, Mercado de Renta Fija (Fix Interest Securities Market)

CREDIT RIGHTS PORTFOLIO COMPRISING THE FUND'S ASSETS

The Credit Rights which constitute the asset that is assigned to the Fund at the time of its incorporation, derive from loan transactions granted by the BANK to non financial business with address in Spain. At least ninety nine per cent of this Credit Rights' amount have been granted to non financial small and medium businesses (hereinafter, "**PYMES**") with address in Spain and that have applied for the funds for financing projects connected with their business pursuant to the definition of the European Commission (Recommendation of April 3, 1996).

All Credit Rights must individually meet at the time of the Fund's incorporation all the individual securitization requirements of section IV.1.a) hereof.

Furthermore, de aggregate of the Credit Rights must meet, at the time of the Fund's incorporation, the global securitization requirements shown in paragraph IV.1.a) of the Prospectus and the features described in sections IV.1.b.2) and IV.1.b.3) (this latter regarding Credit Rights Inherent to Mortgage Loans) hereof, as well as those stated regarding Mortgage Transfer Certificates in section IV.1.b.4), as the case may be.

Regarding the BANK, it must meet that described in section IV.1.b.1) hereof.

Credit Rights are classified, under the guarantee, into Credit Rights inherent to loans with a real estate mortgage guarantee (hereinafter the "**Credit Rights Inherent to Mortgage Loans**") and Credit Rights inherent to non-mortgage loans (hereinafter the "**Credit Rights inherent to Non-Mortgage Loans**").

The loans with a real estate mortgage guarantee (hereinafter the "**Mortgage Loans**") and the non-mortgage loans (hereinafter the "**Non-Mortgage Loans**") shall be jointly called the "**Loans**".

Credit Rights assignment:

Credit Rights assignment shall be carried out on the Fund's incorporation date, as set forth below, in terms of their class:

- (i) Credit Rights Inherent to Non-Mortgage Loans shall be subject to assignment to the Fund by means of the Deed of Incorporation, which shall include the covenants required to complete said assignment.

- (ii) Credit Rights Inherent to Mortgage Loans shall be subject to assignment to the Fund by means of the Deed of Incorporation, which shall include the covenants required for the BANK to issue mortgage transfer certificates (hereinafter the “**Mortgage Transfer Certificates**” or “**CTH**”) pursuant to the Additional Provision 5 of the Act 3/1994, of April 14, as amended by Section 18 of the Act 44/2002, of November 22 on Measures for Reformation of the Financial System, in terms of which the current applicable law to mortgage shares (*participaciones hipotecarias*) is applied to the CTH issue in everything applicable, for subscription by the Management Company on behalf of the Fund.

Assigning Entity:

BANCO SANTANDER CENTRAL HISPANO, S.A.

Assignment Price:

Credit Rights assigning price shall be at par, that is, the principal amount outstanding repayment of assigned Credit Rights.

Assignor’s liability:

The Assignor shall neither be liable for the assigned debtor’s solvency (hereinafter, each of them, the “**Debtor**” and all of them the “**Debtors**”) nor for sufficiency of the guarantee on Credit Rights.

The Assignor shall only be liable for the Credit Rights existence and legitimacy at the time of the assignment and under the terms and conditions set forth in the Deed of Incorporation, as well as for the capacity it makes the assignment in and the representations set forth in section IV.1.1.b) hereof.

Rights granted by Credit Rights:

- a) All of the amounts accrued by Credit Rights since the assignment date as:
- (i) Credit Rights principal amount repayment;
 - (ii) Credit Rights regular interest; and
 - (iii) Interest for Delay.
- b) And any other amounts, assets or rights as payment of the principal amount or the interests on the Credit Rights, inherent to the guarantees enforcement, to the sales or exploitation of assets awarded in the enforcement, management or interim possession of the property under the enforcement process, rights or indemnities in favour of BSCH, including insurances and rights supplementing the loan and the fees charged to the Debtors.

WARNINGS

Deeming nature of some information:

All the information contained in this Prospectus relating payment of interest, principal amount repayments, average life and performance and financial flow charts have a merely indicative nature, with the purpose to illustrate the issue's financial structure, with no more than an orientation value.

Default and early repayment of Credit Rights:

The risk of default and non-payment of the Credit Rights and the risk of early repayment thereof, shall be for the account of the Notes holders.

Hidden faults:

Regarding Credit Rights replaced by hidden faults, due to their non adjustment on the Incorporation Date to the Securitization Requirements included in section IV.1.a) of this Prospectus, in case that the replacing Credit Right(s) Outstanding Balance is under the replaced Credit Right Outstanding Balance, the BANK must repay the fund the difference considering face value, accrued but not due interest and any unpaid and bad debt amount regarding said Credit Right by deposit in the Cash Account on the relevant date, instead of applying it to the repayment of the Notes.

In case the above replacement either cannot take place or is not carried out within a five (5) Business Day term, the Management Company shall terminate the assignment of the Credit Right concerned by the hidden fault. In this case the BANK must reimburse to the Fund the Credit right Outstanding Balance, together with relevant interest accrued and not due, as well as any bad and unpaid amounts relating to said Credit Right, by deposit in the Cash Account, instead of applying it to the repayment of the Notes.

CREDIT IMPROVEMENT

The credit improvement elements used in the structure are: Reserve Fund, Interest Financial Swap, Liquidity Facility, Excess of Margin, Subordinated Loan for Initial Expenses, State Guarantee and Cash Account.

With the purpose to consolidate its financial structure and to achieve the greatest possible coverage for the risks inherent to the issue the Management Company, on behalf of the Fund, shall proceed to enter into, *inter alia*, the agreements set forth below being able for the purpose of meeting the Fund's operation under the terms provided by the Deed of Incorporation and the regulations in force at the time, to extend or amend said agreements, to replace each of the service suppliers of the Fund by means of the same and even, if necessary, to enter into additional agreements. All of it, previously notice to the Rating Agent and, in particular, provided that said actions do not negative affect the credit rating of the Notes.

The Management Company shall enter into the following agreements, among others, with the BANK:

- (i) Commercial loan agreement with a subordinated nature for an amount of twenty seven million seven hundred thousand Euro (€ 27,700,000) (hereinafter and as defined in section V.3.2. hereof, the "**Subordinated Loan for Initial Expenses**") which shall be used for the financing of the expenses of the Fund's incorporation and Note issue (including termination expenses, if any), to partly finance the acquisition

of Credit Rights and initially endow the reserve fund (hereinafter and as defined in section V.3.5 hereof, the **“Reserve Fund”**).

- (ii) Interest financial swap agreement (hereinafter and as defined in section V.3.4 hereof, indistinctly, the **“Swap”** or the **“Interest Financial Swap”**) pursuant to the ISDA 1992 Agreement model.

Entering into the Interest Financial Swap responds to the need to eliminate or mitigate the interest rate risk that takes place in the Fund by the fact that the Credit Rights are subject to variable interest with different reference indexes and different review and settlement periods to the variable interest set forth for each of the Note Classes issued charged to the Fund (hereinafter the **“Basic Risk”**).

- (iii) With the purpose to cover the time periods the Treasury takes in making the payments of interest covered by the Guarantee effective, the Management Company, for and on behalf of the Fund, and the BANK shall enter into a Credit facility agreement (hereinafter and as defined in section V.3.6 hereof the **“Liquidity Facility Agreement”**) by which the BANK shall grant a liquidity facility for the relevant payments of the Guaranteed Class B(G) for the amount of eight million four hundred thousand Euro (€ 8,400,000).
- (iv) Account opening agreement at guaranteed interest rate (hereinafter and as defined in section V.3.1 hereof, the **“Cash Account Guaranteed Interest Rate Reinvestment Agreement”**) by which the BANK shall guarantee that the interest rate for the amounts deposited by the Fund through its Management Company in the Cash Account shall be the interest rate established for the Notes for the Interest Accrual Period following the last interest due settlement date of the Cash Account.

By the Cash Account Guaranteed Interest Rate Reinvestment Agreement the risk of temporary mismatch between the Fund's income as principal and interest with a monthly periodicity and the repayment and payment of interest on the Notes with a quarterly periodicity is eliminated.

- (v) The Ministry of Finance shall grant a guarantee (hereinafter and as defined in section V.3.3, the **“Guarantee”**) to the Fund for an amount of three hundred and seventy three million five hundred thousand Euro (€ 373,500,000), equivalent to twenty point seventy five percent (20.75%) of the addition of the nominal amount of all Classes Notes, as guarantee of payment of interest and principal amount (the latter, in case of early repayment as contemplated in section V.3.3.2(ii) hereof).
- (vi) Reserve Fund: The Reserve Fund shall be used, on each Payment Date, to meet the payment duties contained in the payment priority order provided by section V.5.2.1.2 hereof.

The Reserve Fund shall be initially endowed with an amount equivalent to the one point five percent (1.5%) of the initial Notes Principal Outstanding Balance, i.e., with twenty seven million of Euro (€ 27.000.000), with charged to the Subordinated Loan for Initial Expenses.

- (vii) Within de Swap Agreement, 65 basic point Excess Margin belonging to the portion of interest of the Credit Rights portfolio held in the structure over the necessary amounts

to pay the interest belonging to the Note holders on each Payment Date, calculated on the basis of the average reference interest rate for the Credit Rights portfolio and for the Notes as at September 15, 2004.

The Management Company, for and on behalf of the Fund, shall enter into a management, underwriting and placement agreement for the national tranche of the issue and an underwriting and placement agreement for the international tranche of the issue.

Furthermore the risk of default for the Guaranteed Class Note holders is covered by the Guarantee described in section V.3.3 hereof.

PAYMENT PRIORITY ORDER

The payment priority order contained in section V.5.2.1.2 hereof is shown below, except for the settlement and extinction of the Fund, where the distribution of the available amounts shall be satisfied according to the payment priority order included in section III.8.1 hereof.

The Management Company, on behalf of the Fund, shall apply on every Payment Date the amount of the available funds in the Cash Account to the following payments and withholdings, according to the following priority order:

- 1.- Payment of the Fund's regular and extraordinary expenses (included for information purposes only in section III.4.3 hereof), whether the Management Company provides them or not and duly supported, including the Management Company's periodical management fee (0.025% yearly, calculated on the basis of the Note Principal Outstanding Balance), and payment of the management fee in favour of a third entity different from the Bank, and not belonging to the Bank consolidated group, in the event that the Bank is replaced as manager of the Credit Rights (pursuant to section V.5.3). In this order only the extraordinary expenses the BANK has advanced or provided on account of the Fund duly supported, shall be paid in favour of the BANK and in connection with the Credit Rights management.
- 2.- Payment to the BANK of the Swap net amount, or according to section V.3.4 hereof and in the event of resolution of the aforementioned contract by breach by the Fund, represented by the Management Company, the Swap settlement payment.
- 3.- Payment of interest accrued on Class A and B(G) Notes pursuant to the following order: (i) payment of interest due on the Class A Notes on the current Payment Date, (ii) as the case may be, payment of interest accrued on the Liquidity Facility granted by the BANK and reimbursement to the Government of the amounts the Fund had paid because of the Guarantee drawdown for payment of interests of Class B(G) Notes and (iii) once said payments are made, payment of interest due on Notes of Class B(G) on the current Payment Date.
- 4.- Payment of interest accrued on Class C Notes.
- 5.- Payment of interest accrued on Class D Notes.
- 6.- Payment of interest accrued on Class E Notes.
- 7.- Withholding of an amount equal to the Amount Accrued for Repayment, as defined in section II.11.3.f) hereof.

- 8.- Withholding of a sufficient amount to keep the required Reserve Fund.
- 9.- Payment of the amount due for termination of the Swap Agreement, as the case may be, in the event of the BANK's default.
- 10.- Payment of interest and principal amount of the Subordinated Loan for Initial Expenses.
- 11.- Payment to the BANK of the fixed fee for the management of Credit Rights.
- 12.- Payment to the BANK of the remuneration for financial intermediation.

Exceptional rules of the Fund's payment priority:

As set forth in point 1 of the payment priority order, if the BANK was replaced as manager of the Loans by another entity not included in the BANK's consolidated group, a fee in favour of the third party, new manager, shall accrue, which shall have the place indicated in item 1 in said priority order, and therefore an amendment in the enumeration of subsequent payments contained in the previous items will take place.

Should, at any time, the Credit Rights Outstanding Balance with accumulated default over twelve (12) months was over ten point seventeen percent (10.17%) of the initial balance of the Credit Rights, payment of the Class C Notes shall be postponed after the payment of the principal of the Notes until the total repayment of the Classes A and B(G), so that regular payment priority rules shall be used again when Class A and Class B(G) Notes are fully repaid.

Should, at any time, the Credit Rights Outstanding Balance with accumulated default over twelve (12) months was over seven point thirteen percent (7.13 %) of the initial balance of the Credit Rights, payment of the Class D Notes shall be postponed after the payment of the Notes principal until the total repayment of the Classes A, B(G) and C, so that regular payment priority rules shall be used again when Class A, B(G) and C Notes are fully repaid.

Should, at any time, the Credit Rights Outstanding Balance with accumulated default over twelve (12) months was over three point seventy two percent (3.72 %) of the initial balance of the Credit Rights, payment of the Class E Notes shall be postponed after the payment of the Notes principal until the total repayment of the Classes A, B(G), C and D, so that regular payment priority rules shall be used again when Class A, Class B(G), Class C and Class D Notes are fully repaid.

ACTIONS

Neither the Fund nor the Note holders shall have more actions against the Assignor of Credit Rights or against the Management Company, respectively, than those inherent to the inaccuracy of the representations and guarantees shown in section IV.1.a regarding the Individual Securitization Requirements and section IV.1.b) of the Prospectus and/or default in their respective duties, and therefore never as a result of default or early repayments.

Note holders will not be entitled to act directly against the Debtors of Credit Rights who have not fulfilled their payment obligations, being the Management Company acting on behalf of the Fund, who is entitled to act.

In the event of non payment of the Notes as a consequence of non payment of a Credit Right by the Debtor, note holders will not be entitled to act against the Fund or the Management Company.

NATURE OF THIS INFORMATION

This information has the nature of INFORMATION PROSPECTUS for the purposes of the provisions of Royal Decree 291/1992 on issues and public offerings for sale of securities and later developments and is registered at the Official Registries of the Securities Exchange National Commission (in Spanish, *Comisión Nacional del Mercado de Valores*, hereinafter “CNMV”) on September 30, 2004.

The Management Company, SANTANDER DE TITULIZACION, SGFT, S.A. incorporating and managing the Fund is liable for the Prospectus contents (notwithstanding the liability undertaken by the remaining acting entities).

Registration of the Prospectus by the CNMV does neither involve the recommendation of the subscription of the securities to which it refers nor any kind of statements on the Fund’s solvency or the profitability of the issued or offered securities.

CHAPTER I

PEOPLE UNDERTAKING LIABILITY FOR THE CONTENTS OF THE PROSPECTUS AND SUPERVISING BODIES THEREOF

1.1 People undertaking liability for the Prospectus' contents

1.1.1 Individual or individuals who, on behalf of the Management Company, undertake liability for the Prospectus' contents.

MR. IGNACIO ORTEGA GAVARA, of legal age, with D.N.I. number 803.030-P, acting for and on behalf of SANTANDER DE TITULIZACION, SGFT, S.A. in his capacity as General Manager and by the powers granted by the Board of Directors in their meeting of July 28, 2004 undertakes liability for this Prospectus' contents.

SANTANDER DE TITULIZACION, SGFT, S.A. with registered office at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660, Boadilla del Monte (Madrid), with Tax Identification number A-80481419 is the promoter of the FONDO DE TITULIZACION DE ACTIVOS, FTPYME SANTANDER 2, and will be in charge of its management and legal representation.

1.1.2 Mention that in said individual's or individuals' opinion the information contained in the Prospectus matches reality and that no fact that may alter its reach is omitted.

MR. IGNACIO ORTEGA GAVARA confirms that in his opinion the data and information contained in the Prospectus are true and that no relevant data is omitted and that they are not misleading.

1.2 Supervising bodies

The Fund's incorporation and the Note issue are made under the Order December 28, 2001, amended by the Order ECO/1064/2003, of April 29, and are subject to the legal system provided by (i) the Royal Decree 926/1998 and provisions developing it, (ii) by the Act 19/1992 regarding what is not included in Royal Decree 926/1998 and (iii) if applicable, by the Securities Exchange Act regarding supervision, inspection, sanction thereof and to any other relevant extent and (iv) by the remaining legal and statutory provisions in force applicable at the time.

This full Prospectus of the Fund's incorporation and securitization Note issue has been assessed and registered with the CNMV's official registries on October X, 2004.

Pursuant to the provisions of section Three and Schedule II of the Order December 28, 2001, amended by the Order ECO/1064/2003, of April 29, on October 7, 2004, the Management Company has entered into a Collaboration Agreement with the *Dirección General de Política de la Pequeña y Mediana Empresa*.

1.3 Audit Report

Name, address and rating of the auditors who have assessed the number, amount and the features or attributes of the assets subject to securitization through the Fund.

Schedule 4 hereto contains the Audit Report of the Loan Portfolio granted by BANCO SANTANDER CENTRAL HISPANO, S.A. to Spanish PYMES, from which those loans the Credit Rights of which shall be assigned to the Fund shall be taken off. Said Report has been made by the firm Deloitte & Touche España, S.L. registered with the R.O.A.C. under number S0692 and with address at Madrid, calle Raimundo Fernández Villaverde, 65.

Said Audit Report deals with a number of attributes, both regarding quantity and quality of the chosen Loans and, specifically, with:

- Assignee Debtors nature (non financial companies with addresses in Spain);
- Assignee Debtor identification (Name or company name and CIF);
- Compliance with the European Commission Recommendation on PYMEs and assessment that they are over ninety percent (99%) of the volume and number of the transaction to be secured;
- Assets transfer (existence of obstacles for free transfer);
- Loan formalisation date;
- Loan maturity date;
- Original life (Loan repayment term (in origin) over one (1) year);
- Interest rate (or reference interest rate) and relevant margin;
- Interest rate differential;
- Applicable interest rate;
- Loan present balance;
- Delay in payment over ninety (90) days;
- Assignor's ownership;
- Debtors meeting of creditors situation;
- Risk model;
- Mortgage guarantee formalisation;

CHAPTER II**INFORMATION REGARDING THE SECURITIES ISSUED CHARGED TO THE ASSET SECURITIZATION FUND**

II.1 Information on necessary prior requirements and agreements for the Fund's incorporation and on the securities issued charged to the latter as well as on the conditions for the Fund's acquisition of the assets subject to the securitization process.

II.1.1. Corporate agreements and legal requirements.**a) Corporate agreements*****Credit Rights assignment agreement:***

The BANK's Executive Committee agreed at its meeting of August 2, 2004 to make an assignment to the Fund of credit rights inherent to loans to PYMES.

As **Schedule 1** hereto a copy of the Certificate of the BANK's Executive Committee Agreements is enclosed.

Agreement for the Fund's incorporation:

The Board of Directors of SANTANDER DE TITULIZACION, SGFT, S.A. in its meeting of July 28, 2004 agreed:

- a) On the incorporation of the FONDO DE TITULIZACION DE ACTIVOS, FTPYME SANTANDER 2.
- b) The Fund's acquisition of the Credit Rights assigned by the BANK.
- c) The issue of the Notes with charge to the aforementioned Fund.

As **Schedule 2** a copy of the Certificate of the Management Company Board of Directors' Agreements is enclosed.

b) Registration by the CNMV.

The Fund's incorporation and the Notes' issue has as a prior requirement its assessment and registration with the CNMV's official registries.

This Prospectus of the Fund's incorporation and Notes issue has been assessed by the CNMV and registered with its official registries on October X, 2004.

c) Granting of the Fund's Deed of Incorporation and legalisation of the Credit Rights assignment.

After the CNMV's date of assessment and registration of this Prospectus and before five (5) business days as from that date, the Management Company together with the BANK shall grant the Deed of Incorporation of the FONDO DE TITULIZACION DE ACTIVOS, FTPYME SANTANDER 2 and issue of

the Securitization Notes. The date on which the Deed of Incorporation is granted shall be the "Incorporation Date".

A copy of said Deed of Incorporation shall be forwarded to the CNMV for the inclusion thereof into the official registries of said Commission prior to opening the subscription term of the Notes (hereinafter and as defined in section II.18.3 hereof the "**Subscription Term**").

Also in the same act, immediately after granting the Deed of Incorporation the Management Company for and on behalf of the Fund, shall formalise:

- 1) The assignment of the Credit Rights Inherent to Non Mortgage Loans so that the Company acquires them on behalf of the Fund and groups them in said Fund, by means of which said Credit Rights shall be assigned to the Fund.
- 2) The issue by the BANK of Mortgage Transfer Certificates pursuant to the Additional Provision Five of the Act 3/1994 of April 14, as amended by section 18 of the Act 44/2002, of November 22 on Measures for the Reform of the Financial System, in terms of which the current applicable law to mortgage shares is applied to the CTH issue in everything applicable applying to the CTH, for the Management Company to subscribe them on behalf of the Fund.

d) Agreements regarding granting of the Guarantee.

Pursuant to the provisions of section Two of the Order of December 28, 2001, amended by Order ECO/1064/2003, of April 29, on the Promotion Covenants of Asset Securitization Funds in order to encourage business funding, on October 7, 2004, the Management Company has entered into a Collaboration Agreement with the *Dirección General de Política de la Pequeña y Mediana Empresa*.

Also, pursuant to the provisions of Schedule II of said Order, the BANK has entered into an Agreement with the *Dirección General de Política de la Pequeña y Mediana Empresa* on September 2, 2003, with the purpose to detail the requirements the credit rights that might be assigned to the Fund must meet.

e) Notes representation.

The Notes issued for the charge of the Fund shall only be represented by book entries and the Fund's Deed of Incorporation shall have the effects provided by section 6 of the Act 24/1988, according to which the public deed that includes the Notes representation by means of book entries shall be the issuance deed.

II.1.2 Information on the prior requirements and agreements for listing on the Stock Exchange or in the organised secondary market.

The Management Company, for and on behalf of the Fund, shall immediately apply for the granting of the Deed of Incorporation, and once the Notes have been paid, for inclusion of this Securitization Notes issue into the AIAF, Fixed Interest Securities Market (hereinafter “**AIAF**”), whose nature of securities official secondary market has been acknowledged. It is expected that final listing in the AIAF takes place no later than thirty (30) days after the date of disbursement (hereinafter and as defined in section II.18.5 hereof, the “**Disbursement Date**”). In the event that in the referred period the Notes listing with AIAF did not take place, the Management Company, for and on behalf of the Fund, shall publish this circumstance explaining the reasons in a national diffusion newspaper and shall notify it to the CNMV, notwithstanding any potential liability of the issuer.

The Management Company shall also apply for registration of the Notes with *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores* (hereinafter, “**Iberclear**”) so that clearing and settlement of the Notes is made pursuant to the transaction rules that, regarding the securities listing in AIAF and represented by book entries, Iberclear establishes or may approve in future.

II.2 Government authorisation prior to the issue.

No prior government authorisation applies other than the CNMV’s assessment and registration of this Prospectus.

II.3 Appraisal of the risk inherent to the Notes issued with charge to the Fund.

The Management Company has entrusted the appraisal of the Notes credit risk to Standard & Poor’s España, S.A. (hereinafter “**S & P España**” or the “**Rating Agent**”), a company in Spain which is a wholly owned subsidiary of Standard & Poor’s Rating Services, a rating entity acknowledged by the CNMV for the purposes of the provision 2.3.b) of Royal Decree 926/1998.

S&P España, without considering the granting of the State Guarantee, has granted a provisional rating AAA for Class B(G).

Note issue rating

Previously to the register of the Prospectus, S & P España, considering the granting of the State Guarantee has given an interim rating AAA for Class A Notes, AAA for Class B (G) Notes, AA for Class C Notes, A for Class D Notes and BBB- for Class E Notes (hereinafter, the “**ratings**”).

Should the Rating Agent not confirm before the start of the Subscription Term the ratings for the Notes of each of the Class, the CNMV should immediately be informed of this event and it shall be made public in the way provided by section III.5.

Lack of confirmation as final of the ratings for any of the Class Notes before the start of the Subscription Term would mean a case of termination of the Fund’s incorporation and of the Notes issue.

Schedule 3 hereto encloses a copy of the letter informing of the interim ratings by S & P España.

Considerations on the ratings of S&P España.

The S&P Rating Services' rating scales, used by S&P España for long and short term debt issues are the following:

<u>LONG TERM</u>	<u>SHORT TERM</u>
• AAA	• A-1+
• AA	• A-1
• A	• A-2
• BBB	• A-3
• BB	• B
• B	• C
• CCC	• D
• CC	
• C	
• D	

The scales AA to CCC for the long term debt may be modified with a + or - sign, indicating the relative position in each category.

S&P España gives the rating AAA to debt issues whose capability to pay interests and repay principal amount is extremely strong. The rating AA involves a very strong capability to face the financial obligations and the rating A is given to debt issues with a strong capability to pay interests and repay the principal amount. The rating BBB is given to debt issues with an adequate capability to pay interests and repay the principal amount, but more sensitive to the adverse economical situations, and, as a consequence, with a capability to face with its economical obligations weaker than the debts with a higher rating.

The rating is an agency's opinion regarding the credit risk, the capability of the Fund to punctually attend the payment of interests on each foreseen Payment Date and the reimbursement of the principal during the life of the transaction and, in any case, before the legal maturity of the same. It does not analyse the chances that the Loans maturity dates are modified regarding those initially considered.

The rating does not constitute an advice to buy, sell or keep securities. It is an opinion, and it does not substitute the need of analysis of the Notes by the potential investors by themselves.

S & P España may at any time review, suspend or withdraw the ratings in terms of any information S & P España becomes aware of. Said situations, which will not be cases for the Fund's early repayment shall be immediately informed both to the CNMV and to the Note holders pursuant to the provisions of section III.5.3b)b'').

In order to carry out the rating and follow-up process S & P España relies on the accuracy and comprehensiveness of the information provided by the Management Company, the auditors, the lawyers and other experts.

Management Company's undertakings.

The Management Company for and on behalf of the Fund undertakes to provide the Rating Agent with regular information on the Fund's condition and the Credit Rights performance. Likewise it will provide said information whenever it is reasonably required and, in any event, when there is a change in the Fund's condition, the agreements entered into by the same through its Management Company or the concerned parties.

The Management Company shall make its best efforts for the Notes to maintain the rating respectively assigned to each Class and to recover said rating in the event of its loss.

II.4 Offered Notes nature and denomination

The Notes issue full amount shall be one thousand eight hundred million Euro (€ 1,800,000,000) face value and shall be comprised of eighteen thousand (18,000) Notes of one hundred thousand Euro (€ 100,000) face value each. Said total face value is broken into five (5) Class of Notes as described in section II.6 below.

II.4.1 Legal Regime of the securities, specifying procedures guaranteeing accuracy and effectiveness of their first holder rights and of the subsequent holder's rights. Effects produced on the financial service of each of the Class of securities issued charged to the Fund by the forced bond with said securities interest and principal payment calendar and the deposit and collection flows from the assets subject to securitization through the Fund.

The Fund's incorporation and the Note issue with charge to the Fund are under Royal Decree 926/1998 and under Act 19/1992 regarding what is not included in Royal Decree 926/1998 and if applicable.

Note holders shall be identified as such as a result of the accounting registry Iberclear keeps pursuant to the provisions of section II.5 of this Chapter. Legitimation certificates may be issued at the holder's request and cost.

Notes may be freely transferred by any means accepted in Law. Each of the Note's property shall be transferred by account transfer. Registration of the transfer in favour of the acquirer shall have the same effects than the delivery of securities and, from that time onwards, transfer may be opposable to third parties.

With the purpose to consolidate its financial structure and to obtain the broader possible coverage for the risks inherent to the issue the Management Company, for and on behalf of the Fund shall enter into, *inter alia*, the agreements set forth below. For that purpose, in order to meet the Fund's operation in the terms provided by the Deed of Incorporation and of the regulations in force at the time, it may extend or amend said agreements, replace each of the Fund's service suppliers in terms of the same and even, if necessary, enter into additional agreements, which must be previously notified to the Rating Agent, provided that it does not harm the rights of the Note holders and, in particular, provided it does not imply a downgrade rating.

The Management Company shall enter into the following agreements with the BANK:

- (i) Subordinated Loan for Initial Expenses, which shall be used to fund the Fund's incorporation expenses and the Note issue, to partly finance Credit Rights acquisition and to endow the Reserve Fund;
- (ii) Interest Financial Swap Agreement, pursuant to ISDA 1992 Agreement form.;
- (iii) Liquidity Facility Agreement, in terms of which the BANK shall grant a liquidity facility for Guaranteed Class B(G) relevant payments;
- (iv) Cash Account Guaranteed Interest Rate Reinvestment Agreement in terms of which the BANK shall guarantee a variable profitability for the amount the Fund deposits through its Management Company in the Cash Account;

The Management Company for and on behalf of the Fund, shall enter into the National Tranche Management, Underwriting and Placement Agreement with the underwriting entity of the national tranche and the International Tranche Underwriting and Placement Agreement with the underwriting entities for the international tranche, as those contracts are defined in section V.4.1. thereof.

II.4.2 Other effects and risks

a) Credit Rights risk of default:

Fund Note holders shall undertake the risk of default of the Credit Rights grouped within the same. However, said risk of default is covered for Note holders of the Guaranteed Class by means of the State Guarantee described in section V.3.3 hereof.

The BANK undertakes no liability for the Debtors' default, whether it is of principal amount, of interest or of any other amount they may owe in terms of the Credit Rights. The Assignor shall only be liable for the existence and legitimacy of Credit Rights at the time of the assignment and under the terms and conditions stated in the Fund's Deed of incorporation, as well as for the capacity it makes the assignment in.

b) Credit Right early repayment risk:

The Fund's Credit Rights may be early repaid when Debtors early return under the terms provided by each of the Loan agreements to which Credit Rights are inherent, the outstanding portion of capital.

c) Limited liquidity:

There is no guarantee that Notes will be traded in the market with a minimum frequency or volume.

No entity has undertaken to attest in secondary contracting, giving the Notes liquidity by means of offering a counterpart.

Furthermore, under no circumstances may the Fund repurchase the Notes from their holders, although they may be fully early repaid in the event of the Fund's early settlement under the terms set forth in section III.8 hereof.

d) Profitability:

Calculation of the Notes' profitability internal rate, of the average life and of the duration is subject, *inter alia*, to the event of the Credit Rights early repayment rates that cannot be met, as well as future market interest rates given the variable nature of nominal interest rates.

e) Interest for delay:

The amounts of delayed interest shall accrue in favour of the holders an interest equal to that applied to the Notes of their respective Class during the Interest Accrual Period(s) until the Payment Date when they are paid, with no interest for delay and it not involving a debt capitalisation.

f) Other considerations**f.1) Limited information:**

This Prospectus does not included information regarding the connection between appraisal value of the assets encumbered with a mortgage as guarantee of the Credit Rights inherent to Mortgage Loans and the outstanding balance of the guaranteed Mortgage Loans.

f.2) Responsibility

The Notes issued by the Fund imply obligation for the Management Company or the Assignor. The funds flow used to meet the obligations that may arise from the Notes is assured or guaranteed only under the specific circumstances and up to the limits mentioned in this Prospectus. There are no guarantees, other than the above-mentioned guarantees, granted by any public or private entity, including the Assignor, the Management Company or any affiliate of or company controlled by any of the foregoing. The Credit Rights grouped under the Fund, and the rights inherent thereto, are the sole source of income for the Fund and, thus, the only means of payment to the holders of liabilities.

f.3) Protection

Investment in Notes may be affected, among others, by worsening of general financial conditions with a negative impact on the payments of the Credit Rights supporting the Fund's issuance. In the event that non-payments amount to an important sum, this may reduce, or even eliminate, the protection against the losses in the Loan portfolio, which the Notes have as a result of the existence of the credit improvements described in section V.3 hereof, may be reduced or even disappear. Notwithstanding the aforementioned considerations, Note holders' risk is mitigated by the payment priority order referred to in section V.5.2.1.2. hereof.

g) Hidden faults:

Regarding Credit Rights replaced by hidden faults, due to non their adjustment on the Incorporation Date to the Securitization Requirements included in section IV. 1.a) hereof, in case that the replacing Credit Right(s) Outstanding Balance is under the replaced Credit Right Outstanding Balance, the BANK must repay the fund the difference considering face value, accrued but not due interest and any unpaid amount regarding said Credit Right by deposit in the Cash Account on the relevant date, instead of applying it to the repayment of the Bonds.

In case the above replacement either cannot take place or is not carried out within a five (5) Business Day term, the Management Company shall terminate the assignment of the Credit Right concerned by the hidden fault. In this case the BANK must reimburse to the Fund the Credit right Outstanding Balance, together with relevant interest accrued and not due, as well as any unpaid amounts relating to said Credit Right, by deposit in the Cash Account, instead of applying it to the repayment of the Notes.

II.5 Representation, denomination and address of the entity in charge of accounting registration.

Notes issued with charge to the Fund shall be represented by book entries. Iberclear must carry out the account registration. Iberclear has address at Madrid, Pedro Texeira, 8.

II.6 Face value of the aggregate securities issued with charge to the Fund, number of securities it includes and numbering of the same, as the case may be, broken down among the different Class it contains.

The Notes issue full amount shall be one thousand eight hundred million Euro (€ 1,800,000,000) face value and shall be comprised of eighteen thousand (18,000) Notes of one hundred thousand Euro (€ 100,000) face value each. Said total face value is broken into five (5) Class, each of them with the following full face amount:

- (i) **Class A:** with a full face amount of one thousand two hundred twenty eight million five hundred thousand Euro (€1,228,500,000), it is comprised by twelve thousand two hundred and eighty five (12,285) Notes with a face value of one hundred thousand Euro (€ 100,000) each (hereinafter “**Class A Notes**”).
- (ii) **Class B(G):** with a full face amount of three hundred and seventy three million five hundred thousand Euro (€ 373,500,000), it is comprised by three thousand seven hundred and thirty five (3,735) Notes with a face value of one hundred thousand Euro (€ 100,000) each (hereinafter “**Class B(G) Notes**”).
- (iii) **Class C:** with a full face amount of eighty one million Euro (€ 81,000,000), it is comprised by one thousand eight hundred and ten (810) Notes with a face value of one hundred thousand Euro (€ 100,000) each (hereinafter “**Class C Notes**”).
- (iv) **Class D:** with a full face amount of fifty eight million five hundred thousand Euro (€ 58,500,000), it is comprised by five hundred and five (585) Notes with

a face value of one hundred thousand Euro (€ 100,000) each (hereinafter “**Class D Notes**”).

- (v) **Class E:** with a full face amount of fifty eight million five hundred thousand Euro (€ 58,500,000), it is comprised by five hundred and eighty five (585) Notes with a face value of one hundred thousand Euro (€ 100,000) each (hereinafter “**Class E Notes**”).

Subscription or holding of one of the Class Notes does not involve subscription or holding of the remaining Class Notes.

II.7 Face value and Euro cash for each Note

Note issue price for all Class shall be one hundred thousand Euro (€ 100,000) per Note, free from taxes and expenses for the subscriber. Notes are issued at one hundred percent (100%) of their face value.

Expenses and taxes inherent to the Note issue shall be for the Fund’s account.

Repayment price for the Notes shall be one hundred thousand Euro (€ 100,000) per Note, equivalent to its face value to be progressively paid on each of the Payment Dates.

II.8 Inherent fees and expenses of all kinds that must be compulsorily supported by investors on the occasion of the subscription of issued securities with charge to the Fund.

Issue price set forth on section II.7 above is free of taxes and expenses for the subscriber.

II.9 Mention, if applicable, of the existence, as the case may be, of fees for the charge of the holders of securities issued with charge to the Fund, compulsorily represented by book entries, as registration and balance keeping.

Expenses and fees accruing due to registration of the Note issue with Iberclear shall be for the Fund’s account, charge of the same to the Note holders not applying. This entity has not established any fee for balance keeping.

However entities participating in Iberclear may set forth, pursuant to the legislation in force, the fees and expenses chargeable to the Note holder that, as asset management fee they freely determine and have informed of Banco de España and/or CNMV as supervising bodies of the same.

II.10 Interest rate clause

II.10.1 Nominal Interest Rate

All the Note Classes shall accrue a variable nominal interest rate, to be quarterly paid on each Payment Date, provided the Fund has enough liquidity in the Cash Account, pursuant to the payment priority order provided for each Class in section V.5.2.1.2 hereof.

Withholdings, contributions and taxes set forth or that may be set forth in future over the capital, interest or performance of the Notes, shall be for the exclusive charge of the Note holders, and their amount shall be deduced, as the case may be, by the Management Company for and on behalf of the Fund and in the legal way.

a) Interest accrual.

This issue's duration shall be divided into subsequent interest accrual periods (hereinafter the "**Interest Accrual Periods**") comprising the effective days passed between each Payment Date as described in section II.10.3 hereof, including into each of the Interest Accrual Period the initial Payment Date and excluding the final Payment Date. The first Interest Accrual Period shall have a duration under the quarter equivalent to the effective days passed between the Disbursement Date, inclusive, and the first foreseen Payment Date, exclusive.

Nominal interest rate shall accrue over the effective days passed from each Interest Accrual Period for which it was determined, being calculated on the basis of one year of three hundred and sixty (360) days.

b) Nominal Interest Rate

Nominal interest rate determined for each Interest Accrual Period shall be the result of adding: (i) three (3) month EURIBOR reference interest rate or, if necessary, a replacement described in section c) below and (ii) a margin for each of the Class:

- 0.20% for Class A Notes
- 0.00% for Class B(G) Notes
- 0.30% for Class C Notes
- 0.70% for Class D Notes
- 1.50% for Class E Notes.

All of it rounded to the thousand part of a closest full number percent.

c) Reference interest rate definition

Reference interest rate (hereinafter the "**Reference Interest Rate**") shall be:

- (i) EURIBOR rate (*Euro Interbank Borrowing Offered Rate*) is the money market reference interest rate for the Euro, in three (3) month deposits of maturity. Three (3) month EURIBOR rate shall be the result of the REUTERS monitor, page "EURIBOR01" (or any other page that might replace this service), at 11:00 hours a.m., C.E.T. time (Central European Time, Brussels time, Central Europe) at the time of Fixing the Rate described below. REUTERS monitor, page "EURIBOR01" in the REUTERS MONITOR MONEY RATES SERVICE.

For the First Interest Accrual Period the rate resulting from the EURIBOR's line interpolation to three (3) and four (4) months of the

REUTERS monitor, page “EURIBOR01” in the same terms described in the paragraph above, shall apply.

- (ii) In the event of absence of rates pursuant to the provisions of section (i) above, the replacing reference interest rate shall be the interest rate resulting from obtaining the simple arithmetical average of the offering interbank interest rates for three (3) month Euro deposit transactions (EURIBOR) at the Time of Fixing the Rate by the entities detailed below:

- Banco Santander Central Hispano, London Branch
- Bank of America N.T.&S.A., London Branch
- J.P. Morgan Securities Ltd.

All of it rounded to the closest thousandth part of one full number percent.

In case it is not possible to apply the above replacement reference interest rate, due to any of the aforementioned entities not providing in a continuous way a listing statement, the interest rate resulting of calculating the simple arithmetical average of the interest rates stated by the remaining two (2) entities.

And should one of the two (2) aforementioned remaining entities stopped providing in a continuous way the listing statement, the latest nominal interest rate applicable to the last Interest Accrual Period shall apply and so for subsequent Interest Periods while this situation persists.

Should at least two (2) of the aforementioned entities start to provide in a continuous way again listings, the subsidiary replacement reference interest rate shall apply again, pursuant to the above rules.

The Management Company shall keep listings of the REUTERS monitors or, as the case may be, the aforementioned entities listing statements as documents supporting the determined EURIBOR rate.

d) Time for Rate Fixing

The Management Company, for and on behalf of the Fund shall define the nominal interest rate applicable to the Notes for every Interest Accrual Period, on the Second Business day according to the TARGET (*Transeuropean Automated Real-time Gross Settlement Express Transfer System*) calendar prior to every Payment Date, at 11:00 hours a.m. (C.E.T. time) of said day (hereinafter the “**Time for Rate Fixing**”) and it shall apply to the subsequent Interest Accrual Period.

The Notes’ nominal interest rate for the First Interest Accrual Period shall be determined in the way provided by section c) above, on the basis of the reference interest rate set forth in said section, at 11:00 a.m. (C.E.T. time) of

the date of granting of the Deed of Incorporation or, should this date be a holiday in the TARGET calendar, on the immediately prior Business Day, and the public shall be informed of it in the announcement of the Fund's incorporation and Note issue by means of publishing it in a broad diffusion newspaper in Spain, on the following calendar day to the Incorporation Date.

Nominal interest rates determined for all Note Class for subsequent Interest Accrual Periods shall be informed to the Note holders within the term and in the way provided by section III.5.3 hereof.

e) Information Table on the reference interest rate to be used development.

For merely information purposes we provide below the information on three (3) month EURIBOR rates, provided by REUTERS, page "EURIBOR01" on the dates indicated, as well as the nominal interest rates resulting from application thereof to each of the Class Notes:

Payment Date (in theory)	Rate Fixing Date	3 moths Euribor	0.20	0.00	0.30	0.70	1.50
			Class A Notes	Class B(G) Notes	Class C Notes	Class D Notes	Class E Notes
18-08-03	13-08-03	2.135	2.335	2.135	2.435	2.835	3.635
18-09-03	16-09-03	2.150	2.350	2.150	2.450	2.850	3.650
20-10-03	16-10-03	2.140	2.340	2.140	2.440	2.840	3.640
18-11-03	14-11-03	2.161	2.361	2.161	2.461	2.861	3.661
18-12-03	16-12-03	2.145	2.345	2.145	2.445	2.845	3.645
19-01-04	15-01-04	2.080	2.280	2.080	2.380	2.780	3.580
18-02-04	16-02-04	2.065	2.265	2.065	2.365	2.765	3.565
18-03-04	15-03-04	2.052	2.252	2.052	2.352	2.752	3.552
19-04-04	15-04-04	2.051	2.251	2.051	2.351	2.751	3.551
18-05-04	14-05-04	2.094	2.294	2.094	2.394	2.794	3.594
18-06-04	16-06-04	2.119	2.319	2.119	2.419	2.819	3.619
19-07-04	15-07-04	2.115	2.315	2.115	2.415	2.815	3.615
18-08-04	16-08-04	2.113	2.313	2.113	2.413	2.813	3.613
20-09-04	16-09-04	2.116	2.316	2.116	2.416	2.816	3.616

II.10.2 Simple mention of the number of order that in the Fund's priority payment take interest payments of the securities issued with charge to the same and accurate indication of the section and pages hereof where the priority rules established in the Fund's payments, and in particular those concerning said securities' interest payments.

Class A and B(G) interest payments takes third (3rd) place in the payment priority order established in section V.5.2.1.2 hereof.

Class C interest payments takes fourth (4th) place in the payment priority order established in section V.5.2.1.2 hereof.

Class D interest payments takes fifth (5th) place in the payment priority order established in section V.5.2.1.2 hereof.

Class E interest payments takes sixth (6th) place in the payment priority order established in section V.5.2.1.2 hereof.

Interest payments for all the Notes Classes take the abovementioned places in the payment priority order, except for the repayment exceptional rules provided by section V.5.3 hereof.

II.10.3 Dates, place, entities and procedure for interest payment.

Interest for Notes of all Class shall be paid on January 18th, April 18th, July 18th, and October 18th of every year (each of them the “**Payment Date**”) until full repayment thereof by the procedure described in section II.11 hereof.

In the event that any of the dates set forth in the above paragraph was not a Business Day, interest shall be paid on the immediately following Business Day, the relevant interest for the Interest Accrual Period in progress accruing until the aforesaid first Business Day, not inclusive.

The first interest payments for Notes of all Class shall take place on January 18th, 2005, accruing at the relevant nominal interest rate since the subscribers’ Disbursement Date, inclusive, until January 18th, 2005, not inclusive.

For the purpose of this issue, Business Days shall be all those that are not:

- (i) Saturday
- (ii) Sunday
- (iii) Holidays pursuant to the TARGET calendar (for the only purpose to determine the applicable nominal interest rate for every Interest Accrual Period). It includes, for the year 2003, further to the days acknowledged in (i) and (ii) above, January 1st, Good Friday, Easter Monday, May 1st, December 25th and December 26th, and
- (iv) Holidays in Madrid (for the purposes of fixing the applicable nominal interest rate for each Interest Accrual Period and for the remaining issue conditions).

Calculation of interest to be paid on every Payment Date for every Interest Accrual Period shall be carried out pursuant to the following formula:

$$I=P*R/100*d/360$$

Where:

- I= Interest to be paid on a certain Payment Date
- P= Notes Principal Outstanding Balance on the date when the relevant Determination Period for said Payment Date starts.
- R= Nominal interest rate in annual percentage
- d= Number of effective days belonging to each Interest Accrual Period.

Both interest resulting in favour of the Note holders, calculated according to the above, and the amount of the interest accrued and not paid, shall be informed to the Note holders in the way described in section III.5 hereof and at least one (1) calendar day in advance of each Payment Date.

Payment of interest accrued on the Notes shall take place on each Payment Date, provided the Fund has enough liquidity for it in the Cash Account pursuant to the payment priority order provided by section V.5.2.1.2 hereof.

In the event that on a Payment Date the Fund could not fully or partly pay interest accrued on any of the Class Notes, pursuant to the payment priority order provided by section V.5.2.1.2 hereof, the amounts Note holders do not receive shall be paid on the following Payment Date when, according to the aforesaid payment priority order, the Fund has enough liquidity to do so.

As an exception to the above, in the event that on a Payment Date there were not enough available funds to pay the interest on the Guaranteed Class Notes, the State Guarantee shall be enforced under the terms provided in section V.3.3 hereof.

Should the Guarantee drawdown be applied for and the State did not pay the amounts applied for within the term necessary to pay the Guaranteed Class interest, the Management Company shall use for that purpose the Liquidity Facility described in section V.3.6 hereof.

Regarding Classes A, C, D and E, delayed amounts shall accrue in favour of the holders an interest equal to that applied to the relevant Class Notes during the Interest Accrual Period(s) until the Payment Date when payment thereof takes place.

The Note issue financial service shall be made through the BANK acting as payment agent (hereinafter also the “**Payment Agent**”).

In order to easy for the subscribe the understanding of the applicable nominal interest rate fixing and the amount to be received per Note on every Payment Date, enclosed in section II.12.a) hereof is a practical case as an example, as well as the *Cuadros Teóricos del Servicio Financiero del Empréstito* (Theoretical Tables of the Loan Financial Service), in section II.12.b) below.

II.11 Securities repayment

II.11.1 Reimbursement price, specifying whether there are any premiums, packs or any other financial advantage.

Reimbursement price for Notes of all Class shall be one hundred thousand Euro (€ 100,000) per Note, equivalent to the hundred percent (100%) of its face value, to be paid pursuant to the provisions of section II.11.3 below.

II.11.2 Simple mention of the number of order that in the Fund’s priority payment take principal amount payments of the securities issued with charge to the same and accurate indication of the section and pages hereof where the priority rules established in the Fund’s payments, and in particular those concerning said securities’ principal amount payments.

Principal amount payments for all the Classes takes the seventh (7th) place in the payment priority order provided by section V.5.2.1.2.7 hereof, except for the repayment exceptional rules provided by section V.5.3. hereof.

II.11.3 Repayment

a) Final Maturity Date

The Note final maturity date (hereinafter the “**Final Maturity Date**”) shall be the Note standard or early repayment date.

b) Legal Maturity Date

The legal maturity date (hereinafter, the “**Legal Maturity Date**”) and final Note repayment shall be April 18, 2037 or, should this not be a business Day, the following Business Day.

c) Repayment Dates

Repayment Dates (hereinafter each of them the “**Repayment Date**” and all of them jointly the “**Repayment Dates**”) shall fall on the Interest Payment Dates, that is, on January 18th, April 18th, July 18th and October 18th of every year (or the following Business Day, pursuant to the provisions hereof) until full repayment.

First Class A Notes repayment shall be on January 18, 2005.

d) Notes Outstanding Principal Balance

The Notes outstanding principal amount balance (hereinafter “**Notes Principal Outstanding Balance**”) shall be the total outstanding balances for Notes of all Class or of each of the Class (that is, the principal amount of Notes outstanding repayment).

e) Fixing Dates and Fixing Terms.

Fixing dates (hereinafter the “**Fixing Dates**”) shall be those when the Management Company shall, on behalf of the Fund, make the necessary calculation to determine the Principal Outstanding Balance for the Notes of each Class, the Credit Rights Outstanding Balance and the remaining financial magnitudes of the Fund pursuant to the provisions of this section.

Said Fixing Dates shall be those falling on the fifth (5th) Business Day prior to every Payment Date and shall limit the terms subsequently included between said Fixing Dates and shall be called “**Fixing Terms**”, the initial Fixing Date included into every Fixing Term and the final Fixing Date excluded from every Fixing Term.

As an exception, the first Fixing Term shall be that included between the Disbursement Date, inclusive, and the first Fixing Date, excluded.

f) Amount Accrued for Repayment on each Payment Date and Cash Account Balance.

The Amount Accrued for Repayment of Notes of the five Class A, B(G), C, D and E equally shall be equal to the positive difference between the addition of the Notes Principal Outstanding Balance of the five Class A, B(G), C, D and E on the Fixing Date prior to each Payment Date and the Credit Rights

Outstanding Balance (as described below), deducting from the Credit Rights Outstanding Balance the full amount of principal of the loans owed by Credit Rights with a delay in payment of amounts due for a term equal or over twelve (12) months, as well as the principal amounts owed by Credit Rights once all legal actions for recovery of said amounts are exhausted, even when said twelve (12) month term is not over (hereinafter the “**Bad Loans**”).

The Credit Rights Outstanding Balance (hereinafter, also, the “**Outstanding Balance**”) shall be comprised both by the outstanding principal Amounts Accrued and the principal Amounts not Accrued yet and pending maturity.

g) Available Funds for Repayment

The amount used for Note repayment (hereinafter the “**Available Funds for Repayment**”) shall be the smallest of the following:

- a) the Amount Accrued for Repayment,
- b) In terms of the liquidity on that Payment Date, the Available Funds as defined in section V.3.3.2.(i) remnant once the amounts applied to items 1, 2, 3, 4, 5 and 6 of the payment priority order have been deduced,

Provided that none of the events under the repayment exceptional rules included in section V.5.3. hereof has occurred.

h) Capital Insufficiency

“**Capital Insufficiency**” is the positive difference between the Amount Accrued for Repayment and the Available Funds for Repayment.

Also if, after relevant payments on a Payment Date there is a Capital Insufficiency the Reserve Fund may not be reduced, as provided by section V.3.5.a) hereof.

In case of Capital Insufficiency, the Available funds for Repayment shall be distributed pro-rata among the holders of the relevant Note Class, the difference being paid up to the full amount of said Notes capital on the following Payment Dates, in terms of the Available Funds for Repayment and not accruing interest for delay.

Furthermore, the exceptional rules for payment priority order described in section V.5.3 hereof shall be considered.

i) Standard Repayment Rules

Principal amount of Class A, Class B(G), Class C, Class D and Class E Notes shall be repaid pursuant to the following rules, unless there were not enough available funds in the Cash Account.

- **Class A and B(G) Notes Repayment:**

Class A and B(G) Notes principal amount repayment shall be made quarterly, prorata, in terms of the Available Funds for Repayment as defined in section II.11.3g) of this Prospectus, until full repayment.

▪ **Class C Notes Repayment**

Once Class A and B(G) Notes have been repaid, all Available Funds for Repayment shall be quarterly used to repay the principal amount of Class C Notes until full repayment.

▪ **Class D Notes Repayment**

Once Class C Notes have been repaid, all Available Funds for Repayment shall be quarterly used to repay the principal amount of Class D Notes until full repayment.

▪ **Class E Notes Repayment**

Once Class D Notes have been repaid, all Available Funds for Repayment shall be quarterly used to repay the principal amount of Class E Notes until full repayment.

j) Early Repayment Rules

The Management Company shall be empowered, informing the CNMV of it, to, on a Payment Date, early settle the Fund and, therefore to early repay the full Notes issue in the following cases:

- (i) On the date when the Credit Rights Outstanding Balance is under ten percent (10%) of the Credit Rights initial balance, provided the amount of the sale of Credit Rights outstanding repayment, together with the balance at the time in the Cash Account allows a full cancellation of all outstanding obligations with the Note holders and respecting the payments prior to these the priority order of which is preferent pursuant to the provisions of section V.5.2.1.2 hereof;
- (ii) When the issued Notes are fully repaid;
- (iii) When due to either an amendment in current regulations or to exceptional circumstances there was, in the Management Company's opinion, a substantial alteration or a permanent damage to the Fund's financial balance;
- (iv) In the case provided by section 19 of Royal Decree 926/1998, establishing the duty to early settle the Fund in case four (4) months had passed since an event determining forced replacement of the Management Company takes place, due to the latter being declared under meeting of creditors, receivership or bankruptcy and not having found a new management company prepared to take charge of the Fund's management;

- (v) When there is a default showing a serious and permanent unbalance either in connection with any of the Notes or with any non-subordinated loan or when this is foreseen to happen
- (vi) Up to thirty six (36) months having elapsed as from the last Credit Rights' maturity.

II.12 Loan financial service table, including both interest payments and principal repayment for each of the Securitization Notes Class to be issued with charge to the Fund.

The Notes issue's financial service shall be made through the BANK, which shall be considered, for these purposes, as Payment Agent.

Interest and repayment payments shall be notified to the Note holders according to section III.5.3.a.a) hereof. The aforementioned interest and repayment payments shall be made upon either the legal Note holders' submission of the document evidencing property or the relevant certificate issued by the entity in charge of the accounting registry so identified in section II.5 hereof.

a) Practical case for fixing nominal interest rate.

In order to make it easy for the subscriber to understand the fixing system for the nominal interest rate and of the amount of interest to be received per every Class A Note on every Payment Date, calculation for the same is shown below for the following case:

• Three (3) month euribor rate:	2.116%
• Margin:	0.200%

• Interest amount per Note:	2.316%
• Interest period per Note:	90 days (*)
• Note Outstanding Balance:	100,000 Euro

$$\frac{2.316 \times 90 \times 100.000}{100 \times 360} = 579 \text{ Euro}$$

- Round up to the closest cent of Euro: 579 Euro.

(*) taking as example a quarter with a certain duration, for instance, that comprised by the months of January, February and March.

Therefore the amount of interest to be received per every Class A Note would be Euro 579 on a Note Outstanding Balance of Euro 100,000. The example would be identical for Class B(G), Class C, Class D and Class E, only 0.20% Class A margin would have to be replaced for that relevant to each Class.

b) Loan financial service table.

This issue's Asset Securitization Notes main feature is that its regular repayment and therefore its life and duration, is subject to the following factors:

- (i) The repayment calendar set forth in each of the Loan Agreements.
- (ii) Debtors' power to partly or fully early repay Credit Rights and the speed under which this early repayment takes place along the Fund's life.

There are also other variable subject to continuous changes affecting the Notes average life and duration. These variables and their hypothetical values included in all of the tables shown in this section are as follows:

- (i) Credit Rights portfolio interest rate: 3.15%
- (ii) Credit Rights portfolio default: 0.32 % yearly
- (iii) Credit Rights portfolio bad debts: 0% yearly
- (iv) Notes Disbursement Date is October 26th, 2004.

Finally the Notes real adjusted duration shall also be subject to their variable interest rate, and all the tables of this section include constants in

2.316%	For Class A
2.116%	For Class B(G)
2.416%	For Class C
2.816%	For Class D
3.616%	For Class E

Assuming that the Management Company, on behalf of the Fund, early settles the Fund, pursuant to the provisions of section III.8.1 hereof when the Credit Rights Outstanding Balance is under ten percent (10%) of the Credit Rights initial balance, the Notes average life and duration would be the following:

TACP	0%	4%	8%	10%	12%	16%	20%
CLASS A							
AVERAGE LIFE	6.25	4.71	3.74	3.38	3.07	2.58	2.21
TIR	2.3362%	2.3362%	2.3362%	2.3362%	2.3362%	2.3362%	2.3362%
DURATION	5.50	4.25	3.43	3.12	2.85	2.41	2.08
FINAL LIFE	18-07-2022	18-04-2018	18-07-2015	18-10-2014	18-10-2013	18-07-2012	18-07-2011
CLASS B (G)							
AVERAGE LIFE	6.25	4.71	3.74	3.38	3.07	2.58	2.21
TIR	2.1328%	2.1328%	2.1328%	2.1328%	2.1328%	2.1328%	2.1328%
DURATION	5.56	4.29	3.45	3.14	2.87	2.43	2.09
FINAL LIFE	18-07-2022	18-04-2018	18-07-2015	18-10-2014	18-10-2013	18-07-2012	18-07-2011
CLASS C							
AVERAGE LIFE	18.37	14.13	11.39	10.54	9.59	8.28	7.10
TIR	2.4380%	2.4380%	2.4380%	2.4380%	2.4380%	2.4380%	2.4380%
DURATION	14.54	11.72	9.75	9.11	8.39	7.35	6.39
FINAL LIFE	18-04-2023	18-01-2019	18-04-2016	18-07-2015	18-07-2014	18-04-2013	18-01-2012
CLASS D							
AVERAGE LIFE	18.49	14.24	11.48	10.73	9.73	8.48	7.23
TIR	2.8459%	2.8459%	2.8459%	2.8459%	2.8459%	2.8459%	2.8459%
DURATION	14.07	11.45	9.58	9.04	8.31	7.37	6.39
FINAL LIFE	18-04-2023	18-01-2019	18-04-2016	18-07-2015	18-07-2014	18-04-2013	18-01-2012
CLASS E							
AVERAGE LIFE	18.49	14.24	11.48	10.73	9.73	8.48	7.23
TIR	3.6653%	3.6653%	3.6653%	3.6653%	3.6653%	3.6653%	3.6653%
DURATION	13,089	10.79	9.12	8.63	7.96	7.08	6.17
FINAL LIFE	18-04-2023	18-01-2019	18-04-2016	18-07-2015	18-07-2014	18-04-2013	18-01-2012

Said figures have been calculated using the following formulae:

Notes average life:

$$A = \frac{\sum(B \times d)}{C} \times \frac{1}{365}$$

Where:

A= Average for every issued Notes Class in years

B= Principal amount to be repaid for every Notes Class on every Payment Date, according to the relevant amount to be repaid for every Note Class, pursuant to the provisions of section II.11.3 hereof and considering that the portfolio's repayment profile on the date when

Notes start to be repaid shall be equal to the current portfolio's repayment profile.

d= Number of days passed since the Disbursement Date until the Payment Date in question.

C= Total volume in Euro for every Class A, B(G), C, D and E of Notes.

Note duration (adjusted Macaulay formula).

$$D = \frac{\sum (a * VA)}{PE} * \frac{1}{(1+i)}$$

Where:

D= Duration of each of the Notes Class in years

a= Time passed (in years) between the Disbursement Date and every one of the Payment Dates in question.

VA= Current value of each of the amounts comprising principal amount and gross interest, to be paid on each of the Payment Dates discounted at each of the Class effective interest rate (TIR).

PE= issue Price of the Notes, Euro 100.000.

i= Effective interest rate (TIR) for each Class.

Finally the issuer expressly represents that the loan financial service tables described below are merely theoretical and for information purposes, not meaning a payment duty whatsoever, remembering that:

- It is assumed that the Notes principal amount repayment is made pursuant to the general rules set forth in section II.11.3 hereof. The Prepayment annual constant rate assumes constant at 10% along the loan life and as aforesaid, real early repayment is continuously changing.
- Reference Interest Rate is assumed to be constant at 2.116% as at September 16, 2004.
- The Notes interest rates are assumed to be constant at:

2.316%	For Class A
2.116%	For Class B(G)
2.416%	For Class C
2.816%	For Class D
3.616%	For Class E
- It is assumed that the Management Company, on behalf of the Fund, early settles the Fund in the way provided by section III.8.1 hereof when the Credit Rights Outstanding Balance is under ten percent (10%) of the Credit Rights initial balance.

- It is assumed that the Notes principal amount repayment is made pursuant to the general rules set forth in section II.11.3 hereof, and considering that the portfolio repayment profile on the date when Notes start to be repaid shall be equal to the current portfolio repayment profile.

WARNING:

All the information contained in this Prospectus relating payment of interest, principal amount repayments, average life and performance and financial flow charts have a merely indicative nature, with the purpose to illustrate the issue's financial structure, with no more than an orientation value.

FLUJOS POR CADA BONO SIN RETENCION PARA EL TOMADOR
(EN EUROS)

T.A.C.P.=10%

FECHA	AMORTIZ. SERIE A	INTERES BRUTO SERIE A	TOTAL SERIE A	AMORTIZ. SERIE B(G)	INTERES BRUTO SERIE B(G)	TOTAL SERIE B(G)	AMORTIZ. SERIE C	INTERES BRUTO SERIE C	TOTAL SERIE C	AMORTIZ. SERIE D	INTERES BRUTO SERIE D	TOTAL SERIE D
			-100.000,00			-100.000,00						
26-10-04												
18-01-05	5.710,58	540,40	6.250,98	5.710,58	493,73	6.204,31	0,00	563,73	563,73	0,00	657,07	657,07
18-04-05	5.511,74	545,94	6.057,68	5.511,74	498,79	6.010,53	0,00	604,00	604,00	0,00	704,00	704,00
18-07-05	5.278,38	519,73	5.798,12	5.278,38	474,85	5.753,23	0,00	610,71	610,71	0,00	711,82	711,82
18-10-05	5.013,86	494,20	5.508,06	5.013,86	451,53	5.465,38	0,00	617,42	617,42	0,00	719,64	719,64
18-01-06	4.852,98	464,53	5.317,51	4.852,98	424,41	5.277,40	0,00	617,42	617,42	0,00	719,64	719,64
18-04-06	4.540,71	426,33	4.967,04	4.540,71	389,52	4.930,23	0,00	604,00	604,00	0,00	704,00	704,00
18-07-06	4.315,58	404,49	4.720,07	4.315,58	369,56	4.685,14	0,00	610,71	610,71	0,00	711,82	711,82
18-10-06	4.036,47	383,39	4.419,86	4.036,47	350,28	4.386,75	0,00	617,42	617,42	0,00	719,64	719,64
18-01-07	3.841,50	359,50	4.201,00	3.841,50	328,45	4.169,95	0,00	617,42	617,42	0,00	719,64	719,64
18-04-07	3.603,07	329,44	3.932,51	3.603,07	300,99	3.904,06	0,00	604,00	604,00	0,00	704,00	704,00
18-07-07	3.450,35	312,01	3.762,36	3.450,35	285,06	3.735,42	0,00	610,71	610,71	0,00	711,82	711,82
18-10-07	3.278,12	295,01	3.573,13	3.278,12	269,54	3.547,65	0,00	617,42	617,42	0,00	719,64	719,64
18-01-08	3.129,82	275,61	3.405,43	3.129,82	251,81	3.381,63	0,00	617,42	617,42	0,00	719,64	719,64
18-04-08	2.955,52	254,29	3.209,82	2.955,52	232,33	3.187,86	0,00	610,71	610,71	0,00	711,82	711,82
18-07-08	2.790,92	236,99	3.027,91	2.790,92	216,53	3.007,44	0,00	610,71	610,71	0,00	711,82	711,82
18-10-08	2.574,72	223,08	2.797,80	2.574,72	203,81	2.778,54	0,00	617,42	617,42	0,00	719,64	719,64
18-01-09	2.434,95	207,84	2.642,78	2.434,95	189,89	2.624,84	0,00	617,42	617,42	0,00	719,64	719,64
18-04-09	2.252,99	189,22	2.442,21	2.252,99	172,88	2.425,87	0,00	604,00	604,00	0,00	704,00	704,00
18-07-09	2.166,38	178,13	2.344,52	2.166,38	162,75	2.329,14	0,00	610,71	610,71	0,00	711,82	711,82
18-10-09	2.075,02	167,27	2.242,29	2.075,02	152,82	2.227,84	0,00	617,42	617,42	0,00	719,64	719,64
18-01-10	1.993,17	154,99	2.148,16	1.993,17	141,60	2.134,77	0,00	617,42	617,42	0,00	719,64	719,64
18-04-10	1.905,31	140,08	2.045,39	1.905,31	127,98	2.033,29	0,00	604,00	604,00	0,00	704,00	704,00
18-07-10	1.823,45	130,48	1.953,93	1.823,45	119,21	1.942,66	0,00	610,71	610,71	0,00	711,82	711,82
18-10-10	1.730,14	121,12	1.851,26	1.730,14	110,66	1.840,80	0,00	617,42	617,42	0,00	719,64	719,64
18-01-11	1.659,32	110,88	1.770,20	1.659,32	101,31	1.760,62	0,00	617,42	617,42	0,00	719,64	719,64
18-04-11	1.581,50	98,86	1.680,36	1.581,50	90,33	1.671,83	0,00	604,00	604,00	0,00	704,00	704,00
18-07-11	1.517,84	90,70	1.608,55	1.517,84	82,87	1.600,71	0,00	610,71	610,71	0,00	711,82	711,82
18-10-11	1.449,05	82,72	1.531,77	1.449,05	75,57	1.524,63	0,00	617,42	617,42	0,00	719,64	719,64
18-01-12	1.390,45	74,14	1.464,59	1.390,45	67,74	1.458,18	0,00	617,42	617,42	0,00	719,64	719,64
18-04-12	1.327,16	65,19	1.392,35	1.327,16	59,56	1.386,72	0,00	610,71	610,71	0,00	711,82	711,82
18-07-12	1.277,38	57,42	1.334,80	1.277,38	52,47	1.329,84	0,00	610,71	610,71	0,00	711,82	711,82
18-10-12	1.227,14	50,50	1.277,64	1.227,14	46,13	1.273,28	0,00	617,42	617,42	0,00	719,64	719,64
18-01-13	1.175,89	43,23	1.219,12	1.175,89	39,50	1.215,39	0,00	617,42	617,42	0,00	719,64	719,64
18-04-13	1.119,81	35,48	1.155,29	1.119,81	32,42	1.152,23	0,00	604,00	604,00	0,00	704,00	704,00
18-07-13	1.059,76	29,32	1.089,08	1.059,76	26,79	1.086,55	0,00	610,71	610,71	0,00	711,82	711,82
18-10-13	983,44	23,37	1.006,81	983,44	21,35	1.004,79	0,00	617,42	617,42	0,00	719,64	719,64
18-01-14	920,99	17,55	938,54	920,99	16,04	937,02	0,00	617,42	617,42	0,00	719,64	719,64
18-04-14	835,41	11,84	847,25	835,41	10,82	846,22	0,00	604,00	604,00	0,00	704,00	704,00
18-07-14	799,37	7,08	806,45	799,37	6,47	805,83	0,00	610,71	610,71	0,00	711,82	711,82
18-10-14	409,78	2,43	412,21	409,78	2,22	412,00	6.907,25	617,42	7.524,68	0,00	719,64	719,64
18-01-15	0,00	0,00	0,00	0,00	0,00	0,00	14.311,61	574,78	14.886,38	0,00	719,64	719,64
18-04-15	0,00	0,00	0,00	0,00	0,00	0,00	13.488,79	475,84	13.964,63	0,00	704,00	704,00
18-07-15	0,00	0,00	0,00	0,00	0,00	0,00	65.292,34	398,75	65.691,09	100.000,00	711,82	100.711,82
	100.000,00	8.154,80	2,3362%	100.000,00	7.450,59	2,1328%	100.000,00	25.904,65	2,4380%	100.000,00	30.639,64	2,8459%

II.13 Effective interest foreseen for the holder, bearing in mind the issue’s features, specifying the calculation method used and the expenses foreseen for items appropriate for their true nature.

For the event that the annual nominal interest rates applicable to the five Class, Class A, B(G), C, D and E quarterly variable, kept constant throughout the whole loan’s life, at rates of 2.316%, 2.116%, 2.416%, 2.816% and 3.616%, said rates would translate in Profitability Internal Rates (hereinafter “TIR”) for the holder of 2.3362%, 2.1328%, 2.4380%, 2.8459% and 3.6653% gross yearly, as shown in the table contained in section II.12 hereof, given the effect implying interest quarterly payment, calculated as profitability internal rate not considering the tax effect and assuming in any case the values and hypothesis shown in said Section.

TIR calculation has been made using the following formula:

$$100.000 = \sum_{i=1}^N A_i (1+r)^{-(nd/365)}$$

Where:

r= TIR in annual rate, in so much per one

Aj= Total repayment amounts and interest investors will receive:
(A1.....An)

nd= Number of days between the issue’s Disbursement Date and the days January 18, April 18, July 18 and October 18 of every year not inclusive.

II.14 Effective interest foreseen for the Fund at the time of the securities issue, considering all design and placement expenses incurred for its charge, specifying calculation method.

For the event that the Notes variable nominal interest rate keeps constant throughout the whole loan’s life at a rate of 2.316% for Class A, at 2.116% for Class B(G), at 2.416% for Class C, at 2.816% for Class D and at 3.616% for Class E, this rate shall translate in the effective rates (TIR) for the whole issue of 2.5857% assuming the hypothesis mentioned in Section II.12 of the Prospectus as the issue’s liquid amount, once issue expenses have been deduced, to the values updated as at the issue date of all of the payments for interest and repayment.

The foreseen expenses are as follows:

a) Incorporation Expenses (Documentation, advertising and rates expenses):

	Euro
• CNMV Rates (*).....	92,267.93
• AIAF Rates:.....	52.200.00
• Iberclear Rates:.....	635.68
• Rating Agent:	124,000.00
• Other (legal advice, press, print, notary and audit):	100,015.18
	<hr/>
Subtotal (0,021%):.....	369,118.79

(*) 0.14‰ of the whole issue with a maximum of 38,267.93 Euro for the registry process and 0.03‰ of the whole issue for the admission to quote process.

b) Issue expenses:

	Euro
• Management Company's	
Management fee:.....	150,000.00
• Underwriting and placement fees:	
* Class A (0.010%):	122,850.00
* Class B(G) (0.000%):.....	0,00
* Class C (0.020%):.....	16,200.00
* Class D (0.030%):	17,550.00
* Class E (0,040%):	23,400.00
	<hr/>
Subtotal (0,018%):.....	330,000.00

TOTAL GENERAL (0,039%):..... €699,118.79

The incorporation expenses as mentioned shall be charged to the Subordinated Loan for Initial Expenses described in section V.3.2.of this Prospectus.

Expenses incurred by the Fund's settlement shall be for the charge of the Fund.

II.15 Existence or non-existence of special guarantees over the Credit Rights grouped into the Fund or over the securities issued with charge to the same, granted by any of the entities participating in the securitization process hereof.

II.15.1 No Assigning Entity's guarantees.

There are neither guarantees granted by the BANK over Credit Rights grouped into the Fund nor over the Notes, with the exception of the BANK's representations and guarantees regarding the Loans features and conditions shown in section IV.1.a hereof and in Clause 8 of the Deed of Incorporation and in section IV.1.a) hereof regarding the Individual Securitization Requirements.

II.15.2 State Guarantee

The Ministry of Finance shall grant a guarantee to the Fund for an amount of three hundred and seventy three million five hundred thousand (€ 373,500,000), equivalent to twenty three point thirty one percent (23.31%) of the addition of the face value of Classes A and B(G) Notes, in guarantee, exclusively, of the obligations of payment of the relevant interest and the capital (the latter, in case of early repayment as included in section V.3.3.2(ii) hereof) of the Guaranteed Class Notes.

The Guarantee shall keep in force and with full effects until final reimbursement of the payment duties inherent to Notes belonging to the Guaranteed Class. In any case, the Guarantee shall mature on April 18, 2037. Should this date not be a Business Date, it shall mature on the immediately following Business Day.

The Guarantee will be legally claimed subject to the following: (i) registration with the CNMV of the Prospectus; (ii) granting of the Fund's Deed of Incorporation filed with the CNMV's registry; (iii) confirmation as definitive by the Rating Agent, before the Subscription Period starts, of the provisional rating given to each of the Classes; (iv) that the Issue's Management, Underwriting and Placement Agreements are not terminated; and (v) remittance to the *Dirección General del Tesoro y Política Financiera* of the documentation mentioned in the following paragraph.

The Management Company must forward to the *Dirección General del Tesoro y Política Financiera*: (i) a copy of this Prospectus, (ii) an authorised copy of the Fund's Deed of Incorporation filed with the CNMV's registry, (iii) a BSCH certificate indicating that the Loans meet the terms and conditions of the Collaboration Framework Agreement enclosed to the Order of December 28, 2001, amended by Order ECO/1064/2003, of April 29, and that at least ninety nine percent (99%) of the same, at the time of the Fund's incorporation, are loans granted to PYMES pursuant to the Recommendation of April 3, 1996 of the European Commission or another one replacing it; (iv) a copy of the Rating Agent letter informing of the definitive rating given to each of the Note Classes, and (v) an authorised copy of the notary minutes for the Note subscription disbursement granted by the Management Company.

II.16 Securities circulation

The Notes subject to this issue are not subject to specific restriction to their free transferability, which shall be made subject to the legal provisions applicable.

Note's property shall be transferred by account transfer. Registration of the transfer in favour of the acquirer shall have the same effects than the delivery of securities and, from that time onwards, transfer may be opposable to third parties.

II.17 Issued securities listing

The Management Company shall apply, immediately after granting the Deed of Incorporation, listing of this Note issue with AIAF, which is acknowledged as securities official secondary market.

The Management Company shall also apply for registration of the Notes with Iberclear, so that the Note clearing and settlement is made pursuant to the operation rules that, regarding the securities listed in AIAF and represented by book entries, Iberclear has set forth or might approve in future.

The Management Company expressly states that it is aware of the requirements and conditions required for listing, stay and exclusion of the securities in the AIAF market, pursuant to the current legislation that the requirements of their managing bodies. The Fund, through its Management Company, accepts to meet them.

Final listing in AIAF shall take place no later than thirty (30) days after the Disbursement Date.

In the event that in thirty (30) days term the Notes listing with AIAF did not take place, the Management Company shall immediately inform the Note holders and the CNMV as well as of the reasons that have resulted in this default, all of it pursuant to

the provisions of section III.5 hereof, and notwithstanding any potential liability of the issuer.

II.18 Applications for subscription or acquisition

II.18.1 Potential investors collective to whom securities are offered, giving reasons for selection of the same.

Placement of the Note issue shall be only addressed to institutional investors, that is, for information and not limiting purposes, Pension Funds, Collective Investment Institutions, Insurance Companies, Credit Entities, Securities Agents or empowered Entities pursuant to sections 64 and 65 of the Securities Exchange Act (in wording given by the Act 37/1998) to manage third parties' securities portfolios is that professionally and usually invest in trading securities.

In the case of entities empowered to manage securities portfolios, applications for subscription and acquisition shall be made by said management companies on behalf of the investors, who must have previously signed with said entities the appropriate securities portfolio management agreement.

II.18.2 Note legal nature

The Notes subject to this issue have the following legal considerations for the purposes of being subscribed by certain investors:

- (i) Class A and B(G) Notes meet selection criteria to be admitted as guarantee assets for transactions with the Central European Bank.
- (ii) Being appropriate for investment of the insurance companies in fulfilment of their technical provisions, pursuant to the provisions of the Private Insurance Ordering and Supervision Regulations approved by Royal Decree 2486/1998, of November 20.
- (iii) Being appropriate for investment of Reciprocal Guarantee Companies, pursuant to the Act 1/1994 of March 11, on Legal Regime of Reciprocal Guarantee Companies and Royal Decree 2345/1996 of November 8, regarding administrative authorisation rules and solvency requirements for Reciprocal Guarantee Companies.
- (iv) Being appropriate for investment of Pension Funds pursuant to the provisions of the Royal Decree 1.307/1.988 of September 30, by which the Regulation of Retirement Plans and Pension Funds is approved.
- (v) Being appropriate for investment coefficient account of Collective Investment Institutions pursuant to the provisions of the Regulations of Collective Investment Institutions approved by Royal Decree 1393/1990, of November 2.
- (vi) Being appropriate for investment of Asset Investment Funds in Government Debt "Fondtesoro Renta" FIMMoney Market Asset Investment Funds relating to the State's Debt "Fondtesoro Renta FIAMM" Asset Investment Funds in State Debt "Fondtesoro Plus", FIM, all of it under the terms provided by Order

of May 28, 1999 amending the Order of June 7, 1990, on rules for subscription of Collaboration Agreements relating to State Debt Investment Funds.

II.18.3 Subscription or acquisition date or term

The subscription term (hereinafter the “**Subscription Term**”) shall last for eight (8) hours, between 9:00 and 17:00 hours (GMT) of the following Business Day to the date of publishing of the Fund’s incorporation advertisement and of the Notes issue takes place, in the way provided by section III.5.3.b.b’ hereof. Said publishing is foreseen to take place on October 22, 2004.

II.18.4 Where and who to submit the subscription or acquisition

Applications for subscription must be made by any means accepted in Law during the Subscription Period set forth in section II.18.3 above, in the issue Underwriting and placing Entities mentioned in section 11.19.1 below.

II.18.5 Way and dates to make the disbursement effective.

Investors who have been awarded the Notes must pay to the relevant Underwriting and placing Entity on October 26, 2004 (hereinafter the “**Disbursement Date**”) before 13:00 hours Madrid time, with value that same day, the issue price (the hundred percent (100%) of its face value) per each Note awarded under subscription.

The BANK, in its capacity as Payment Agent, will pay, once the amount of the underwriting and placement total fee has been deduced, the total amount of the Note issue subscription, pursuant to the provisions of the Issue’s Notes Management, Underwriting and Placement Agreements. Said payment shall be made before 15:00 hours, Madrid time, with value on that same day, by the relevant transfer to the Fund.

II.18.6 Form and term for delivery to subscribers of the copies of the subscription forms or of the interim receipts, specifying their trading possibilities and their top validity term.

The Underwriting and placing Entities shall deliver to the subscribers the Notes they have so requested, in a term not over five (5) days since the Disbursement Date, a document evidencing the subscription of the Notes awarded and the cash amount they have paid for said subscription. Said evidencing document shall not be deemed as a trading security, its validity being limited to the date when the book entry in the relevant entry book takes place.

II.19 Security placement and award

The Underwriting and placing Entities shall freely accept or not the subscription applications received, watching in any case that no discriminating treatments take place among applications with similar features. This notwithstanding, the Underwriting and placing Entities may give priority to those client’s requests they deem appropriate.

The Underwriting Entities undertake to subscribe on their own behalf, at the end of the Subscription Period, the necessary amount of Notes to complete the figure their relevant underwriting commitments amount, as determined in the next section.

II.19.1 Entities participating in the placement or commercialization, with mention of their different tasks, with a precise description of the same. Global amount of the fees agreed among the different placers and the Management Company.

The BANK and Société Générale (hereinafter, “**Société Générale**”) will carry out the placement of the national tranche and Société Générale, Depfa Bank plc (hereinafter “**Depfa**”) and Banca D’intermediazione Mobiliare Imi S.p.A. (hereinafter, “**Banca Imi, S.p.A.**”) will carry out the placement of the international tranche (hereinafter, all together, the “**Underwriting Entities**”) and for the following amounts (in million Euro):

The placement of the national tranche shall be the following:

Underwriting Entities	Class A Notes	Class B(G) Notes	Class C Notes	Class D Notes	Class E Notes
BSCH	228.50		81	58.5	58.5
Société Générale	1000.00				
Total	1,228.5		81	58.5	58.5

The placement of the international tranche shall be the following:

Underwriting Entities	Class A Notes	Class B(G) Notes	Class C Notes	Class D Notes	Class E Notes
Depfa		50			
Société Générale		298.5			
Banca Imi, S.p.A.		25.0			
Total		373.5			

The BANK and Société Générale shall receive an underwriting and placement fee over the face amount that each of them has insured by the National Tranche Management, Underwriting and Placement Agreement described in Chapter V. This fee will be equal to the following percentages: 0.010% over the face amount of the Class A, 0,020% over the face amount of Class C, 0,030% over the face amount Class D and 0,040% over the face amount of Class E. The total management and underwriting fee will be of one hundred eighty thousand Euro (€ 180,000).

Société Générale, Depfa and Banca Imi, S.p.A. shall no receive any fee regarding the International Tranche Underwriting and Placement Agreement.

Payment of said fees shall be for the charge of the Fund.

Initially the BANK has no the intention of subscribing any Note.

II.19.2 Issue Managing Entities

The BANK and Société Générale have been appointed by the Management Company as managing entities (hereinafter, each of the “**Managing Entity**” and both the “**Managing Entities**”) of the Note placement.

The BANK has been appointed Managing Entity of the Note placement. We enclose below the signed statement of the individual with enough representative powers, which is also enclosed hereto as **Schedule 5**.

Mr. José Antonio Álvarez Álvarez, for and on behalf of BANCO SANTANDER CENTRAL HISPANO, S.A. as Management Entity, with address at Santander, Paseo de Pereda 9.12, duly empowered for that purpose and in connection with the incorporation of the Asset Securitization Fund FTPYME Santander 2 and securities issue for an amount of one thousand eight hundred million (1,800,000,000) Euro,

REPRESENTS

- I. That the necessary check-ups have been carried out in order to prove veracity and comprehensiveness of the Prospectus’ contents.*
- II. That as a result of those check-ups there are no circumstances in conflict with or altering the information contained in the Prospectus, and that the latter does not omit information or significant events that might be relevant for the investor.*

In witness whereof, I issue this document in Madrid, on October 11, 2004.

BANCO SANTANDER CENTRAL HISPANO, S.A.

By Mr. José Antonio Álvarez Álvarez

Likewise, Société Générale has been appointed by the Management Company as Managing Entity for the Note placement. We enclose below the signed statement of the individual with enough representative powers, which is also enclosed hereto as **Schedule 5**.

Mr. Alvaro Huete Gómez and Mr. Demetrio Salorio Simonet, for and on behalf of Société Générale Sucursal en España., as Management Entity, with address at Plaza Pablo Ruiz Picasso 1, duly empowered for that purpose, and in connection with the incorporation of the Asset Securitization Fund FTPYME Santander 1 and the securities issue for an amount of one thousand eight hundred (1,800,000,000) Euro

REPRESENT

- I. That the necessary check-ups have been carried out in order to prove veracity and comprehensiveness of the Prospectus’ information.*
- II. That, as a result of these check-ups, there are no circumstances in conflict with or altering the Prospectus information, and that the latter does not omit significant facts or information that may be for the investor’s concern.*

In witness whereof I issue this document at Madrid, on October 11, 2004.

Mr. Alvaro Huete Gómez

Mr. Demetrio Salorio Simonet

II.19.3 Entities insuring the issue, with description of the relationship features or of the Underwriting Agreement, guarantees required from the issuer or offeror, kind of registries assumed, kind of consideration the insurer undertakes in case of default and remaining relevant elements.

The Management Company shall enter, for and on behalf of the Fund, a National Tranche Management, Underwriting and Placement Agreement (as defined in section V.4.1 hereof) with the BANK and Société Générale and an International Tranche Management, Underwriting and Placement Agreement (as defined in section V.4.1) with Société Générale, Depfa and Banca Imi S.p.A., by which said Entities shall freely award the Notes for the amounts set for each of them in said agreements and they shall jointly undertake, upon the Subscription Period close, to subscribe on their own behalf the Note amount outstanding subscription under their respective underwriting commitment.

The Underwriting Entities of the Note issue shall undertake the duties contained in the National Tranche Management, Underwriting and Placement Agreement and in the International Tranche Management, Underwriting and Placement Agreement and that will basically be the following: 1) joint commitment to subscribe the Notes that were not subscribed once the Subscription Period is closed, up to the amounts set forth for each Underwriting Entity in the agreement itself; 2) seeking placement in subscription by third parties of the Note issue; 3) payment to the Payment Agent by Société Générale, Depfa Bank and Banca Imi, S.p.A., on the Disbursement Date with value that same date, of the face amount insured by every one of them, the Payment Agent subsequently paying to the Fund, before 15:00 hours of that same date, with value that same date, the total amount for the Note issue subscription, deducing the addition of the underwriting and placement total fee; and 4) delivery to subscribers of a document evidencing the subscription should they request so.

The National Tranche Management, Underwriting and Placement Agreement and the International Tranche Management, Underwriting and Placement Agreement shall be terminated with full rights in the event that the Rating Agent did not confirm before the start of the Subscription Period as final the ratings given with an interim nature to each of the Class.

II.19.4 Placement pro rating, form of the same, date of performance, way to publish its results and, as the case may be, return to applicants of amounts paid exceeding the awarded securities, as well as the relevant compensations for interest.

Not applicable

II.20 Term and provided way for delivery to subscribers of the certificates or documents evidencing the securities subscription

The Notes shall be incorporated as such by their registration in the relevant accounting registry, pursuant to Royal Decree 116/1992, of February 14, about Securities Representation by means of Book Entries and Clearing and Settlement of Stock Transactions (hereinafter, the “**Royal Decree 116/1992**”), with the usual terms and procedures in the entity in charge of the same, Iberclear.

The Underwriting Entities shall deliver a document evidencing the subscription of the subscribers of the allocated Notes and the effective amount that they have disbursed for said subscription, to the subscribers of the Notes that requested so, in a period not longer than five (5) days since the Disbursement Date. Said evidencing document shall not be considered a security and its validity shall be limited until the date of the relevant entry in the relevant registry of entries.

II.21 Spanish legislation under which the securities are generated and competent legal bodies in case of litigation

The Fund’s incorporation and the Note issue (regarding their terms and conditions) is subject to the Spanish Law and in particular to (i) the Order of December 28, 2001, amended by Order ECO/1064/2003, of April 29; (ii) the Royal Decree 926/1998 and the provisions thereof, (iii) the Act 19/1992 regarding what is not included in Royal Decree 926/1998 and while it is applicable, (iv) the Securities Exchange Act as regards the surveillance, inspection, sanctioning thereof and and to any other relevant extent and (v) the remaining legal and statutory provisions in force applying at each time.

The questions, discrepancies, litigation and claims that may arise due to the Fund’s incorporation and the Note issue with charge to the same pursuant to the provisions of the Deed of Incorporation (regarding their terms and conditions) shall be acknowledged and solved, with express waive of the jurisdiction any of the parties may be entitled to, by the Courts and Tribunals of Madrid (capital).

The International Tranche Management, Underwriting and Placement Agreement shall be subject to English Law and the jurisdiction of the English Courts.

II.22 Personal deposit over the income inherent to the offered securities, distinguishing between resident and non-resident subscribers

Enclosed below is an extract of the applicable tax regime to the investments inherent to this offer, for the purpose of which only the current state legislation and the general aspects that may concern investors are taken into account. The investors must bear in mind their possible special tax conditions, such as the limited territorial application rules and those of the current legislation at the time of obtaining and declaring the relevant incomes.

II.22.1 Individuals or legal persons residents of Spain

a) Individual Persons Income Tax

Profit obtained by Note holders having the condition of taxpayers by the Individual Persons Income Tax, once admitted to listing in the AIAF Secondary Market, both as interest and with the occasion of the transfer,

reimbursement or repayment of the same, shall be deemed to be asset capital profits by assignment to third parties of own capitals under the terms of section 23.2 of the Royal Decree Legislative 3/2004, of March 5, whereby the Consolidated Text of the Act on Individual Persons Income Tax has been approved (hereinafter, the “**Royal Decree Legislative 3/2004**”).

In the event of transfer, reimbursement or repayment of the Notes, profit shall be calculated as the difference between the transfer value, less any relevant expenses, and the acquisition cost, increased, in turns, with any relevant expenses.

The profit obtained shall be reduced by forty percent (40%) if the generation term is longer than two (2) years.

The management and deposit expenses, excluding those referred to the discretionary and individual management of portfolios, shall be deducted in order to calculate the net profit on moveable property of the Notes.

Said profits shall be subject to withholding on account of Individual Persons Income Tax of the receivers, pursuant to the provisions of Royal Decree 1775/2004, of July 30, approving the Regulations for Individual Persons Income Tax regarding withholdings and deposits on account, pointing out the following:

- Capital profits inherent to the assignment to third parties of own capitals are subject, in general, to withholding at the rate of fifteen percent (15%).
- However, there is no duty to withhold over profits inherent to financial assets transfer or reimbursement with a explicit profit meeting the following requirements (as provided by this issue):
 - a) Being represented by book entries
 - b) Being traded in a Spanish securities official secondary market.

However, for transfers of Notes carried out within 30 days prior to the maturity of the coupon, the portion of the price equivalent to the accrued interest shall be subject to withholding tax, when the following requirements are met:

- a) The acquirer is an individual or corporate person non-resident in Spain or required to pay Companies Income Tax.
- b) The explicit interest arising from the transferred securities is exempted from any withholding in connection with the acquirer.

b) Companies Income Tax

The Notes profits obtained by entities deemed as Companies Income Tax taxable persons shall be included in the taxable basis of the Companies Income

Tax in the way provided by Royal Decree Legislative 4/2004, of March 5, whereby the Consolidated Text of the Act on Companies Income Tax has been approved (hereinafter, the “**Royal Decree Legislative 4/2004**”).

Said profits shall be subject to withholding on account of the Companies Income Tax by the receiver, pursuant to the provisions of Chapter II, Title VII of Royal Decree 1777/2004, of July 30, approving the Regulations for the Companies Income Tax. However, the Regulations set forth that said profits shall be exempt of withholding, providing they meet the following requirements –as provided by this issue- and pursuant to the procedure set forth for that purpose by the Ministry of Finance, nowadays ruled in the Ministerial Order of December 22, 1999 (BOE of December 20, 1999):

- 1) That they are represented by book entries
- 2) That they are traded in a Spanish official securities secondary market.

II.22.2 Individuals or legal persons non residents of Spain

Profit obtained by Note holders having the condition of taxpayers by the Income Tax of Non Residents, both as interest and with the occasion of the transfer, reimbursement or repayment of the same, shall be deemed to be profits obtained in Spain, with or without a permanent address, under the terms of section 13 of the Royal Decree Legislative 5/2004, of March 5, whereby the Consolidated Text of the Act on Income Tax of Non Residents has been approved (hereinafter, the “**Royal Decree Legislative 5/2004**”).

a) Profit obtained by permanent address

The Notes profits obtained by a permanent address in Spain shall pay pursuant to the rules of Chapter III of said Royal Decree Legislative 5/2004, notwithstanding the provisions of the Covenants to avoid double taxing that Spain has signed and that may determine not taxing on the relevant profits or the application of reduced rates. Said profits shall be exempt of withholdings on account of the Income Tax of Non Residents under the terms indicated above for taxable persons by the Spanish Companies Income Tax.

b) Profits obtained with no permanent address

Notes profits obtained by individuals or entities non resident of Spain acting, for that purpose, with no permanent address, shall pay pursuant to the rules of Chapter IV of the Royal Decree Legislative 5/2004, of which regime the following items might be pointed out, notwithstanding the provisions of the covenants to avoid double taxing signed by Spain and that might determine no taxing on the relevant profits or the application of reduced rates:

- Taxable base shall be quantified over the full amount of the profit obtained, calculated pursuant to the rules of the Royal Decree Legislative 3/2004, the reductions of said Act not applying for that purpose. In the event of transfer, reimbursement or repayment

accessory purchase or sale expenses shall be taken into account for profit calculation, provided they are duly supported. Taxation shall be separate for every full or partial profit accrual subject to lien. There can be no compensation whatsoever among the profits.

- In general terms, the tax shall be calculated applying to the above taxable base the general tax rate, that currently is fifteen percent (15%).

Profits obtained from the Note issue hereof by individuals or entities non resident of Spain acting, for that purpose, with no permanent address, shall be exempt when the receiver is resident of another Member State of the European Union or a permanent address of said resident located in another State member of the European Union different from Spain.

Likewise, profits inherent to said Notes transfer in Spanish official securities secondary markets obtained by individuals or entities non resident of Spain and with no permanent address in the Spanish territory shall be exempt, when they are residents of a State with a covenant with Spain to avoid double taxation with an exchange of information clause.

In no case shall the exemptions referred to in the two (2) paragraphs above apply when profits are obtained through the countries or territories statutorily rated as tax havens.

The aforementioned profits shall be subject to withholding on account of Income Tax of Non Residents, except in the cases when tax payment or origin of the exemption are evidenced. The withholding amount shall be equivalent to the payable tax pursuant to the criteria described in this section.

Likewise, profits arising of the transfer or reimbursement of the Notes shall be excluded of withholding in the same cases referred to above for the passive subjects of the Personal Persons Income Tax, notwithstanding the obligation of declaring and paying the tax pursuant to the general rules.

Withholding exclusion or the application of reduced rates over the Notes interest shall be subject to the procedure established by the Ministry of Finance, which currently is that provided by the Ministry of Finance Order of April 13, 2000.

This shall be the payment procedure provided that financial entities with address or represented in Spain that are depositaries or manage collection of said securities profits participate in the payment procedure.

Pursuant to this rule, at the time of payment of the interest, the company shall apply the general withholding rate set forth for the Individual Persons Income Tax and the Companies Income Tax (currently fifteen percent (15%)) and shall transfer the liquid amount to the depositary entities. The depositary entities evidencing in the established way the right to reduced rates application or the exclusion of their clients withholdings shall immediately receive, for payment of the same, the excess amount withheld.

c) Indirect taxation on the Note transfer.

Transfer of securities shall be exempt from the Transfer Tax and Value Added Tax.

d) Wealth Tax

Note holders as at December 31st of every year that are individuals resident in Spain must include them in the declaration of said tax, for the average trading value of every year's fourth quarter.

Non resident individuals non resident in Spain shall be equally subject to the Wealth Tax, save for the provisions of the double taxation Covenants. However, residents of other European Union countries shall be exempt regarding the Notes the profits of which are exempt from Non Resident Income Tax under the above terms.

e) Death Tax

Note transfer due to death or donation in favour of individuals is subject to the general rules of the Death and Donations Tax except for what is established by Covenants to avoid double taxing. For the cases when the beneficiary is a Company, profit obtained shall be taxed pursuant to the rules of the Companies Income Tax or of the Non Resident Income Tax, depending on the cases.

II.23 Purpose of the transaction

II.23.1 Use of the issue's net amount

The Note issue's net amount shall be fully used for payment of the price for the purchase of Credit Rights assigned by the BANK grouped in the Fund's assets.

II.24 Entities that, as the case may be, are committed to participate in secondary negotiations, providing liquidity by offering a consideration, indicating the reach of their participation and the way to carry it out.

There are no entities committed to participate in secondary negotiation, providing liquidity by offering a consideration.

II.25 Individuals or legal persons who have significantly taken part in the design or advice of the Fund's incorporation in any of the significant information contained in the Prospectus, including, as the case may be, the placement underwriting:

II.25.1 Individuals and legal persons details:

- a) SANTANDER DE TITULIZACIÓN, SGFT, S.A. acts as the Fund's Management Company.
- b) BANCO SANTANDER CENTRAL HISPANO, S.A is the Credit Rights Assigning Entity.

- c) BANCO SANTANDER CENTRAL HISPANO, S.A acts as Managing Entity and Underwriting Entity of the National Tranche placement.
- d) SOCIÉTÉ GÉNÉRALE acts as Managing Entity and Underwriting Entity of the National and International Tranches placement.
- e) DEPFA BANK and BANCA IMI, S.p.A. act as Underwriting Entities of the International Tranche placement.
- f) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A, acts as legal and financial advisor on the transaction's structure.
- g) SQUIRE, SANDERS & DEMPSEY acts as legal advisor on the transaction's structure and of the Managing and Underwriting Entities in the Spanish legislation aspects.

II.25.2 Statement of the Prospectus person in charge on behalf of the Management Company regarding whether it is aware of the existence of any kind of bond (political, labour, family, etc rights) or of financial interest of said experts, advisors, as well as of other participating entities, both with the Management Company itself and with old holders of the assets acquired by the Fund.

In witness whereof I issue this document in Madrid, on September 28, 2004.

D. IGNACIO ORTEGA GAVARA, for and on behalf of SANTANDER DE TITULIZACIÓN, SGFT, S.A., with address at Ciudad Grupo Santander, Avenida de Cantabria, s/n, in Boadilla del Monte (Madrid), and regarding the incorporation of FONDO DE TITULIZACIÓN DE ACTIVOS, FTPYME SANTANDER 2, for an amount of Euro one thousand eight hundred million (€ 1,800,000,000) and in compliance with the provisions of item II.25.2 of Circular 2/1994 of March 16, of the Spanish Securities Exchange Commission developing in turn Royal Decree 291/1992 of March 27.

STATES

That on the date of submission of this Prospectus, BANCO SANTANDER CENTRAL HISPANO, S.A., has a participation of the 89% in the capital stock of the Management Company.

And that there is no other bond or financial interest of experts taking part in the design or advice of the Fund's incorporation, or of some significant information contained in the Prospectus, including the placement underwriting, mentioned in section II.25.1 of the issue's Information Prospectus, neither with the Management Company itself nor with the Credit Rights Assignor, BANCO SANTANDER CENTRAL HISPANO, S.A

*SANTANDER DE TITULIZACIÓN,
SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A.
by Mr. Ignacio Ortega Gavara*

The Management Company's letter with the above statements is enclosed hereto as **Schedule 8.**

II.25.3 Credit Rights Assigning Entity's statements

The BANK's letter as the Credit Rights Assignor with the above statements is enclosed hereto as **Schedule 6.**

CHAPTER III

GENERAL INFORMATION ON THE ASSET SECURITIZATION FUND

III.1 Legal background and purpose of the Fund.

The Fund's incorporation and the Notes issue with charge to the same shall be carried out under the provisions of the Order of December 28, 2001, amended by the Order ECO/1064/2003, of April 29, being ruled by the same Order and (i) by the Deed of Incorporation; (ii) by the Royal Decree 926/1998 and the provisions thereof, (ii) by the Act 19/1992 regarding what is not included in Royal Decree 926/1998 and while applicable; (iv) by the Securities Exchange Act regarding supervision, inspection, sanction thereof and to any other relevant extent; and (v) by the remaining legal and statutory provisions in force at the time.

The Fund shall be a separate capital, with no legal personality and shall be closed by the asset and by the liabilities pursuant to article 3 of Royal Decree 926/1998.

The Fund shall be incorporated with the purpose to be a vehicle to group Credit Rights and to issue Class A, B(G), C, D and E with charge to the same.

The Fund has been promoted by the Management Company, within the framework of an assets securitization transaction, under the Order of December 28, 2001, amended by the Order ECO/1064/2003, of April 29. Said Order foresees the granting of guarantees of the State, that guarantee the fixed-rate securities issues by certain asset securitization funds, in order to improve the mercantile productive activity. The asset securitization funds must fulfil the requirements set forth in section V.3.3. hereof, in order for them to benefit from such guarantee.

Likewise, in order to get the State Guarantee, the BANK has undertaken, by means of the Collaboration Agreement with the *Dirección General de Política de la Pequeña y Mediana Empresa*, a commitment to reinvest the amounts obtained as price of the assignment of the Credit Rights, in loans and credits to small and medium companies (PYME). So, this transaction is framed within a PYMES financing general policy.

Pursuant to the Additional Provision Five of the Law 3/1994 of April 14, adjusting the Spanish legislation regarding credit entities to the Second Banking Co-ordination directive and other amendments being introduced regarding the financial system, amended by Act 44/2002 in case of receivership, bankruptcy or meeting of creditors in connection with the Assignor of the Credit Rights, the 22/2003 Bankruptcy Act, of July 9, (hereinafter, "Act 22/2003") shall apply.

III.2 Fund's full denomination and, as the case may be, provided brief or commercial denomination for identification of the same or of its securities in secondary markets.

The Fund's denomination is FONDO DE TITULIZACIÓN DE ACTIVOS, FTPyme SANTANDER 2.

III.3 Fund's management and representation and of the holders of securities issued with charge to the same.

III.3.1 Description of functions and liabilities undertaken by the Management Company in the Fund's management and representation and in that of the holders of securities issued with charge to the same.

The Fund's management and legal representation falls on the Management Company under the terms provided by Royal Decree 926/1998 and remaining applicable regulations, notwithstanding the provisions of the Deed of Incorporation.

The Management Company, in its capacity as manager of other parties' business, also undertakes representation and defence of the Notes holders' interests. Therefore, the Management must at all times look after the Note holders' interests, subjecting its actions to defence of the same and submitting to the provisions statutorily established for that purpose.

To that end, the Management Company shall be liable for the Note holders and remaining creditors for all damages caused by default in its legal duties or in the provisions of the Deed of Incorporation. Further it shall be liable in the applicable sanctioning order, pursuant to the provisions of the Act 19/1992.

Note holders shall have no action against the Management Company, other than by default in its legal functions or in those established by the Deed of Incorporation.

III.3.1.1. Management Company actions

The Management Company's actions for fulfilment of the Fund's management and legal representation function are, for information purposes and notwithstanding other actions provided by this Prospectus, the following:

- (i) The Management Company shall open a bank account (hereinafter, the "**Cash Account**") for the Fund, initially with the Bank, provided that the Bank's short term rating does not downgrade below A-1 (according to S&P Rating Services' scale).

In the event that, during the term of the issuance, the rating of the Bank's short term debt downgrades below A-1 (according to Rating Services's scale), the Management Company shall move the Fund's Cash Account to an entity the short term debt of which has, at least, an A-1 rating, and shall contract the maximum profitability possible based on its balance, which profitability may be different from the one contracted with the Bank, within thirty (30) Working Days from the date such situation arose. As a consequence thereof, the Bank shall cease the re-investing upon the funds of the Cash Account being moved to the new entity. The Management Company may later move the Cash Account back to the Bank, if the Bank's short term debt upgrades again to the A-1 rating, as per the scale abovementioned (all of the above in accordance with the provisions of section V.3.1 of this Prospectus).

- (ii) To exercise the rights inherent to the Fund's Credit Rights holding and, in general, to carry out all management and provision actions necessary for the proper performance of the Fund's management and legal representation;
- (iii) To perform the financial management of the assets with diligence and accuracy, notwithstanding the management functions undertaken by the Assignor as Manager pursuant to the provisions of section IV.2 hereof and to carry out accountancy with due separation between the Management Company and the Fund;
- (iv) To check that the income amount effectively received by the Fund matches the amounts the Fund must receive pursuant to each of the Credit Rights conditions and to the conditions of the different agreements;
- (v) To validate and control the information it receives from the Manager (as defined in section IV.2.1 hereof) on the Loans, both regarding collection of standard fees, principal amount early cancellations, payments received from unpaid fees and situation and control of bad debts;
- (vi) To calculate available funds and fund movements it will have to make once they have been applied pursuant to the relevant payment priority, ordering fund transfer between asset and liabilities accounts and the relevant payment instruction, including those appointed in order to satisfy the Note financial service.
- (vii) To calculate and settle the amounts that for interest and fees it must receive and pay for the different asset and liabilities financial accounts, as well as the fees to be paid for the different agreed financial services and the amounts that for principal amount reimbursement and for interest each of the Note Class must get;
- (viii) In the event that ratings to BSCH debt appointed by the Rating Agent at any time in the life of the Notes, should go under the ratings set forth in the Cash Account Guaranteed Interest Rate Reinvestment Agreement, Swap Agreements, Liquidity Facility and Management, Underwriting and Placement of the Issue, to carry out the actions provided in connection with these Agreement described in sections V.3 and V.4 hereof;
- (ix) To meet its calculation duties provided by this Prospectus and by the different agreements connected to the Fund's incorporation and described in section V.3 hereof;
- (x) To closely follow up the Manager's actions for recovery of bad debts, giving instructions, where applicable, to file the execution proceeding and, as the case may be, on the position to take in property auction. To exercise the relevant actions when circumstances so requiring occur;

- (xi) To keep the Fund's accounts with due separation of the Management Company itself; to carry out account submission and to meet the tax duties or of any other legal order the Fund should carry out;
- (xii) To provide the holders of Notes issued with charge to the Fund, the CNMV, the *Dirección General del Tesoro y Política Financiera*, the *Dirección de Política de la Pequeña y Mediana Empresa* and the Rating Agent all the information and notices provided by the current law and, in particular, those included in the Deed of Incorporation and in this Prospectus;
- (xiii) In order to enable the Fund's operation under the terms provided by the Deed of Incorporation, in this Prospectus and in the regulations in force at the time, to extend or amend the agreements entered into on behalf of the Fund, to replace each of the Fund's service suppliers in terms of the same and even, if necessary, to enter into additional agreements, including new facility agreements, all of its subject to the legislation in force at the time, to the prior authorisation, if necessary, of the CNMV or competent administration body and to notifying it to the Rating Agent, and provided said actions do not involve a decrease of the Notes rating and do not go against the Note holders interests. Any amendment of the Deed of Incorporation shall be previously notified to the Rating Agent, shall be formalised in a public deed and shall be notified to the CNMV in order to inform the public as a relevant event or supplement of the Prospectus.
- (xiv) To appoint and replace, as the case may be, the account auditor carrying out the Fund's annual accounts audit;
- (xv) To prepare and submit to the CNMV and to the competent bodies all the documents and information that must be submitted pursuant to the provisions of the current regulations, of the Deed of Incorporation and of this Prospectus, or that requested from it, as well as to prepare and forward to the Rating Agent [●] the information they may reasonably require;
- (xvi) To make the appropriate decisions in connection with the Fund's settlement, including the decision of the Note issue early maturity and Fund settlement pursuant to the provisions hereof;
- (xvii) As the case may be, to duly inform the *Dirección General del Tesoro y Política Financiera* of the amount the State must pay in terms of the guarantee granted, as well as of the remaining Management Company's duties inherent to granting of the State Guarantee and, as the case may be, to enforce the Guarantee.
- (xviii) Not to carry out actions that may deteriorate the Notes rating and trying to take the measures at its reasonable reach for the Notes rating not to be adversely affected at any time.
- (xix) To manage the Fund in order to its net worth is always null.

III.3.1.2. Management Company diligence level

a) Diligence Level

The Management Company shall perform its activity with the diligence requested pursuant to Royal Decree 926/1998, representing the Fund and defending the Note holders interests and the remaining Fund creditors interests as if they were its own, optimising the diligence, information and defence of interests levels and avoiding situations involving conflict of interests, giving priority to the Note holders interests and remaining Fund creditors interests against its own. The Management Company shall be liable before the Note holders and remaining Fund creditors for all damages caused due to default in its duties. It shall also be liable in the applicable sanctioning order pursuant to the provisions of Act 19/1992.

b) Availability of means

The Management Company has the necessary means, including appropriate computer systems, to perform the Fund's management functions under Royal Decree 926/1998.

c) Code of behaviour

The Management Company shall fulfil the applicable code of behaviour.

The Management Company has an Internal Code of Behaviour in application of the provisions of Chapter II of Royal Decree 629/1993 of May 3rd, on rules for action of securities exchanges and compulsory registrations of which the CNMV has been informed.

d) No conflict

The Management Company may act as the Fund's Management Company, as well as of any other securitization fund, the simultaneous management of the same not involving in any way a breach of its diligence duties as Management Company of the Fund or of other securitization funds.

III.3.1.3 Management Company's replacement

The Management Company shall be replaced in the Fund management and representation pursuant to the provisions statutorily set forth for that purpose. Thus, pursuant to the provisions of sections 18 and 19 of Royal Decree 926/1998, Management Company's replacement shall be made according to the following procedure:

- (i) The Management Company may waive its functions when it so deems appropriate and voluntarily request its replacement, by means of a written document addressed to the CNMV stating the replacement management company.

This document shall enclosed the new management company's document duly authorised and registered as such with the CNMV special registries where the latter states its disposition to accept this function and issues the relevant authorisation. The CNMV must approve the Management Company's waiver and the appointment of a new management company as the Fund's Management Company. Under no circumstances may the Management Company waive its functions while all requirements and measures necessary in order for the replacement company to fully undertake its functions in connection with the Fund have been met. The Management Company may neither waive its functions if due to said replacement the rating given to each of the Note Class issued with charge to the Fund would decrease. All expenses generated as a result of said replacement shall be either for the Management Company's account or, in its default, for the new management company's account. In no case may they be charged to the Fund.

- (ii) In the event that the Management Company incurs any of the causes for winding up foreseen in number 1 of section 260 of the Companies Act, the Management Company will be replaced. The Management Company shall inform the CNMV of any of these causes happening. In this case, the Management Company shall be under the obligation to meet the provisions of section (i) above prior to its winding up.
- (iii) In the event the Management Company is declared under receivership, bankruptcy or meeting of creditors, or its authorisation was cancelled, it must appoint a replacement management company. Replacement must be effective before a four (4) month term is over since the date when the event determining the replacement. Should the Management Company had not appointed a new management company, the Fund shall be early settled and the Notes repaid, for the purpose of which the proceedings provided by section III.8 hereof must be filed.
- (iv) Rating Agent must be informed of the Management Company's replacement and of the new management company's appointment, approved by CNMV pursuant to the provisions of the above paragraphs. This information will be published within a fifteen (15) day term by an advertisement in two Spanish newspapers and in the AIAF Market official gazette.

The Management Company undertakes to grant the necessary public and private documents in order to make its replacement by another management company pursuant to the provisions of the above paragraphs. The replacement management company must be surrogated in rights and duties that, in connection with this Prospectus, the Management Company has. The Management Company must also provide the new management company with all the documents and accounting and computer registries it has relating to the Fund.

III.3.2 Management Company's remuneration schedule for performance of its functions.

The Deed of Incorporation will determine that the Management Company will be entitled for:

- (i) a Management Fee to be paid on the Disbursement Date and in just one time equal to a hundred and fifty thousand Euro (€ 150,000)
- (ii) on each Payment Date, a Periodical Management Fee equal to 0.025% yearly, with a minimum seventy thousand (70,000) Euro per year and maximum three hundred thousand (300,000) Euro per year that shall accrue on the effective days of each Interest Accrual Period, it shall be quarterly paid on each of the Payment Dates and shall be calculated on the addition of the all Classes of Notes Outstanding Amount Balance, on the first date of the Fixing Term prior to the relevant Payment Date. The fee accrued since the Fund's Incorporation Date until the first Note Payment Date shall be proportionally adjusted to the days passed between both dates, being calculated on the face amount of the Notes issued.

Calculation of the Periodical Management Fee to be paid on a certain Payment Date shall be made pursuant to the following formula:

$$A = B \times 0,025\% \times \frac{d}{365 \times 100}$$

Where:

A = Fee to be paid on a certain Payment Date

B = Addition of all Classes Notes Outstanding Balances, on the Fixing Date for that Payment Date.

d = Number of days passed during each Interest Accrual Period.

If the Fund, through its Management Company, due to not having enough liquidity, did not pay on a Payment Date the whole fee due, the unpaid amounts shall accrue an annual interest equivalent to the weighted average interest rate applicable to the Credit Rights portfolio during the quarter immediately prior to each Payment Date, less a 2.50% margin with a minimum of zero.

All payment to third parties for standard expenses (such as audit, advertising and maintenance of the Notes rating) and extraordinary expenses relating to the Fund's management shall be directly made by the Management Company notwithstanding its right to be repaid by the Fund provided the Fund has enough cash and pursuant to the priority order provided by section V.5.2.1.2 hereof.

III.4 Fund's wealth value and brief description of the assets and liabilities determining said value, both at their origin and once its operation starts. Incorporation expenses. Periodical expenses charged to the Fund and income inherent to its operation.

The Fund will constitute a separate capital, with no legal personality and will be closed by the assets and by the liabilities, pursuant to section 3 of Royal Decree 926/1998.

At the Incorporation Date the Fund is comprised, regarding its assets, by the Credit Rights and the Reserve Fund described in section V.3.5 hereof and, regarding liabilities, by the Notes and the Subordinated Loan for Initial Expenses described in section V.3.2 hereof, so the Fund's net worth is null.

Additionally the Fund arranges for the Swap, the State Guarantee and the Liquidity Facility that shall be shown in memorandum accounts.

Wealth items comprising the Fund's assets and liabilities, and the risk and service coverage transactions arranged on account of the same are described below in this section.

III.4.1 Fund's Net Worth

III.4.1.1 Assets

a) At origin

On the Incorporation Date, the Fund shall have as main assets:

- * The face amount of the Credit Rights assigned by the BANK and grouped into the Fund.
- * The Cash Account balance comprised by the amounts obtained from the Subordinated Loan for Initial Expenses granted by the BANK and described in section V.3.2 hereof.
- * Activated initial expenses.

b) As a result of the Fund's operation

As of the Incorporation Date and after the Disbursement Date , the Fund shall have as main assets:

- * The amounts accrued by the Loans principal amount repayment.
- * The standard nominal interest rate accrued on the Credit Rights calculated at the Loans nominal interest rate.
- * Nominal interest for delay accrued on the Credit Rights, calculated at the interest rate for delay applied to the Loans.
- * The net amounts to be received, as the case may be, by the terms of the Interest Financial Swap described in section V.3.4 below.
- * Any amounts or assets received by judicial or notarial execution of the Loans guarantees or by the sale or exploitation of the properties awarded to the Fund as execution of the mortgage guarantees, or as management and interim possession of the property (under execution process), acquisition at breakout sale price or amount defined by court decision.

Likewise all the possible rights or compensations that may result in favour of the BANK, including those inherent to any right supplementing the Loans and, in particular, all the fees provided by the Loans that were paid by the Debtors.

- * The amounts composing the Reserve Fund.
- * The remaining balances of the Cash Account described in section V.3.1 hereof and the relevant interest accrued.
- * As the case may be, the amounts received charged to the Guarantee or the amounts drawn down charged to the Liquidity Facility described in sections V.3.3 and V.3.6 respectively.
- * Unpaid activated initial expenses.
- * Fund's settlement and termination expenses.
- * Any amounts belonging to the Fund inherent to other agreements entered into by the Management Company on behalf of the Fund.

III.4.1.2 Liabilities

a) At origin

On the Incorporation Date, the Fund shall have as main liabilities:

- * The amount to be paid by the Credit Rights acquisition.
- * The Subordinated Loan for Initial Expenses granted by the BANK described in section V.3.2 hereof.

b) As a result of the Fund's operation

As of the Disbursement Date, the Fund shall have as main liabilities:

- * The Class A, B(G), C, D and E Notes Principal Outstanding Balance pursuant to the provisions of Chapter II hereof.
- * The unpaid balances of the Subordinated Loan for Initial Expenses.
- * The net amounts to be paid, as the case may be, under the terms of the Financial Swap described in section V.3.4.
- * The amounts, as the case may be, drawn down charged to the Guarantee outstanding return described in section V.3.3.
- * The amounts, as the case may be, drawn down charged to the Liquidity Facility outstanding return described in section V.3.6.

- * Interest, fees and remaining expenses set forth in the different transaction agreements, as well as any other the Fund may incur.

III.4.2 Fund income inherent to its operation

The Fund shall have the following income deposited in the Cash Account that may be used on a certain Payment Date:

- a) The amounts received by repayment of the Credit Rights principal amount on the prior Fixing Term.
- b) The interest, both standard and for delay, belonging to the Credit Rights, calculated at the standard interest rate, or financial charge, or for delay applicable to each of the underlying Loans and collected on the prior Fixing Term.
- c) Profitability obtained on the prior Fixing Date by the amounts deposited in the Cash Account pursuant to the provisions of section V.3.1 hereof.
- d) Fees provided by the Loans paid by Debtors on the prior Fixing Term.
- e) Net amount to be received, as the case may be, under the terms of the Financial Swap described in section V.3.4 or, in case of default by the BANK, the Swap settlement payment.
- f) The amounts drawn down charged to the Subordinated Loan for Initial Expenses.
- h) The drawdowns, as the case may be, on the Liquidity Facility.
- h) Any other amounts the Fund may receive, including those resulting of the sale of properties appointed to the Fund.

The Fund shall also have the amounts drawn down charge to the State Guarantee that shall be deposited in the Cash Account and that may be applied on a certain Payment Date, only for payment of interest and principal amount reimbursement in case of the Notes early repayment, of the Guaranteed Class Notes or, as the case may be, for reimbursement of the amounts advanced for payment of interest drawn down charge to the Liquidity Facility.

III.4.3 Expenses for the charge of the Fund.

The Management Company shall pay charged to the Fund, being reimbursed pursuant to the payment priority order provided by section V.5.2.1.2 hereof, all the necessary (regular or extraordinary) expenses for its operation. For mere information purposes the Management Company shall pay for the following expenses, both initial and regular.

- * All the expenses inherent to the Fund's incorporation and those inherent to the compulsory assessments, registrations and government authorisations.

- * Expenses inherent to official advertising by the Notes subscription offer.
- * Expenses inherent to the preparing and execution of the Deed of Incorporation hereof and of the agreements, as well as the fees and expenses included in the same.
- * Fees of the Rating Agent S&P España for the Note rating and maintenance of said ratings.
- * Expenses inherent to the Note issue and repayment.
- * Expenses relating the Notes account book keeping by their representation by book entries and listing with the AIAF.
- * Expenses inherent to the Credit Rights and Fund remnant assets sale for settlement of the same.
- * Necessary expenses to request the Loans enforcement.
- * Expenses inherent to the Fund's and Credit Rights' management.
- * Fees charged to the Fund by the service and financial agreements entered into.
- * Expenses inherent to advertisements and notices relating to the Fund and/or the Notes.
- * Audit and legal advice expenses.
- * In general, any other expenses of the fund or the Management Company for and on behalf of the same.

The Fund's incorporation and issuance initial expenses estimate is detailed in section II.14 hereof.

The Value Added Tax (VAT) the Fund had paid may be a deductible expense for the purposes of the Companies Income Tax to the extent that it cannot be deducted for the VAT purposes and it should not be deemed the assets highest value.

III.5 Formulation, checking and approval of annual accounts and remaining Fund's accounting documentation.

III.5.1 Duties and terms provided for the annual accounts and management report formulation, checking and approval.

The Fund's annual accounts shall be subject to annual checking and review by account auditors.

The duration of the Fund's year will be one (1) calendar year, ending on December 31 of each year.

The Management Company will submit to the CNMV the Fund's annual accounts together with the audit report of the same, within the four (4) months following the Fund's year-end closing (that is before May 1st of every year).

The Management Company shall appoint, for a minimum three (3) year terms, the Account Auditor carrying out for that term the Fund's annual accounts audit, informing the CNMV of such appointment.

III.5.2 Duties and terms provided for availability for the public and remittance to the Spanish Securities Exchange Commission of the regular information on the Fund's economic and financial condition.

The Management Company, in the Fund's management and administration, undertakes to quarterly forward to the CNMV, after every Payment Date and as soon as possible, the information described below (with the exception of the information contained in section e) and that will be forwarded yearly) in connection with the Notes, the Credit Rights performance, early repayments and Fund's economic and financial condition.

a) In connection with each of the Notes Classes:

1. Principal Outstanding Balances and percentages each of them represents over the initial face amount of each Class.
2. Accrued and paid interests.
3. Accrued and unpaid interests.
4. Accrued and paid repayment.
5. Average estimate life of each of the Classes Notes by keeping of the Loans Early Repayment Rate as provided by section d) below.

b) In connection with Credit Rights

1. Credit Rights Outstanding Balance.
2. Interests both accrued and collected.
3. Amount of the default fees for the Loans as at the date of said report.

c) In connection with the Fund's economic and financial condition:

Report on the origin and later application of the available funds pursuant to the payment priority order contained in section V.5.2.1.2 hereof.

d) In connection with the Loans' early repayment:

Listing showing the real Average Early Repayment Rate of the Loans.

e) In connection with the Fund's Annual Accounts:

Balance sheet, profit and loss account, management report and audit report within the four (4) months following every year-end closing.

III.5.3 Duty to inform of relevant events.

The Management Company, in order to meet the issue's conditions, undertakes to make the following notices:

a) Standard regular notices.

- a')** Pursuant to the provisions of Section II.10.1.d) the Fund, through the Management Company, within a term going from the Time for Rate Fixing and the three (3) Business Days at most following each Payment date, shall inform the Note holders of the nominal interest rates resulting for each of the Notes Classes for the following Interest Accrual Period following the criteria contained in said Section.
- a'')** Pursuant to the provisions of Sections II.10.3 and II.11.3, quarterly, with a minimum advance of one (1) calendar day of each Payment Date the Fund, through the Management Company, shall inform the Note holders not only of the interest resulting from the five (5) Classes of Notes, together with repayment of the same as applicable, but also:
 - (i) The Credit Rights real Average Early Repayment Rates as at the Fixing Date.
 - (ii) the average residual life for the Notes of the five (5) Classes calculated under the maintenance hypothesis of said real rate, and of early repayment pursuant to the provisions of Section II.12.b, first paragraph; and
 - (iii) the Outstanding Balances (after the repayment to be settled on each Payment Date) for the Notes of each Class and the percentages said Outstanding Balances represent over the initial face amount of the Notes.

Also and if applicable, the Note holders shall be informed of the amounts of interest and/or the Repayment Deficit accrued by the same and unpaid, due to a lack of Available Funds pursuant to the payment priority rules provided by section V.5.2.1.2 hereof.

Notices detailed in this paragraph a'') shall be made pursuant to the provisions of paragraph c) below and the Iberclear shall be also informed of it within a minimum three (3) Business Day term prior to each Payment Date.

b) Extraordinary notices

- b')** By reason of the Fund's incorporation and the Notes issue, the day following the Incorporation Date the Management Company, for and

on behalf of the Fund, shall issue the notice (by the procedure described in section c) below) of the Fund's incorporation and the Note issue together with the annual nominal interest rates, quarterly variable for each of the Note Classes, resulting for the First Interest Accrual Period, all of it pursuant to the provisions of Section II.10 hereof, any calendar day being suitable for it, whether a Business Day or a Holiday (for the purposes of this Prospectus).

b'') Remaining notices

The Fund through its Management Company shall also inform the Note holders of any relevant event that may take place in connection with Credit Rights, Notes, Fund and with the Management Company itself, that may significantly affect the Notes trading and, generally speaking, of any relevant amendment to the Fund's assets or liabilities and also of a possible decision to early repay the Notes for any of the reasons provided by the Information Prospectus. In this event, the Notary Minutes of Settlement and Proceedings referred to in Section III.8.3 of the Information Prospectus shall be submitted to the CNMV.

c) Procedure

Notices to Note holders that, under the above, the Fund must make through its Management Company, must be made as follows:

1. Regular standard notices mentioned in section a) above, by publishing thereof either in the AIAF official gazette or in any other replacing it in future or another one with similar features, or by publishing thereof in a broadcasting newspaper in Spain.
2. Extraordinary notices mentioned in section b) above, by publishing thereof in a broadcasting newspaper in Spain.

Additionally the above notices may be issued by publication in other general broadcasting means.

These notices shall be considered as made on the date of publication, being suitable for it any calendar day, whether a Business Day or a Holiday (for the purposes of this Prospectus).

d) Information to the Spanish Securities Exchange Commission (CNMV)

The Management Company shall inform the CNMV of the publications that both with a standard regular and with a extraordinary nature, are made pursuant to the provisions of the above paragraphs, as well as of any other information required notwithstanding the above.

III.6 Fund's Taxation Regime

We describe below a brief extract of the Fund's general applicable taxation regime and that must be understood notwithstanding the territorial peculiarities and of the

applicable regulations that may apply at the time of obtaining or ordering the relevant profits.

The tax regime applicable to the Asset Securitization Funds is the general regime contained in the Royal Decree Legislative 4/2004 and in the rules developing it, with the specific peculiarities inherent to the provisions of Act 19/1992 of July 7, on the regime for Companies and Real Estate Investment funds and on Mortgage Securitization Funds, by the Act 3/1994 of April 14 and by Royal Decree 926/1998 of May 14, ruling the asset securitization funds and the securitization funds management companies that, in brief, define the following fundamental principles:

- 1) The Asset Securitization Funds are passive autonomous subjects of the Companies Income Tax, subject in taxation to the general regime for determination of the taxable base, as well as to the general rate of the tax of thirty five percent (35%) and to the standard rules on deductions of the rate, loss clearing and remaining substantial items of the tax depiction.
- 2) The movable goods profits for Securitization Funds are subject to the general withholding regime on account of the Companies Income Tax, with the peculiarity the in section 59, k) of the Regulations, approved by Royal Decree 1777/2004 of July 30, it states not subject to withholdings *"the profits of mortgage shares, loans or other credit rights involving income of the Securitization Funds"*.
- 3) Section 5.10 of Act 19/1992 provides that the mortgage securitization funds incorporation is exempt from the item "corporate transactions" thus predetermining subjection to the same.

On its part, section 16 of Royal Decree-Act 3/1993 empowered the Government to *"extend the regime provided for securitization of mortgage shares (...) to other loans and credit rights securitization"*, which empowering was confirmed and extended by the Fifth Additional Provision of the Act 3/1994.

Also Royal Decree 926/1998 provides that to the Asset Securitization Funds, regarding what is not contemplated by said rule, will apply the rules contained in the Act 19/1992 for mortgage securitization funds, while applicable, regarding their particular nature.

Credit Rights transfer to the Fund provided by the Deed, is a transaction subject to and exempt from the Value Added Tax, pursuant to the provisions of section 20.one,18, e) of the Act 37/1992 of December 28.

- 4) Regarding Value Added Tax, the Fund shall be subject to the general rules, with the only particularity that services supplied to the Fund by the Management Company shall be exempt from the Value Added Tax.

III.7 Exceptional cases of amendment of the Fund's deed of incorporation.

The Deed of Incorporation, in terms of the provisions of Royal Decree 926/1998, shall basically have the following contents:

- (i) It shall define the Credit Rights assigned by the BANK to the Fund, the regime provided for management thereof and collection management and, as the case may be, the rules for replacement thereof. It shall also detail the legal and economic-financial rules defining them and the balances, profits, financial flows, collection conditions, maturity dates and repayment systems.
- (ii) It shall accurately define the features of the Notes to be issued, as well as of the credits;
- (iii) It shall set forth the remaining rules the Fund must subject to, defining the transactions the Management Company may carry out on behalf of the Fund with the purpose to increase assurance or regularity in payment of the Notes, to neutralise the differences in interest rates between the assets included in the Fund and the Notes or, generally speaking, to change the financial features of all or some of said assets;
- (iv) It shall establish the rules pursuant to which the Fund's settlement process shall be ruled;
- (v) It shall indicate the Credit Rights Assignor;
- (vi) It shall specify the Fund's temporary life limit as well as its maximum amount;
- (vii) It shall provide the mechanism by which the investors rights shall be safeguarded in case of hidden faults, false statements or negligence concerning the Credit Rights.

In this sense, pursuant to the provisions of section (iii) above, the Deed of Incorporation shall provide that the Fund, through its Management Company, enters into the agreements detailed in section V.3 hereof.

The Fund's Deed of Incorporation may not be amended but for the exceptional cases, when allowed by the current legislation and under legal conditions, with prior notice to the Rating Agent, provided the amendment does not go against the rating given to the Notes by Rating Agent or the Note holders interests. The Deed of Incorporation may also be subject to amendment at the CNMV's request. Any amendment of the Deed of Incorporation will be formalised in a public deed and will be notified to the CNMV in order to inform the public as a relevant event or a supplement of the Prospectus.

III.8 Fund's settlement and extinction

III.8.1 Fund's early settlement

The Management Company is empowered to proceed, with prior notice to the CNMV, to early settle the Fund and thus to early repayment on a Payment Date of all the Note issue in the following cases:

- (i) On the date when the Credit Rights Outstanding Balance is under ten percent (10%) of the Credit Rights initial balance, provided the amount of the sale of Credit Rights outstanding repayment, together with the balance at the time in the Cash Account allows a full cancellation of all outstanding obligations with

the Note holders and respecting the payments prior to these the priority order of which is preferent pursuant to the provisions of section V.5.2.1.2 hereof;

- (ii) When issued Notes are fully repaid.
- (iii) When due to an amendment to the current regulations or to the happening of exceptional circumstances, in the Management Company's opinion there was a substantial alteration or the Fund's financial balance was permanently damaged.
- (iv) In the case provided by section 19 of Royal Decree 926/1998 establishing the duty to early settle the Fund in case four (4) months have passed since an event determining forced replacement of the Management Company takes place, because of the latter being declared under receivership or bankruptcy, and not having found a new management company prepared to undertake the Fund's management.
- (v) When a default in payments showing a serious and permanent unbalance regarding any of the Notes or any of the unsubordinated loans takes place or it is foreseen to take place.
- (vi) Up to thirty six (36) months having elapsed as from the last Credit Rights' maturity.

The Fund's settlement shall be notified in advance first to the CNMV and then to the Note holders, pursuant to section III.5.3.b)b'') and c) hereof, at least thirty (30) Business Days prior to the date where the early repayment is to be made. The early repayment will necessarily take place on a Business Day. Distribution of the available funds of the Fund shall be satisfied pursuant to the following payment priority order, which is different from the payment priority order included in section V.5.2.1.2:

1. Payment to the Management Company of the Fund's ordinary and extraordinary expenses once the reserve for cancellation expenses arising from the Fund's termination has been endowed, as duly justified (including the Periodical Management Fee), payment to the Bank of any extraordinary expenses duly justified and the Management Fee in favour of a third party entity not belonging to the Bank consolidated group, in the event that the Bank is replaced as Manager of the Credit Rights (pursuant to section V.5.3. hereof).
2. Payment to the Bank of the Swap net amount, plus the Swap settlement payment, in the event of termination of the aforementioned Contract for breach of the Fund, represented by the Management Company.
3. Payment of the accrued interest of the Classes A and B(G) Notes, according to the following order: (i) payment of interest due on the Class A Notes on the current Payment Date, (ii) as the case may be, payment of interest accrued on the Liquidity Facility granted by the BANK and reimbursement to the Government of the amounts the Fund had paid because of the Guarantee drawdown for payment of interests of Class B(G) Notes and (iii) once said payments are made, payment of interest due on Notes of Class B(G) on the current Payment Date.

4. Payment of Principal amount of Classes A and B(G) Notes, prorate, and reimbursement of the State Guarantee repaying the Principal of the Class B(G) Notes.
5. Payment of Interest of the Class C Notes.
6. Payment of Principal amount of the Class C Notes.
7. Payment of Interest of the Class D Notes.
8. Payment of Principal amount of the Class D Notes.
9. Payment of Interest of the Class E notes.
10. Payment of Principal amount of the Class E Notes.
11. Payment of the amount owed for termination of the Swap, should this be the case, in the event of the Bank's default.
12. Payment of interest accrued by the Loan for Initial Expenses and repayment of principal amount of the Subordinated Loan, in an amount equal to the aggregated balance required on the prior Fixing Date, of the Reserve Fund.
13. Payment to the Bank of the fixed fee for management of the Credit Rights equal to six thousand (6,000) euro, V.A.T. included.
15. Payment to the Bank of a variable amount as remuneration or compensation for the financial intermediation performed, in an amount equal to the difference existing for the Fund between accountable incomes and expenses on the relevant Payment Date.

Likewise, the settlement will also be notified to Iberclear, AIAF and the Rating Agent.

III.8.2 Fund's extinction

Fund's extinction will take place by (i) Credit Rights grouped in it full repayment, (ii) by the early settlement procedure provided by the above section and in Clause 5 of the Deed of Incorporation, (iii) in the event that the interim rating is not confirmed as final rating before the beginning of the Subscription Term and (iv) arrival of the Legal Maturity Date.

In the event that any of the situations described in the paragraph above takes place, the Management Company will inform of it to the CNMV and will take the relevant actions to the Fund's extinction.

In the event that an extinction case referred to in the section (iii) above, the Fund's extinction and the Notes issue and the Agreements signed by the Management Company, on behalf of the Fund, with the exception of the Subordinated Loan for Initial Expenses, according to which the Fund's incorporation expenses shall be satisfied, will be terminated. Said resolution will be immediately notified to the CNMV and, after one (1) month since the case of resolution of the incorporation of the Fund took place, the Management Company will grant Notary Minutes, that it will

address to the CNMV, Iberclear and the Rating Agent, declaring the Fund's extinction and the reason for it.

III.8.3 Actions for the Fund's settlement and extinction

With the purpose that the Fund, through its Management Company, carries out the Fund's settlement and extinction and, as the case may be, the Fund's early settlement and the early repayment of the Note issue in the cases provided by section III.8.1 above and, in particular, for the Fund to have enough liquidity to meet its payment duties, the Management Company, on behalf of the Fund shall perform some or all of the following actions:

- (i) to sell the Credit Rights for a price that may not be under the market price. To this extent, the Managing Company shall request offers from, at least, five (5) of the more active companies in the relevant assets, and the Managing Company shall not sell such assets at a lower price than that of the best offer received. The BANK shall have a right of pre-emption to acquire said Credit Rights under the conditions set forth by the Management Company. In order to exercise said right of pre-emption the BANK shall have a five (5) Business Days term as of the date when the Management Company informs of the conditions for the Credit Rights sale. The above right of pre-emption does not involve, under no circumstances, an agreement or statement of repurchase of Credit Rights by the BANK;
- (ii) to cancel the agreements that are not necessary for the Fund's settlement process;
- (iii) in the event that the above actions were insufficient or that there were remnant assets, it shall sell the remaining assets of the Fund's assets. The Management Company shall be empowered to accept the offers that in its opinion cover the market value of the asset in question and are paid cash. In order to fix the market value, the Management Company may obtain the appraisal reports it deems necessary.

The Management Company, once the reserve for extinction expenses referred to in number 1 of the payment priority order included in section III.8.1. for early settlement is made, shall immediately apply all the amounts it obtains from the sale of the Fund's assets to payment of the different items, in the relevant way, amount and priority order, as provided above.

In the event that, once the Fund is settled and all payments provided by section III.8.1 for early repayment or the payment priority order provided by section V.5.2.1.2, for any other termination event are made, if there was a remnant, the BANK shall receive it. In the event that the remnant was not a cash amount because it belonged to Credit Rights pending resolution of court or notary's proceedings filed as a result of default in payment by the Debtor of the Credit Right pursuant to the provisions of Clause 6 of the Deed of Incorporation, both its continuation and the produce of its resolution shall be in favour of the BANK.

In any event the Management Company, for and on behalf of the Fund, shall not make the extinction of the Fund and cancellation of its registration with the relevant

government registries until it has settled the Fund's remnant assets and distribution of the Fund's available funds, following the payment priority order provided by section III.8.1 hereof for early settlement or the payment priority order provided by section V.5.2.1.2, for any other termination event.

Once the six (6) month term as of the Fund's remnant assets and the distribution of available funds is over, the Management Company shall grant a Notary Minutes stating (i) that the Fund is extinguished as well as the causes provided by the Deed of Incorporation and by this Prospectus that caused extinction thereof, (ii) the information procedure to the Note holders and the CNMV, and (iii) distribution of the Fund's available amounts following the payment priority order provided by section III.8.1 hereof for early settlement or the payment priority order provided by section V.5.2.1.2. It shall meet the remaining relevant government requirements. The Management Company shall submit said notarial document to the CNMV.

CHAPTER IV

INFORMATION ON THE FEATURES OF THE ASSETS SECURITIZED THROUGH THE FUND

IV.1 Description of the Credit Rights grouped in the Fund

The BANK is the holder, among others, of Credit Rights derived from loans granted to non financial small businesses with address in Spain, corresponding, at least ninety nine percent (99%) of Credit Rights volume and the total volume the Fund is incorporated to loans granted to PYMES with address in Spain, pursuant to the European Commission definition (Recommendation of April 3, 1996), that is, that meet the following requirements: (i) staff under two hundred and fifty (250) employees, (ii) annual turnover under forty million Euro (€ 40,000,000) or a general annual balance under twenty seven million Euro (€ 27,000,000) and (iii) not being held in twenty five percent (25%) or more by a company that cannot be defined as a small business.

The BANK shall transfer the Credit Rights to the Fund, as specified below, in order to take them out of its balance.

Credit Rights are classified, under the guarantee, into Credit Rights Inherent to Mortgage Loans (guaranteed with a real estate mortgage) and Credit Rights Inherent to Non-Mortgage Loans.

Individual and Global Securitization Requirements

- a) All Credit Rights shall individually meet all the individual securitization requirements (hereinafter the "**Individual Securitization Requirements**") detailed below:
- (i) that it is a bilateral loan granted by BSCH to a non-financial small business with address in Spain;
 - (ii) that it is denominated and is to be paid in Euro;
 - (iii) that it is guaranteed by real guarantee (real estate mortgage) or by personal guarantee (bond);
 - (iv) that it accrues interest at a fixed or variable rate referenced in some market index;
 - (v) that it has a maturity date before April 18, 2034;
 - (vi) that, in case they are loans financed by *Instituto de Crédito Oficial (ICO)*, said loan meets the conditions set forth in the agreements entered into between BSCH and said entity;

- (vii) that it has been produced during the ordinary course of BSCH business;
- (viii) that BSCH is its holder, free from charges and claims;
- (ix) that it meets, at the time of granting, BSCH granting policy criteria;
- (x) that it is a loan regarding which BSCH has not received any claim or clearing notice prior to the assignment to the Fund;
- (xi) that Debtor's payments inherent to the loan are not subject to any tax deduction or withholding;
- (xii) that there is no obstacle for free assignment to the Fund;
- (xiii) that it involves a valid and binding payment duty for the Debtor and it is a liability pursuant to its own terms (except for the case of liability limitation due to insolvency);
- (xiv) that at the time of assignment to the Fund the Debtor is not under any meeting of creditors situation;
- (xv) that Credit Rights principal amount and interest instalments are monthly or quarterly settled and there is no clause allowing deferred payment of interest or principal amount or payment at maturity;
- (xvi) that Credit Right settlement is made by automatic direct debiting authorised by the Debtor at the time of entering into the transaction;
- (xvii) that is governed by the Spanish law;
- (xviii) that it is documented in public deed or in agreement granted by a notary public. BSCH shall keep, as applicable, a first copy of the deed of incorporation or of the notarised agreement;
- (xix) that the initial repayment term is not under one year;
- (xx) that no loan provides a maximum limit in the applicable interest rate;
- (xxi) that no loan has been granted to property developers for construction or rehabilitation of housings and/or commercial premises to be sold;
- (xxii) that all the loans are completely disposed;
- (xxiii) that no person has a preferential right to the Fund regarding the loans;
- (xxiv) that, in the moment of the assignment and regarding the Credit Rights, there are no pending amounts for the loans over thirty (30) days.

Also Credit Rights jointly must meet at the time of the Fund's incorporation the following global securitization requirements (hereinafter the "**Global Securitization Requirements**") which, together with the aforementioned Individual Securitization

Requirements shall be the securitization requirements (hereinafter the "**Securitization Requirements**"):

- (i) that the Loans average weighted maturity is not over fourteen (14) years;
- (ii) that the Credit Rights Outstanding Balance with quarterly instalments is not over fifteen percent (15%) of the Credit Rights Outstanding Balance;
- (iii) that Credit Rights as a whole meet the requirements provided by Order of December 28, 2001, amended by Order ECO/1064/2003, of April 29;
- (iv) that there is no Debtor the representation of whom in the set of Credit Rights assigned is over zero point six percent (0.6%) of the Credit Rights Outstanding Balance;
- (v) that the ten major Debtors do not represent more than six percent (6%) of the Credit Rights Outstanding Balance and, at least, the eight (8) major Debtors have a first rank mortgage security.
- (vi) that the aggregate Outstanding Balance belonging to the five (5) assigned Debtors with the highest representation in the set of Credit Rights is not over three percent (3%) of Total Outstanding Balance;
- (vii) that the aggregate Outstanding Balance belonging to assigned Debtors of the same financial activity sector is not over twenty one percent (21%) of total Outstanding Balance and the second is not over seventeen percent (17%) of total Outstanding Balance;
- (viii) that the aggregate Outstanding Balance belonging to Debtors of the three (3) financial activity sector with the highest representation in the set of Credit Rights is not over fifty one percent (51%) of Total Outstanding Balance;
- (ix) that the aggregate Outstanding Balance belonging to Debtors included in the building and real estate financial activity sectors do not represent united more than thirty eight percent (38%) of Total Outstanding Balance;
- (x) that the principal amount outstanding repayment belonging to Debtors of the Autonomous Community with the highest representation in the set of Credit Rights is not over twenty five percent (25%) of total Outstanding Balance and Debtors of Canarias Autonomous Community do not represent more than 12% of Total Outstanding Balance;
- (xi) that the aggregate Outstanding Balance belonging to Debtors of the three (3) Autonomous Communities with the highest representation in the set of Credit Rights is not over fifty percent (50%) of Total Outstanding Balance.

b) Representations and guarantees of the Credit Rights Assigning Entity.

The BANK as holder of the Loans represents and guarantees to the Management Company, on behalf of the Fund, and to the Underwriting Entities the following:

b.1) In connection with the BANK:

- (1) That the BANK is a credit entity duly incorporated pursuant to current legislation and is registered at the Companies Registry of Santander.
- (2) That the BANK's corporate bodies have validly passed all the necessary corporate agreements for assignment of Credit Rights to the Fund and for granting the Deed of Incorporation, the agreements and complementary commitments undertaken.
- (3) That the BANK is empowered to participate in the Mortgage Market and to grant loans to PYMES and, in particular, to grant all the Loans the Credit Rights of which are assigned by the Deed of Incorporation.
- (4) That neither as at this Prospectus date, nor at any other time since its incorporation has the BANK been under an insolvency, receivership or bankruptcy condition.
- (5) That the BANK has audited accounts for the last three fiscal years with at least one favourable opinion and with no exceptions from the Auditors during the latest fiscal year and that it has deposited the latest fiscal year annual accounts at the CNMV.
- (6) That the BANK has entered into a Framework Agreement of Collaboration with the Ministry of Finance, adjusting to the provisions of the Order of December 28, 2001, amended by Order ECO/1064/2003, of April 29..

b.2) In connection with Credit Rights:

- (1) That Credit Rights exist, are valid and enforceable pursuant to the applicable legislation. That they met for their incorporation all the current legal provisions.
- (2) That a hundred percent (100%) of Credit Rights individually meet all the Individual Securitization Requirements described in section IV.1.a) above.
- (3) That Credit Rights as a whole, at the time of the Fund's incorporation will meet the Global Securitization Requirements described in section IV.1.a) above.
- (4) That BSCH has accurately followed the risk granting policy contained in the Internal Memorandum enclosed hereto as **Schedule 7** in granting of each and every Loan and in acceptance, as the case may be, of subrogation of subsequent lenders in the initial lender position.
- (5) That the information relating to Credit Rights included in the Prospectus accurately reflect its condition as at the date for selection of the portfolio and that it is correct.
- (6) That as of the time of granting or subrogation, as the case may be, Credit Rights have been and are managed by the BANK pursuant to the usual procedures.

b.3) In connection with the Mortgage Loans:

- (1) That each of the Mortgage Loans is guaranteed by real estate mortgage, the mortgaged properties not being under prohibitions to draw down, conditions subsequent or any other limitation to domain.
- (2) That all Mortgage Loans are notarised in public deed and all the mortgages are duly incorporated and registered at the relevant Property Registries. Registration of the mortgaged properties is in force and with no contradictions.
- (3) That the Mortgage Loans are not documented in securities, whether nominative, to order or bearer's securities .
- (4) That the Mortgage Loans are not affected to any issue of mortgage notes or mortgage shares
- (5) That the mortgaged properties in terms of the Mortgage Loans are not under the situation of excluded goods to be admitted as guarantee pursuant to article 31.1.d) of Royal Decree 685/1982.
- (6) That the Mortgage Loans are not among the credits excluded in article 32 of Royal Decree 685/1982.
- (7) That the copies of all mortgage deeds regarding the Mortgage Loans are duly deposited in the files of the BANK, adjusted to that purpose, at the Management Company's request, for and on behalf of the Fund, and all Mortgage Loans are clearly identified, both in computer support and in deeds.
- (8) That it is not aware of any litigation in connection with the Mortgage Loans that may be against the validity of the same or that may give rise to application of article 1,535 of the Code of Civil Procedure, or of the existence of any circumstances that may give rise to the inefficiency of the purchase agreement of the mortgaged property as guarantee of the Mortgage Loans.
- (9) That on the issue date it has not received any notice for early repayment of the Mortgage Loans.
- (10) That it is not aware of any circumstance preventing form legal claim of the mortgage guarantee.

b.4) In connection with the Mortgage Transfer Certificates:

- (1) That CTH are issued under market conditions and, pursuant to the Act 2/1981, Royal Decree 685/1982 with the exception of Section 2, Royal Decree 1289/1991, Additional Provision Five of the Act 3/1994, of April 14, as amended by article 18 of Act 44/2002, of November 22, on Measures for Reformation of the Financial System in terms of which the current legislation applying to mortgage holdings is applied to he CTH issue, regarding everything applicable and remaining applicable legislation, meet all the requirements provided by them.
- (2) That the CTH are issued by the same term remaining until the maturity and by the same interest rate of each of the relevant Mortgage Loan.

- (3) That is not aware of the that fact that any of the Debtor of the Mortgage Loans is being holder of any credit right against the BANK by means of which it is attributed the right to exercise the compensation that could negatively affect to the right attributed to the CTH.
- (4) That, in the issue date, outstanding balance of each Mortgage Loan is equivalent to the amount of capital of the relevant CTH.
- (5) That the Mortgage Loans are not affected to any issue of mortgage loans or mortgage shares, different from the issue of CTH and, up to the issue of these, the Mortgage Loans will be no affected to any issue of mortgage certificates (*cédulas hipotecarias*), mortgage notes, mortgage shares or other CTH.
- (6) That, after the issue of the Notes, the outstanding balance of the mortgage certificates issued by the BANK is not bigger than the ninety percent (90%) of the sum of no repayment amounts of the mortgage loans of its portfolio, deducting those affected to other mortgage securities.

c) Credit Rights assignment.

The preliminary Loan portfolio from where Credit Rights that are going to be assigned to the Fund shall come is comprised by twelve thousand one hundred and sixty six (12,166) Loans with mortgage guarantee, the outstanding capital of which, as at September 27, 2004 amounted to one thousand six hundred and ninety six million two hundred and sixty four thousand six hundred and fifty nine Euro and ninety eight cents (€ 1,696,264,659.98) and seven thousand two hundred and thirty nine (7,239) Loans with personal guarantee, the outstanding capital of which as at September 15, 2004 amounted to two hundred and fifty seven million six hundred and forty five thousand five hundred and thirty three Euro and six cents (€ 257,645,533.06).

The Loans that shall be finally securitized shall have an outstanding capital of one thousand nine hundred and fifty three million nine hundred and ten thousand one hundred and ninety three Euro and four cents (€ 1,953,910,193.04), corresponding to nineteen thousand four hundred and five (19,405) Loans.

c.1) Credit Rights assignment.

Credit Rights assignment, assigned by the BANK at the time of the Fund's incorporation shall be made through the Deed of Incorporation and as described below and distinguishing between Credit Rights inherent to Mortgage Loans and Credit Rights inherent to Non-Mortgage Loans.

1) Assignment of Credit Rights Inherent to Non-Mortgage Loans:

Assignment of Credit Rights Inherent to Non-Mortgage Loans shall be carried out under the Deed of Incorporation, containing the terms required to complete said assignment.

Said assignment shall be full and unconditional and shall be made until full maturity of Credit Rights inherent to Non-Mortgage Loans subject to the assignment.

2) **Assignment of Credit Rights inherent to Mortgage Loans:**

Assignment of Credit Rights inherent to Mortgage Loans shall be carried out by the Deed of Incorporation, containing the terms required to the BANKS' issue of CTH, pursuant to Additional Fifth Provision of the Act 3/1994, of April 14, as amended by Section 18 of the Act 44/2002 of November 22 on Measures for Reformation of the Financial System, in terms of which the current applicable law to mortgage shares is applied to the CTH issue in everything applicable for them, to be subscribed by the Management Company on behalf of the Fund and for them to be grouped into said Fund.

Said assignment shall be full and unconditional and shall be made until full maturity of the Mortgage Loans subject to the assignment.

- **CTH Issue**

At the time of granting of the Deed of Incorporation, the Assignor shall issue Mortgage Transfer Certificates, each of them representing a holding of one hundred percent (100%) of the Credit Rights Inherent to Mortgage Loans Outstanding Balance to the relevant ones.

The Assignor shall issue Mortgage Transfer Certificates subject to the provisions of Additional Provision 5 of Act 3/1994 as amended by section 18 of Act 44/2002, in Act 19/1992 and in the legislation on Mortgage Market (Act 2/1981 of March 25, Royal Decree 685/1982 of March 17 and Royal Decree 1289/1991 of August 2, amending certain articles of said royal decree 685/1982) and remaining applicable provisions, in terms of which the current applicable legislation to mortgage shares is applied to the CTH.

- **Representation of Mortgage Transfer Certificates**

Mortgage Transfer Certificates issued at the Fund's act of incorporation by the Assignor shall be represented in a multiple nominative security containing the minimum captions mentioned in article 64 of Royal Decree 685/1982 of March 17, on Mortgage Market Regulations, amended by Royal Decree 1289/1991 of August 2 (hereinafter the "**Royal Decree 685/1982**").

Both in the cases of having to replace any of the Mortgage Transfer Certificates, pursuant to the Deed of Incorporation, and in case the Management Company, for and on behalf of the Fund, or the BANK, legally claims a Mortgage Loan under a certain Mortgage Transfer Certificate pursuant to the provisions of Clause 6.1.2 of the Deed of Incorporation, as well as, if the fund was early repaid, in the cases and under the terms of Clause 5 of the Deed of Incorporation and section III.8 hereof the sale of said Mortgage Transfer Certificates should take place, the Assignor undertakes to divide into fractions, as the case may be, any multiple security into as many individual or global securities as necessary, to replace it or exchange it in order to achieve the above goals.

- **CTH transfer and registration**

As provided by Royal Decree 685/1982, the CTH may be transferred by written statement in the same security and, in general, by any of the legal means. The acquirer must notify the Assignor of the certificate transfer and of the new holder's address.

The transferor shall neither be liable for the Assignor's solvency nor for the Mortgage Loan Debtor's solvency or for the sufficiency of the mortgage guaranteeing it.

The Assignor, as issuer of the CTH shall carry a special book where it will enter the CTH issued over each Mortgage Loan, as well as the notified transfers of the same, applying to the CTH what article 53 of Royal Decree 685/1982 provides for nominative securities. In the same book it will enter changes of address notified by the CTH holders.

The following data shall also be entered in said book:

- a) Date of the Mortgage Loan opening and maturity, initial amount of the same and way of settlement.
- b) Mortgage registration information

- **Capital Transfers**

Acts of issue, transfer, reimbursement and cancellation of Mortgage Transfer Certificates are exempt of the Capital Transfer Tax pursuant to the provisions of article 71 of Royal Decree 685/1982 of March 17.

3) **Credit Rights assignment price:**

The Credit Rights assignment price shall be at par, that is, the principal amount outstanding repayment of Credit Rights grouped into the Fund as at the Incorporation Date of the same.

The price must be fully paid before 15:00 hours (Madrid time) of the same Business Day, with value on that same date, when the Notes issue is fully disbursed (October 26, 2004) pursuant to the provisions of clause 6.13 of the Deed of Incorporation. Payment shall be made by order issued by the Management Company to the BANK for it to charge into the Cash Account opened with the BANK under the Fund's name, the amount of the price for the Credit Rights purchase.

c.2) Closed nature of the Fund

The Fund shall have the nature of being closed by the asset and by the liabilities, pursuant to the provision of section 3 of Royal Decree 926/1998; so, as of the Fund's incorporation, the asset cannot be modified and, therefore, no new Credit Rights can be transferred to the Fund, neither can the liabilities and, therefore, the Fund cannot issue new Notes.

c.3) Assignor's liability.

The Assignor shall neither be liable for the Debtor's solvency nor for the sufficiency of the guarantee on the Credit Rights.

The Assignor shall only be liable for the existence and legitimacy of the Credit Rights at the time of assignment under the terms and conditions stated in the Fund's Deed of Incorporation, as well as for the capacity it makes the assignment with and the statements of section IV.1.a) regarding Securitization Requirements and section IV.1.b) hereof in connection with the Assignor, the Credit Rights in general and Mortgage Loans in particular and in connection with the CTH.

c.4) Credit Rights Assignment Formalisation

On the Fund's Incorporation Date the Management Company, for and on behalf of the Fund, shall enter into with BSCH the conditions which are necessary to formalise the assignment of Credit Rights Inherent to Non-Mortgage Loans and the issuance and subscription of CTH contained in the Deed of Incorporation.

(1) Purpose

The purpose is assignment to the Fund by BSCH of the Credit Rights on the Fund's Incorporation Date.

(2) Applicable legislation to the assignment of Credit Rights

Credit Rights assignment is ruled under the common Spanish law. Pursuant to the current common Spanish law validity of Credit Rights assignment to the Fund by the Assignor is subject to meeting the following conditions:

- (i) that the Credit Right in question does not forbid assignment of the same, or otherwise, that it has the Debtor's consent and any other necessary authorisation, as the case may be;
- (ii) that all the requirements or conditions that regarding said assignment provides the relevant Loan have been fulfilled or, otherwise, that it has the Debtor's consent and any other necessary authorisation, as the case may be.

Under article 1.527 of the Spanish Civil Code, the debtor that before being aware of the assignment pays the creditor shall be free from the liability. For that purpose, under the Deed of Incorporation, the Assignor must notify (either by itself or by means of a notary) the assignment when necessary or required pursuant to the terms of the Deed of Incorporation, to the respective Debtors within a five (5) Business Day term following entering into the relevant agreement for assignment of Credit Rights, or at any time after if so required by the Management Company and, in any case, in an event of meeting of creditors of the Assignor. Once assignment has been notified to the Debtors, the latter shall only be free from their liabilities by payment to the Payment Agent. Pursuant to article 1.198 of the Spanish Civil Code, the Debtor that has

agreed on the assignment may not charge to the fund the compensation it would have had against the Assignor.

In case the Management Company cancelled the mandate granted to the Assignor as Credit Rights Manager, as mentioned in section IV.2.1 hereof, the former may require from the outgoing Manager to notify the relevant Debtors of the assignment of Credit Rights Inherent to Non-Mortgage Loans and of the CTH Issue, as well as that the payments inherent to the same may only be freeing if they are paid into the relevant account appointed by the Management Company. In case the Assignor had not met the Management Company's requirement within the five (5) Business Days following receipt, the Management Company shall make the aforementioned notice, notwithstanding the contractual liability the Assignor might have incurred as a result of said default.

Regarding assignment of Credit Rights Inherent to Mortgage Loans, the Spanish common law is the naturally applicable law to the assignment, made by the BANK's issue of CTH for full subscription by the Fund, pursuant to the Additional Fifth Provision of the Act 3/1994 of April 14, as amended by article 18 of the Act 44/2002; with Act 2/1981 of March 25 on Mortgage Market Regulations; Royal Decree 685/1981; and remaining regulations in force applicable at the time to transfer and purchase of securities of the mortgage market.

(3) **Credit Rights assignment terms and conditions**

Credit Rights assignment shall be made under the following conditions:

- (i) Assignment shall comprise the capital and interest (ordinary or delay interests) outstanding reimbursement on the Fund's Incorporation Date.

The Credit Rights assignment price is at par, that is, the outstanding capital of Credit Rights grouped into the fund on the date of assignment to the Fund.

- (ii) Assignment to the Fund of Credit Rights shall be full and unconditional and for the full remaining term until maturity of the same.
- (iii) Credit Rights assignment shall also comprise the assignment of any of the real or personal guarantees provided as guarantee of each of the Credit Rights (hereinafter the "**Guarantees**") and of the rights accessory to the same.
- (iv) While the respective Debtor is not notified of the assignment of a Credit Right Inherent to Non-Mortgage Loans, the BANK shall file on its own behalf and on behalf of the Fund the necessary legal actions (including, as the case may be, those regarding Guarantee enforcement) against said Debtor by reason of the Credit Right in question. Once said notice is made, the Management Company (or the empowered attorneys it appoints) must file said actions for and on behalf of the Fund.

- (v) In case that any of the Credit Rights was concerned by a hidden fault due to not adjusting on the Fund's Incorporation Date to the Securitization Requirements provided by section IV.1.a) hereof and the statements contained in sections IV.1.b.2), IV.1.b.3) and IV.1.b.4), as the case may be, or that on that date they do not meet the features informed by the BANK to the Management Company, the party being aware of said circumstance shall notify in writing to the other party. Both parties must, within the five (5) following Business Days, repair the hidden fault or, if said hidden fault cannot be mended, replace the concerned Credit Right by another one or others with total Outstanding Balance equal or under.

Replacement shall be made by the simultaneous termination of the assignment of the Credit Right concerned by the hidden fault and the assignment to the Fund of the Credit Right(s) that must replace it and that when they are Credit Rights Inherent to Mortgage Loans shall be carried out by cancellation of the concerned CTH and issue and subscription by the Fund of the CTH that will replace it. Said assignment shall be made with the Management Company's obligation of submitting to the CNMV by the Cifradoc System the statement that the replacing Credit Right meets all the Securitization Requirements and the computer file with details of the Right's features. The BANK must repay to the Fund any unpaid amounts regarding the replaced Credit Right by deposit in the Cash Account. Also in case that the Outstanding Balance of the replacing Credit Right(s) is under the Outstanding Balance of the replaced Credit right(s), the BANK must reimburse the difference to the Fund, considering the face value, the relevant accrued but not due interests and any other unpaid amounts regarding said Credit Right, by deposit in the Cash Account on the relevant date, instead of applying it to the payment of the Notes.

In case the above replacement cannot take place or does not take place within the said five (5) Business Day term, the Management Company shall terminate the assignment of the Credit right concerned by the hidden fault or shall early repay the concerned CTH. In this case the BANK must reimburse to the Fund the Outstanding Balance of the same, together with the relevant interest accrued and not due, as well as any amounts unpaid and bad regarding said Credit Right by deposit in the Cash Account, instead of applying it to the repayment of the Notes.

- (vi) The BANK shall be liable against the Fund for any damages it suffers as a result of the exercise of the right to compensation by any of the Debtors. The BANK must pay the Fund an amount equal to the amount that would have been subject to compensation by the relevant Debtor plus, as the case may be, the interest accrued by said amount since the date when compensation took place (inclusive) until the date of payment by the BANK to the Fund (exclusive) calculated at the rate provided by the relevant Credit Right.
- (vii) The BANK shall not have any repurchase liability of the Credit Rights save for the provisions of section IV.1.c.4)(3)(v) above.

d) Description of rights that, in favour of their holder, give said Credit Rights over the Loans backing them.

The Fund, as holder of the Credit Rights, shall have the rights acknowledged to the assignor in section 1528 of the Spanish Civil Code.

In particular Credit Rights give the following rights:

- a) the total amounts accrued by the Credit Rights capital or principal amount repayment,
- b) the total amounts accrued by the Credit Rights standard interests,
- c) all the amounts accrued by the Credit Rights interest for delay,
- d) any amounts or assets received by court or notary enforcement of the guarantees or, in the case of Mortgage Loans, by the sale or exploitation of the properties awarded to the Fund as enforcement of the mortgage guarantees, or by the property's interim management and possession (under enforcement process), by acquisition as breakout price or amount defined by court decision, and
- e) all possible rights or compensations that may result in favour of the BANK, including not only those inherent to the insurance policies assigned by the BANK to the Fund, but also those inherent to any right accessory to Credit Rights.

All the above rights shall accrue in favour of the Fund as of the Incorporation Date.

The Fund's rights resulting from Credit Rights are bound to the payments made by Debtors against the Loans and, therefore, they are directly affected by the evolution, delays, early payments or any other incidence on the same.

IV.2 Brief and summarised description of the regime and standard proceedings for management and custody of Credit Rights, paying special attention to the proceedings provided in connection with principal amount or interest delays or defaults in payments, early repayments, mortgage enforcement and, as the case may be, amendment or retrade of Credit Rights.

IV.2.1 Management

The BANK, the Credit Rights assigning entity pursuant to the provisions of section 2.2 of Royal Decree 926/1998, undertakes to carry out custody and management of Credit Rights. Relationships between the BANK and the Fund shall be governed by the provisions of the Deed of Incorporation.

The BANK (hereinafter also, or whoever replaces it, the "**Manager**") shall accept the mandate received by the Management Company and, under said mandate, undertakes the following:

- (i) To carry out management and administration of Credit Rights acquired by the Fund under the terms of the regime and standard management and administration procedures set forth in the Deed of Incorporation;
- (ii) To keep on managing Credit Rights, giving them as much time and care and the same expertise, care and diligence level in management of the same as it would give and exercise in management of its own loans and, in any case, it shall exercise a proper expertise, care and diligence level when supplying the services provided by this Prospectus and by the deed of Incorporation,
- (iii) That the procedures it applies and will apply for the Credit Rights management and administration meet and will keep on meeting the legal rules and regulations in force and applicable,
- (iv) To fulfil instructions the Management Company gives with due loyalty,
- (v) To compensate the Fund for damages that might arise from default in the undertaken duties.

The following sections contain a brief and summarised description of the management and custody standard procedures and regime (hereinafter the "**Services**") of the Credit Rights ruled by the Fund's Deed of Incorporation.

IV.2.2 Duration

The BANK shall supply the Services until, once all Credit Rights have been repaid, all duties undertaken by the BANK in connection with Credit Rights are extinct, notwithstanding the possible early annulment of mandate pursuant to the terms of the Deed of Incorporation.

Both in case of default by the Manager of its duties set forth in the Deed of Incorporation, as by decrease in its credit rating, so that they involve a damage or a risk for the Fund's financial structure or for the Note holders' rights or interest, the Management Company may, if legally possible, file any of the following actions:

- (i) Request the Manager to sub-contract, delegates or is guaranteed in the performance of said duties by another entity which, in the Management Company's opinion, has the proper legal and technical capacity, and provided that it has not a negative effect on the rating of the Notes.
- (ii) In case the above action is not possible, the Management Company must directly undertake Service supply.

The Management Company must bear in mind the Manager's proposals made both over the subcontracting, delegation or appointment of replacement for performance of its duties, as well as over the entity that may guarantee in enforcement of the same.

The Manager, in turn, may voluntarily waive to enforce management and administration of the Credit Rights should it be possible pursuant to the current legislation at the time and provided that (i) it was authorised by the Management Company, (ii) the Management Company had appointed a new Manager, (iii) the

Manager had compensated the Fund for damages caused by the waiver and the replacement, and (iv) no negative impact affected the rating of the Notes.

If for any of the reasons provided by this section the BANK's replacement in its task as Manager of said Credit Rights took place by an entity not belonging to the BANK's consolidated group, the replacement entity shall be entitled to receive a management fee that shall take number 1 in the priority order provided by section V.5.2.1.2 hereof.

IV.2.3. BANK's liability in custody and management

The BANK undertakes to act in custody and management of Credit Rights with due diligence and shall be liable before the Fund, through its Management Company, for any damage inherent to its negligence.

The BANK shall compensate the Fund, through its Management Company, for any damage, loss or expense incurred by reason of default in its custody and/or management of the Credit Rights duties.

IV.2.4 BANK's liability in collection management

The BANK undertakes to act in management collection of the Participated Mortgage Loans with due diligence and shall be liable before the Fund, through its Management Company, for any damage inherent to its negligence.

The BANK under no circumstances undertakes liability in directly or indirectly guaranteeing the transactions' success, and it shall neither grant guarantees or warrants, and it shall neither enter into repurchase agreements of Credit Rights with the exception of those not adjusting to the representations and guarantees contained in section IV.1.a) hereof regarding Securitization Requirements and in section IV.1.b) hereof and in Clause 8 of the Deed of Incorporation and pursuant to the provisions of the same.

IV.2.5 Agreement, deeds, document and file custody

The Manager shall keep all the agreements, copies of deeds, documents and computer registries relating to Credit Rights and the damage insurance policies under sure custody and shall not abandon possession, custody or control of the same if not with the prior written consent of the Management Company for that purpose, unless a document was requested to file proceedings for a Credit Right enforcement.

The Manager shall reasonably provide access, at all times, to said agreements, deeds, documents and registries for the Management Company or for the Fund's Account Auditor, duly authorised by the same. Also and if requested by the Management Company, it shall provide within the five (5) Business Days following said application and free from charges, a copy or a photocopy of any of said agreements, deeds and documents. The Manager shall act in the same way in the event that the Fund's Account Auditor requests for information.

The Manager waives under any circumstances the privileges granted by law in his capacity as the Fund's collection manager and custody of the Loan agreements and, in particular, those provided by sections 1730 and 1780 of the Spanish Civil Code

(regarding pledge of deposited goods) and 276 of the Code of Commerce (guarantee equivalent to the pledge of deposited goods).

IV.2.6 Collection Management

The BANK, as collection manager, shall receive on account of the Fund all the amounts paid by Debtors inherent to Credit Rights, both as principal amount and interest, and for any other reason including fees and insurance policies assigned to the Fund and shall deposit in the Cash Account the amounts belonging to the Fund pursuant to the provisions of section IV.1.c) above, immediately and, in no case, after forty eight (48) hours.

The BANK shall also pay into said Cash Account and within said term the amounts received, as the case may be, from Debtors due to Credit Rights early repayment and belonging to the Fund under the terms provided by section IV.1.e) above.

IV.2.7 Interest rate fixing

In Loans subject to a variable interest rate, the Manager shall keep on fixing said interest rates pursuant to the provisions of the relevant Loans, making the communications and notices set forth for that purpose in the respective agreements.

IV.2.8 Fund advance

The BANK shall under no circumstances advance any amount it has not previously received from the Debtors as principal amount or fee outstanding maturity, interest or financial charge, prepayment or other, inherent to the Credit Rights.

IV.2.9 Insurance Policies

The BANK must make all the necessary efforts to keep in force and with full effects the insurance policies entered into in connection with each of the Loans. The BANK is liable against the Fund for damages made to the same, in case insurance policies have not been kept in force and with full effects, as well as in case said policies have not been entered into.

The Manager is obliged to anticipate the payment of premiums which have not been paid by the Debtors, provided that it was aware of said circumstance, without prejudice of its right to get from the Fund the reimbursement of the paid amounts.

The BANK, as the Mortgage Loan Manager, in the event of damages, must coordinate actions for collection of compensations inherent to insurance policies pursuant to the terms and conditions of the Mortgage Loans and of the insurance policies.

IV.2.10 Information

The Manager must regularly inform the Management Company of the level of fulfilment by the Debtors of duties inherent to Credit Rights, of fulfilment by the Manager of its duty to deposit the amounts received inherent to Credit Rights and proceedings filed in the event of delay and property auction, and of the existence of hidden fault of the Credit Rights.

The Manager must prepare and deliver to the Management Company the additional information that in connection with the Loans or the rights inherent to the same, the Management Company reasonably requests.

IV.2.11 Credit Rights Debtor Subrogation

The Manager shall be authorised to allow replacements in the Debtor's position in the Loan agreements, only in the cases when the new Debtor's features are similar to the old Debtor's and adjust to the criteria contained in the Memorandum on Loan Granting Criteria described in **Schedule 7** hereof (in particular, all those needed for the granting of the State Guarantee), and provided the expenses inherent to such a change are fully for the account of the Debtors. The Management Company may fully limit this Manager's power when said replacements could have an adverse effect on the ratings given to the Notes by Rating Agents.

In any case, any subrogation made pursuant to the paragraph above, will be immediately notify by the Manager to the Management Company. The Loan subrogation must not affect the Credit Rights portfolio.

IV.2.12 Powers and actions in connection with the Loans re-negotiation processes.

The Manager has a general authorization granted by the Management Company in order to carry out renegotiations, without the Management Company's previous consent, according to the terms and conditions described below.

The Manager may not voluntarily cancel the Credit Rights guarantees for a reason other than the Credit Right payment, neither may the Manager waive or commit on the same, nor fully or partly condone the Credit rights or extend them, nor in general carry out any action decreasing the rank, legal effectiveness or the financial value of the guarantees or of the Credit Rights, notwithstanding it may answer the Debtors queries with the same diligence and procedure as if they were different loans.

Under no circumstances may the Manager start at its own initiative, with no request by the Debtor, interest rate re-negotiations that may result in a decrease of the interest rate applicable to a Credit Right.

The Management Company authorises the Manager to retrade the interest rate applicable to the Loans requested by Debtors, with the following requirements:

- a) The Manager shall re-negotiate the Loans interest rate at a rate deemed of market and not different from that the Manager itself is applying re-negotiation of facilities and loans it has granted. For this purpose, market interest rate shall be the interest offered by credit entities in the Spanish market for loans or facilities with an amount and remaining conditions substantially similar to the Loan.
- b) Under no circumstances re-negotiation of the applicable interest rate shall result in the amendment of the same at a variable interest rate or index other than at the interest rates or indexes that the Manager uses in facilities and loans it has granted.

In addition, the renegotiation faculty granted to the Manager in this section shall be subject to the following limitations:

- a) The Loan amount cannot, in any case, be increased.
- b) Terms set out for repayment of the Loans cannot be modified.
- c) Margin on Euribor cannot be renegotiated below zero point fifty percent (0.50%).
- d) Extension of the maturity date of a given Loan may take place insofar as the following requirements are observed:
 - That, in any case, the term in between maturity dates of principal of the Loan remains unaltered or is reduced and insofar as the same repayment system used.
 - That the new final maturity date or last repayment of the Loan is March 28, 2034, the latest.

In any case, after any renegotiation of an agreement according to this provision has taken place, the Manager will immediately notify to the Management Company the conditions resulting from each renegotiation.

The Management Company, on behalf of the Fund, may at any time suspend or amend the empowering and requirements for re-negotiation by the Manager shown in this Provision.

IV.2.13 Credit Rights holder powers in case of default in the Debtor's duties.

The Manager shall apply the same diligence and procedure for claiming amounts due and unpaid of Credit Rights than in the remaining loans of its portfolio.

Additionally, the BANK undertakes to quarterly inform the Management Company, on behalf of the Fund and in any case upon the Management Company's request, of bad debts, early repayments and interest rate changes and, punctually, of payment summons, court actions and any other circumstances concerning Credit Rights. The BANK shall also provide the Management Company with all the documentation it may request in connection with said Loans and, in particular, the necessary documentation for the Management Company filing, as the case may be, court actions.

a) Executory action against the Debtors.

The Fund, as holder of the Credit Rights, shall have all the legal actions inherent to ownership of the Credit Rights, pursuant to the regulations in force. Said action must be exercised by means of the proceedings of the relevant court procedure pursuant to the provisions of sections 517 and following of the Act 1/2000 of January 7, on Civil Procedure (hereinafter the "**Civil Procedure Act**").

For the above purposes, the Management Company shall grant in the act of granting of the Fund's Deed of Incorporation a power as broad and sufficient as legally necessary in favour of the BANK so that the latter, acting through any of its attorneys sufficiently empowered for that purpose, may, for and on behalf of the Management Company, demand from the Debtor of any of the Credit Rights payment of its debt and file court action against the same, as well as other powers required to perform its duties as Manager. These powers may also be granted in a different document than the Deed of Incorporation or be extended if necessary for performance of said duties.

In connection with Credit Rights Inherent to Mortgage Loans, in the event of default by the Debtor in payment duties inherent to the Mortgage Loans, the Fund shall have executory action against said Debtors through either the Management Company or the Manager, once the legitimation requirements empowering it for the action have been met, pursuant to the proceedings provided for said process by the Civil Procedure Act.

The Manager, by the power granted by the Fund, must in general request the mortgage execution on behalf of the Fund if, during a six (6) month term, a Mortgage Loan Debtor in default of its payment duties did not restart payments to the Manager and the latter, with the Management Company's approval, did not reach a satisfactory payment commitment for the Fund's concerns. The Manager, in any event, must immediately request execution if the Management Company, on behalf of the Fund, and with the prior analysis of the case particular circumstances, so deemed appropriate.

b) Action against the Manager

The Management Company, for and on behalf of the Fund, shall have execution action against the Manager for effectiveness of the Credit Rights maturities for principal amount and interest, when the default in the payment duties for said items is not a result of a default in payment of the Credit Rights Debtors.

Also, in the event that the BANK did not meet the duties described above, the Fund, through the Management Company, shall have declaratory action against the BANK for default in said duties in connection with Mortgage Loans, all of it pursuant to the proceedings provided for said process by the Civil Procedure Act.

Once Credit Rights are extinct, the Fund, through its Management Company, shall keep the action against the Manager until fulfilment of its duties.

c) Actions in case of default of the Mortgage Loans

The Fund, either through its Management Company or through its Manager, may file actions against the Debtors in default in their payment duties inherent to the Mortgage Loans. Said actions must be filed by the relevant execution court proceeding measures pursuant to the provisions of articles 517 and following of the Law of Civil Procedure.

In case of default in payment of capital or interest of a Mortgage Transfer Certificate due to default by the Debtor of the Mortgage Loan, the Management Company, for and on behalf of the Fund, shall have the following powers provided by article 66 of Royal Decree 1289/1991:

- (i) To urge the relevant Assigning Entity as Manager so as it requests the mortgage execution.
- (ii) To appear with the same rights as the Assignor, as issuing entity of the Mortgage Transfer Certificates, in the action filed against the Debtor, appearing in person for that purpose at any execution proceeding filed by the Management Company.
- (iii) If the Assignor does not file proceedings within the sixty (60) calendar days following the notary's summons for payment of the debt, the Management Company, for and on behalf of the Fund, shall subsidiarily be empowered to file the Mortgage Loan mortgage action, both for capital and interest and the Assignor shall be liable for issuing a certificate of the Mortgage Loan current balance.
- (iv) In case the action filed by the Assignor is on halt, the Fund, duly represented by the Management Company, as holder of the relevant Mortgage Transfer Certificate may subrogate in the position of the former and continue the executory action, with no need for the term indicated to be over.

In the cases provided by paragraphs (iii) and (iv) the Management Company, on behalf of the Fund, may request from the competent Judge initiation or continuation of the relevant mortgage execution action, enclosing to the claim the original title deed of the Mortgage Transfer Certificate broken-down, the notary's summons provided by section (iii) above and the Registration Certificate of registration and subsistence of the mortgage, for Mortgage Transfer Certificate and the document evidencing the claimed balance.

In case it was necessary under the law, and for the purposes of the provisions of articles 581.2 and 686.2 of Act 1/2000 of January 7, on Civil Procedure, the Manager, in the Deed of Incorporation, shall grant an irrevocable power and as broad and sufficient as required by Law so that the Management Company, for and on behalf of the Manager, may summon the mortgage Debtor of any of the Mortgage Loans to pay the debt.

The Fund, as holder of the Mortgage Transfer Certificates, may also, and through the Management Company, appear with the same rights as the Manager in the execution action and in this sense it may, under the terms provided by articles 691 and following of the Law of Civil Procedure, request appointment of the mortgaged property as payment of its credit. The Management Company shall sell the properties awarded within the briefest time under market conditions.

The relevant costs and advances, as the case may be, to the execution actions of this section shall be for the Fund's account.

IV.2.14 Service supply fee.

BSCH shall get a quarterly fixed fee for managing the Credit Rights of six thousand Euro (€ 6,000), VAT included, on each Payment Date. Should BSCH be replaced in management of said Credit Rights by another entity not belonging to the BANK's consolidated group, the replacing entity shall be entitled to receive a management fee that shall take nr. 1 place in the priority order provided by section V.5.2.1.2 hereof.

If the Fund, through the Management Company, did not pay on a Payment Date the full fee because it did not have enough liquidity in the Cash Account pursuant to the payment priority order provided by section V.5.2.1.2 below, the unpaid amounts shall accumulate with no penalty to the fee that must be paid on the following Payment Date, paying them then.

On the other hand, the BANK, on every Payment Date, shall be entitled to reimbursement of the exceptional expenses it may have incurred, with the prior evidencing of the same to the Management Company, in connection with the Credit Rights management. Said expenses that shall include, among others, those due to the guarantee execution and, as the case may be, the sale of properties, shall be paid provided the Fund has enough liquidity in the Cash Account and pursuant to the provisions of section V.5.2.1.2 hereof on the payment priority order.

IV.2.15 Other expenses and fees.

The BANK shall also be entitled to receive on a yearly basis, as fee or consideration for the financial intermediation process, a subordinate and variable amount equal to the difference between the accounting income and expense for the Fund during a fiscal year, so that the financial margin obtained is shown. Expenses that for that reason may be quarterly made on each Payment Date pursuant to the payment priority order provided by section V.5.2.1.2 below shall be deemed payments on account of the annual right.

IV.3 Brief and summarised description of the Assigning Entity's general policies on granting and formalisation conditions regarding loans and facilities in the business segment.

The risk policy followed by the BANK for granting of loans and facilities in the business segment is shown in **Schedule 7**.

IV.3.1 Description of procedures provided by said entity for formalisation of loans and facilities within the business segment ("Internal Memorandum")

The risk policy followed by the BANK for granting of loans and facilities in the business segment is shown in **Schedule 7**.

IV.3.2 Statistical information on the amounts evolution and number, outstanding balances, average amount, average interest, and average granting term of the BANK's Loan portfolio in connection with the following items: new loans, default, bad debts, default balances re-negotiation and recovery, guarantee enforcement and early repayment.

Facility investment and default

The following table shows evolution during the last three (3) years of the investment, with detail of the BANK's credit investment default relevant to the Loans granted by it within the Pymes segment.

APPLICATION TERM	TOT_TRANS	OUTSTANDING TRANSACTS	INVESTMENT	OUTSTANDING RISK	IMP_DELAID PAYMENT	RATE
01//01/01-30/06/01	1,088	984	208,111,268	101,011,232	51,683	0.05%
01/06/01-31/12/01	6,668	6.390	739,907,823	377,299,268	709,000	0.19%
01/01/02-30/06/02	5,886	5.532	824,253,209	407,337,469	2,848,367	0.70%
01/06/02-31/12/02	5,003	4.764	820,773,379	441,220,173	1,491,847	0.34%
01/01/03-30/06/03	7,172	6.737	1,035,058,041	740,614,291	2,873,748	0.39%
01/06/03-31/12/03	6,057	5.750	1,385,933,719	960,725,942	3,745,280	0.39%
01/01/03-30/06/04	7,879	7.488	1,333,685,057	1,214,676,999	1,652,060	0.14%
TOTALES	39,753	37.645	6,347,722,497	4,242,885,374	13,371,987	0.32%

IV.4 Description of the Loan portfolios the Credit Rights of which shall be assigned to the Fund.

IV.4.1 Number of loans and amount or balance currently outstanding maturity on the same.

The preliminary Loan portfolio from which shall come the Credit Rights to be assigned to the Fund at the time of incorporation is comprised by nineteen thousand four hundred and five (19,405) Loans, the outstanding principal amount of which, as at September 15, 2004 amounted to one thousand nine hundred and fifty three million nine hundred and ten thousand one hundred and ninety three Euro and four cents (€ 1,953,910,193.04).

Loan Portfolio as at 15/09/2004		
	Loan Number	Outstanding Principal (Euro)
Mortgage	12,166	1,696,264,659.98
Personal	7,239	257,645,533.06
Total	19,405	1,953,910,193.04

IV.4.2 Maximum, minimum, and average value of the Loans principal amounts.

The principal amount Outstanding Balance or the Loan instalments outstanding maturity Outstanding Balance as at September 15, 2004 is within a rank of thirty four Euro and forty cents (€ 30.40) and five million thirty three thousand eight hundred and ninty nine Euro and two cents (€ 5,033,899.02).

The following table shows Loan distribution by outstanding principal amount.

LOANS OUTSTANDING BALANCE				
Interval (Euro)	Outstanding Balance		Loans	
	(thousand Euro)	%	n°	%
34.40 – 499,999.99	1,550,616.44	79.35	19,020	98.01
500,000.00 – 999,999.99	177,088.80	9.06	264	1.36
1,000,000.00 – 1,499,999.99	67,397.39	3.44	56	0.28
1,500,000.00 – 1,999,999.99	45,235.46	2.31	27	0.13
2,000,000.00 – 2,499,999.99	31,165.30	1.59	14	0.07
2,500,000.00 – 2,999,999.99	13,363.79	0.68	5	0.02
3,000,000.00 – 3,499,999.99	35,169.57	1.79	11	0.05
3,500,000.00 – 3,999,999.99	10,682.38	0.54	3	0.01
4,000,000.00 – 4,499,999.99	8,325.74	0.42	2	0.01
4,500,000.00 – 4,999,999.99	9,831.37	0.50	2	0.01
5,000,000.00 – 5,033,899.02	5,033.89	0.25	1	0.00
Totals:	1,953,910,193.04	100.00	19,405	100.00

Maximum Outstanding Balance:	5,033,899.02 Euro
Minimum Outstanding Balance:	34.40 Euro
Average Outstanding Balance:	100,691.06 Euro

IV.4.3 Maximum, minimum, and average value of the Loans initial amounts.

The preliminary portfolio loans have been granted for amounts between a minimum of two thousand one hundred and fifteen Euro and eighteen cents (€ 2,115.18) and a maximum of fourteen million Euro (€ 14,000,000.00). The portfolio average initial amount is of one hundred and seventeen thousand nine hundred and twelve Euro and fourteen cents (€ 117,912.12).

The following table shows the Loans statistical relation.

LOANS INITIAL AMOUNTS					
Interval (Euro)	Amounts		Loans		
	(thousand Euro)	%	n°	%	
2,115.18 - 59,999.99	212,091.60	9.26	8,514	43.87	
60,000.00 – 119,999.99	450,282.10	19.67	5,329	27.46	
120,000.00 – 179,999.99	376,013.83	16.43	2,655	13.68	
180,000.00 – 239,999.99	243,068.82	10.62	1,216	6.26	
240,000.00 – 299,999.99	134,970.54	5.89	520	2.67	
300,000.00 – 359,999.99	105,739.73	4.62	333	1.71	
360,000.00 – 419,999.99	66,960.24	2.92	177	0.91	
420,000.00 – 479,999.99	53,043.31	2.31	121	0.62	
480,000.00 – 539,999.99	51,414.52	2.24	103	0.53	
540,000.00 – 599,999.99	28,082.70	1.22	50	0.25	
600,000.00 - 14,000,000.00	566,417.74	24.75	387	1.99	
Totals:	2,288,085,201.15	100.00	19,405	100.00	

Maximum Initial Amount:	14,000,000.00 Euro
Minimum Initial Amount:	2,115.18 Euro
Average Initial Amount:	117,912.14 Euro

IV.4.4 Effective applicable interest rate or current financial charge: Loan maximum, minimum and average rates.

Approximately eighty nine percent (89%) of the Loan Portfolio relates to variable interest rate Loans consisting for the most part of the addition to the one (1) year EURIBOR rate of an average margin of zero point seventy two percent (0.72%).

Five percent (5%) of the Loan Portfolio relates to variable interest rate Loans where the interest rate is determined by adding to the Financial Entities IRPH an average margin of zero point forty six percent (0.46%).

The global average margin of variable interest rate loans is zero point eighty percent (0.80%) on EURIBOR.

Six percent (6%) of the Loan portfolio are Mortgage Loans with an average fix interest rate of six point zero four percent (6.04%).

The following table shows Loan distribution in intervals of zero point five percent (0.5%) of the current nominal interest rate.

LOAN CURRENT INTEREST RATES				
Interval (%)	Outstanding Balances		Loans	
	(thousand Euro)	%	n°	%
2.05 – 2.49	56,427.89	2.88	199	1.02
2.50 – 2.99	1,055,305.26	54.00	7,664	39.49
3.00 – 3.49	544,518.36	27.86	4,057	20.90
3.50 – 3.99	139,294.91	7.12	1,438	7.41
4.00 – 4.49	63,685.34	3.25	696	3.58
4.50 – 4.99	19,408.71	0.99	316	1.62
5.00 – 5.49	11,048.09	0.56	296	1.52
5.50 – 5.99	6,751.92	0.34	300	1.54
6.00 – 6.49	6,457.13	0.33	386	1.98
6.50 – 6.99	7,525.91	0.38	440	2.26
7.00 – 7.49	8,542.83	0.43	587	3.02
7.50 – 7.99	8,479.25	0.43	637	3.28
8.00 – 8.49	7,336.19	0.37	613	3.15
8.50 – 8.99	5,902.25	0.30	542	2.79
9.00 – 9.49	1,221.49	0.06	109	0.56
9.50 – 9.99	12,004.57	0.61	1,125	5.79
Totals:	1,953,910,193.04	100.00	19,405	100.00

Weighted Interest Rate: 3.15%

Maximum Interest Rate: 9.99%

Minimum Interest Rate: 2.05%

IV.4.5 Information on the Loans reference indexes

The following table shows distribution of the Loans according to their reference indexes.

LOANS BY REFERENCE INDEX				
Reference Indexes	Outstanding Balances		Loans	
	(thousand Euro)	%	n°	%
1 year Euribor/Mibor	1,603,764.27	82.08	12,459	64.21
3 month Euribor/Mibor	119,796.46	6.13	510	2.63
6 month Euribor/MIBOR	18,200.93	0.93	108	0.56
I.R.P.H.	103,560.15	5.30	1,087	5.60
ICO Pymes	680.10	0.03	6	0.03
Fixed Rates	107,908.28	5.52	5,235	26.98
Totals:	1.953.910.193,04	100.00	19,405	100.00

Global Average Margin of the Loans: 0.80%

IV.4.6 Dates for loan formalising and final maturity dates, both closest and furthest dates.

Formalising date

Loans included into the provisional portfolio have been formalised on dates between July 1, 2002 and April 1, 2004.

The portfolio's average seniority as at September 15, 2004 is of one (1) year. Average seniority is calculated as the weighted average (for the principal amount outstanding on each loan) of the number of months between the formalising date and the date when calculation is made.

LOANS FORMALIZING DATE				
Interval	Outstanding Balances		Loans	
	(thousand Euro)	%	n°	%
1/07/2002 - 31/12/2002	276,447.65	14.14	3,242	16.70
1/01/2003 - 30/06/2003	600,173.75	30.71	6,387	32.91
1/07/2003 - 31/12/2003	1,001,848.11	51.27	9,103	46.91
1/01/2004 - 1/04/2004	75,440.66	3.86	673	3.46
Totals:	1,953,910,193.04	100.00	19,405	100.00

Maximum formalizing date:	1/04/2004
Minimum formalizing date:	1/07/2002
Average formalizing date:	23/5/2003

Final maturity date

Loans included into the provisional portfolio have final maturity on dates between August 6, 2004 and March 28, 2034.

Loan repayment takes place during the whole remaining life until full repayment, during which term the Debtors must pay monthly instalments including capital and interest or financial charge reimbursement.

The following table shows Loan distribution according to the final maturity date in annual intervals:

LOANS MATURITY DATES					
Interval	Outstanding Balances		Loans		
	(thousand Euro)	%	n°	%	
6/08/2004 - 31/12/2004	0.10	0.00	1	0.00	
1/01/2005 - 30/06/2005	6,729.44	0.34	75	0.38	
1/07/2005 - 31/12/2005	20,718.88	1.06	408	2.10	
1/01/2006 - 30/06/2006	27,333.19	1.39	870	4.48	
1/07/2006 - 31/12/2006	29,885.53	1.52	812	4.18	
1/01/2007 - 30/06/2007	18,751.72	0.95	407	2.09	
1/07/2007 - 31/12/2007	29,205.81	1.49	996	5.13	
1/01/2008 - 30/06/2008	65,175.33	3.33	1,866	9.61	
1/07/2008 - 31/12/2008	63,413.75	3.24	1,539	7.93	
1/01/2009 - 30/06/2009	11,997.20	0.61	235	1.21	
1/07/2009 - 31/12/2009	15,865.95	0.81	133	0.68	
1/01/2010 - 30/06/2010	29,491.07	1.50	198	1.02	
1/07/2010 - 31/12/2010	22,053.49	1.12	189	0.97	
1/01/2011 - 30/06/2011	19,307.45	0.98	161	0.82	
1/07/2011 - 31/12/2011	19,844.34	1.01	183	0.94	
1/01/2012 - 30/06/2012	6,856.76	0.35	55	0.28	
1/07/2012 - 31/12/2012	24,387.95	1.24	237	1.22	
1/01/2013 - 30/06/2013	76,342.34	3.90	512	2.63	
1/07/2013 - 31/12/2013	116,768.24	5.97	857	4.41	
1/01/2014 - 30/06/2014	28,009.74	1.43	135	0.69	
1/07/2014 - 31/12/2014	41,491.20	2.12	251	1.29	
1/01/2015 - 30/06/2015	103,265.16	5.28	484	2.49	
1/07/2015 - 31/12/2015	118,502.77	6.06	668	3.44	
1/01/2016 - 30/06/2016	23,351.61	1.19	111	0.57	
1/07/2016 - 31/12/2016	18,729.72	0.95	64	0.32	
1/01/2017 - 30/06/2017	5,960.71	0.30	32	0.16	
1/07/2017 - 31/12/2017	55,449.07	2.83	500	2.57	
1/01/2018 - 30/06/2018	76,160.72	3.89	594	3.06	
1/07/2018 - 31/12/2018	137,169.02	7.02	1,061	5.46	
1/01/2019 - 30/06/2019	17,814.86	0.91	157	0.80	
1/07/2019 - 31/12/2019	3,449.02	0.17	36	0.18	
1/01/2020 - 30/06/2020	6,291.97	0.32	33	0.17	
1/07/2020 - 31/12/2020	9,561.11	0.48	55	0.28	
1/01/2021 - 30/06/2021	4,940.21	0.25	41	0.21	
1/07/2021 - 31/12/2021	7,387.50	0.37	64	0.32	
1/01/2022 - 30/06/2022	4,167.47	0.21	34	0.17	
1/07/2022 - 31/12/2022	35,917.23	1.83	373	1.92	
1/01/2023 - 30/06/2023	53,814.54	2.75	471	2.42	
1/07/2023 - 31/12/2023	109,835.30	5.62	910	4.68	
1/01/2024 - 30/06/2024	17,334.71	0.88	129	0.66	
1/07/2024 - 31/12/2024	3,179.13	0.16	29	0.14	
1/01/2025 - 30/06/2025	3,747.91	0.19	31	0.15	
1/07/2025 - 31/12/2025	9,092.86	0.46	55	0.28	
1/01/2026 - 30/06/2026	4,627.35	0.23	29	0.14	
1/07/2026 - 31/12/2026	4,384.15	0.22	33	0.17	
1/01/2027 - 30/06/2027	4,663.98	0.23	30	0.15	
1/07/2027 - 31/12/2027	37,368.17	1.91	329	1.69	
1/01/2028 - 30/06/2028	39,324.48	2.01	342	1.76	
1/07/2028 - 31/12/2028	91,705.37	4.69	719	3.70	
1/01/2029 - 30/06/2029	12,688.82	0.64	103	0.53	
1/07/2029 - 31/12/2029	2,591.88	0.13	16	0.08	
1/01/2030 - 30/06/2030	1,252.43	0.06	10	0.05	
1/07/2030 - 31/12/2030	5,779.45	0.29	23	0.11	
1/01/2031 - 30/06/2031	2,554.06	0.13	19	0.09	
1/07/2031 - 31/12/2031	2,424.36	0.12	18	0.09	
1/01/2032 - 30/06/2032	2,685.07	0.13	18	0.09	
1/07/2032 - 31/12/2032	42,458.14	2.17	327	1.68	
1/01/2033 - 30/06/2033	51,064.32	2.61	356	1.83	
1/07/2033 - 31/12/2033	130,504.03	6.67	873	4.49	
1/01/2034 - 28/03/2034	19,081.74	0.97	108	0.55	
Totals:	1,953,910,193.04	100.00	19,405	100.00	

Maximum maturity date: 28/03/2034
Minimum maturity date: 6/08/2004
Average maturity date: 29/05/2014

IV.4.7 Purpose of the Loans assigned by the BANK

At least ninety nine percent (99%) of the Loans have been granted by the BANK with the purpose to fund small non financial businesses with address in Spain.

The following tables show the Loan sectorial distribution according to the sectors the borrowing PYMES belong:

LOANS CLASSIFIED BY SECTORS				
Sector Description (Codes)	Outstanding Balances		Loans	
	(thousand Euro)	%	n°	%
01 Agricultura, ganadería, caza y actividades de los servicios r	78,956,837.23	4.04	1,259	6.48
02 Selvicultura, explotación forestal y actividades de los servi	1,927,130.55	0.09	15	0.07
05 Pesca, acuicultura y actividades de los servicios relacionado	2,974,841.75	0.15	56	0.28
10 Extracción y aglomeración de antracita, hulla, lignito y turb	140,541.76	0.00	1	0.00
11 Extracción de crudos de petróleo y gas natural; actividades d	170,625.38	0.00	2	0.01
13 Extracción de minerales metálicos	523,006.97	0.02	5	0.02
14 Extracción de minerales no metálicos ni energéticos	4,158,583.73	0.21	35	0.18
15 Industria de productos alimenticios y bebidas	41,117,533.31	2.10	298	1.53
16 Industria del tabaco	805,183.23	0.04	11	0.05
17 Industria textil	5,943,824.58	0.30	84	0.43
18 Industria de la confección y de la peletería	8,847,047.73	0.45	104	0.53
19 Preparación, curtido y acabado del cuero; fabricación de arti	5,226,215.99	0.26	53	0.27
20 Industria de la madera y del corcho, excepto muebles; cesteri	8,306,701.23	0.42	99	0.51
21 Industria del papel	4,351,292.37	0.22	25	0.12
22 Edición, artes graficas y reproducción de soportes grabados	12,177,667.32	0.62	121	0.62
23 Coquerías, refino de petróleo y tratamiento de combustibles	480,532.76	0.02	3	0.01
24 Industria química	8,957,263.16	0.45	76	0.39
25 fabricación de productos de caucho y materias plásticas	8,669,469.56	0.44	70	0.36
26 fabricación de otros productos minerales no metálicos	10,773,468.68	0.55	70	0.36
27 Metalurgia	7,528,941.81	0.38	66	0.34
28 fabricación de productos metálicos, excepto maquinaria y equi	20,826,661.11	1.06	238	1.22
29 Industria de la construcción de maquinaria y equipo mecánico	11,816,843.04	0.60	133	0.68
30 fabricación de maquinas de oficina y equipos informaticos	633,277.93	0.03	3	0.01
31 fabricación de maquinaria y material eléctrico	4,459,797.79	0.22	44	0.22
32 fabricación de material electrónico; fabricación de equipo y	1,686,375.19	0.08	15	0.07
33 fabricación de equipo e instrumentos medico-quirúrgicos, de	2,026,817.29	0.10	18	0.09
34 fabricación de vehículos de motor, remolques y semirremolques	3,153,495.60	0.16	26	0.13
35 fabricación de otro material de transporte	2,146,133.83	0.10	13	0.06
36 fabricación de muebles; otras industrias manufactureras	16,309,598.83	0.83	186	0.95
37 reciclaje	1,231,109.70	0.06	11	0.05
40 Producción y distribución de energía eléctrica, gas, vapor y	4,065,638.72	0.20	30	0.15
41 Captación, depuración y distribución de agua	500,683.34	0.02	7	0.03
45 Construcción	235,584,011.44	12.05	2,197	11.32
50 Venta, mantenimiento y reparación de vehículos de motor, mot	46,277,322.84	2.36	473	2.43
51 Comercio al por mayor e intermediarios del comercio, excepto	121,396,770.53	6.21	1,037	5.34
52 Comercio al por menor, excepto comercio de vehículos de mo	291,446,395.92	14.91	3,765	19.40
55 Hostelería	181,360,195.75	9.28	1,915	9.86
60 Transporte terrestre; transporte por tuberías	90,005,611.28	4.60	1,297	6.68
61 Transporte marítimo, de cabotaje y por vías de navegación int	1,552,557.94	0.07	4	0.02
62 Transporte aéreo y espacial	33,093.85	0.00	2	0.01
63 Actividades anexas a los transportes; actividades de agencias	29,845,993.87	1.52	293	1.50
64 Correos y telecomunicaciones	4,839,007.96	0.24	54	0.27
65 Intermediación financiera, excepto seguros y planes de pensio	70,976.84	0.00	1	0.00
67 Actividades auxiliares a la intermediación financiera	10,944,544.03	0.56	155	0.79
70 Actividades inmobiliarias	270,173,654.72	13.82	1,229	6.33
71 Alquiler de maquinaria y equipo sin operario, de efectos pers	2,198,260.29	0.11	37	0.19
72 Actividades informaticas	15,548,770.61	0.79	158	0.81
73 Investigación y desarrollo	554,499.99	0.02	6	0.03
74 Otras actividades empresariales	188,607,783.52	9.65	1,793	9.23
80 Educación	16,573,523.28	0.84	149	0.76
85 Actividades sanitarias y veterinarias, servicio social	93,350,419.58	4.77	848	4.37
90 Actividades de saneamiento publico	2,045,526.20	0.10	30	0.15
92 Actividades recreativas, culturales y deportivas	36,467,187.11	1.86	333	1.71
93 Actividades diversas de servicios personales	28,768,695.78	1.47	381	1.96
95 Hogares que emplean personal domestico	329,402.82	0.01	7	0.03
Totals:	1,953,910,193.04	99.46	19,405	99.41

IV.4.8 Geographical distribution by Autonomous Communities

The following table shows, as at September 15, 2004, the Loan geographical distribution according to the Autonomous Communities where the Debtors registered office is located.

LOANS OUTSTANDING BALANCES BY AUTONOMOUS COMMUNITIES				
Autonomous Community	Outstanding Balance		Loans	
	(thousand Euro)	%	n°	%
01 Andalucía	262,110.91	13.41	3,001	15.46
02 Aragón	65,265.68	3.34	684	3.52
03 Asturias	23,566.21	1.20	318	1.63
04 Baleares	59,119.55	3.02	562	2.89
05 Canarias	200,307.24	10.25	1,818	9.36
06 Cantabria	51,421.89	2.63	528	2.72
07 Castilla-La mancha	62,939.18	3.22	846	4.35
08 Castilla-León	101,038.94	5.17	1,255	6.46
09 Cataluña	298,094.94	15.25	2,853	14.70
10 Ceuta	1,515.76	0.07	13	0.06
11 Extremadura	30,636.02	1.56	434	2.23
12 Galicia	55,630.86	2.84	688	3.54
13 La Rioja	13,798.23	0.70	152	0.78
14 Madrid	419,889.48	21.48	3,197	16.47
15 Melilla	1,634.39	0.08	34	0.17
16 Murcia	46,078.89	2.35	545	2.80
17 Navarra	20,639.96	1.05	166	0.85
18 País Vasco	98,158.21	5.02	782	4.02
19 Valencia	142,063.74	7.27	1,529	7.87
Totals:	1,953,910,193.04	100.00	19,405	100.00

IV.4.9 Default in Loans assigned by BSCH

Regarding the Loans to be assigned to the Fund, the Bank guarantees that none of them shall show outstanding payments on the Fund's Incorporation Date over 30 days.

DELAY IN PAYMENT OF INSTALLMENTS				
Interval (days)	Outstanding Balances		Loans	
	(thousand Euro)	%	N°	%
0 - 9	1,859,065.96	95.14	18,115	93.35
10 - 19	40,770.50	2.08	473	2.43
20 - 29	15,846.56	0.81	240	1.23
30 - 39	10,443.32	0.53	167	0.86
40 - 49	10,877.85	0.55	137	0.70
50 - 59	5,791.61	0.29	107	0.55
60 - 69	5,567.97	0.28	73	0.37
70 - 79	3,861.26	0.19	63	0.32
80 - 87	1,685.11	0.08	30	0.15
Totals:	1,953,910,193.04	100.00	19,405	100.00

CHAPTER V

INFORMATION ON THE ASSET SECURITIZATION FUND ECONOMIC AND FINANCIAL OPERATION

V.1 Chart describing the different hypothesis and estimate most likely performance of the Fund's economic and financial flows.

On the date of incorporation, the Fund shows the following balance sheet:

BALANCE SHEET			
ASSETS		LIABILITIES	
Credit Rights (*)	1,800,000,000.00 €	Class A Notes	1,228,500,000.00 €
Cash Account	27,000,881.21 €	Class B(G) Notes	373,500.000.00 €
		Class C Notes	81,000.000.00 €
		Class D Notes	58,500.000.00 €
		Class E Notes	58,500.000.00 €
Issue and Incorporation Expenses	699,118.79 €	Subordinated Loan	27,700.000.00 €
Total Assets	1,827,700,000.00 €	Total Pasivo	1,827,700,000.00 €

(*) as at the Incorporation Date it may be slightly higher

Along the Fund's life the Assets shall be comprised by:

- The Credit Rights Outstanding Balance assigned to the Fund (described in Chapter IV hereof)
- The Cash Account Balance at every time described in section V.3.1 hereof.
- The unpaid amount of the Fund's incorporation expenses.

The Fund's liabilities shall be comprised along the Fund's life by:

- The Notes Principal Outstanding Balance issued (described in Chapter II hereof)
- The pending balance of the Subordinated Loan for Initial Expenses (described in section V.3.2 below hereof)
- The amount for execution of the State Guarantee, as the case may be (described in section V.3.3 below)
- The amount drawn down on the Liquidity Facility, in case of drawdown (described in section V.3.6 below).

In any event, the Fund's capital value shall be null at all times.

The amount of the Fund's assets and liabilities will decrease along the Fund's life as a result of the Credit Rights payment and the subsequent progressive repayment by the

Management Company, on behalf of the Fund, of the Notes, of the amounts drawn down on the Subordinated Loan for Initial Expenses, as the case may be, pursuant to the Payment Priority Order provided by section V.5.2.1.2 hereof.

The amounts drawn down charged to the Liquidity Facility shall be reimbursed to the BANK as soon as the amounts charged to the State Guarantee are received.

V.1.1 Hypothesis assumed in connection with the central indexes or most likely indexes of the early repayment parameters, delays in payment, defaults or bad debts, regarding the Credit Rights grouped into the Fund.

a) Financial Service Chart

The table included in section V.1.3 of this Prospectus refers to one of the possible scenes that, regarding deposits and payments made by the Fund, could arise along the Fund's life and this Notes issue's life.

Said table shows, in order to make composition and understanding of the same easy, and to avoid showing to additional columns with the same amounts and opposite signs that income for interest accrued by Credit Rights and payments by Swap would respectively mean, only interests collected by the Fund after the Swap application, notwithstanding that the Fund's accounts register the relevant deposits and payments inherent to the Credit Rights and to the aforementioned Swap.

In order to prepare this table of the Fund's financial service, the following hypothesis have been used:

b) Credit Rights

- (i) Volume of the Credit Rights portfolio. As at the Incorporation Date the amount to be securitized shall be of about EUR 1,800,000,000, as shown in the above Balance Sheet.
- (ii) Interest Rate: the Credit Rights average interest rate is 3.15% yearly.
- (iii) TACP: 10% yearly, 0.83% monthly ⁽¹⁾.
- (iv) Default percentage: 0.32% yearly, 0.03% monthly.
- (v) Bad debts: 0%

c) Notes

- (i) Volume: 1,800,000,000 Euro with no distinction of Classes A, B(G), C, D and E Notes.
- (ii) Interest rate: variable interest rate for the five Classes A, B(G), C, D and E Notes, assuming each of the Classes interest rate is constant at 2.316%, 2.116%, 2.416%, 2.816% and 3.616% respectively, considering a three months EURIBOR of 2.116%.

¹ The Formule used is $1-(1-TACP)^{1/12}$

- (iii) Exercise by the issuer of the option for Early Repayment of all Classes Notes when the Credit Rights Outstanding Balance is under 10% of its initial amount.

d) Supplementary agreements

d.1) Cash Account Guaranteed Interest Rate Reinvestment Agreement

It is assumed that the rating of the Bank's short term debt shall never go under A-1 pursuant to S&P Rating Services' scales, and that therefore the Cash Account shall be kept by the BANK (although there is a commitment of the Management Company with the BANK to move this Account to another entity, in the case of decrease in said rating, under the terms provided by section V.3.1.a) hereof) and shall be subject to reinvestment by the Cash Account Guaranteed Rate Reinvestment Agreement entered into with the BANK.

Guaranteed profitability: 2.116% for amounts deposited with the Cash Account (including the Reserve Fund). It is assumed that the EURIBOR interest rate applicable to each Payment Date shall be kept at 2,116 % for the whole issue's life.

d.2) Subordinated Loan for Initial Expenses

- * Volume: 27,700,000.00 Euro that shall be used for funding the Fund's incorporation and the Notes issue (approximately € 699,118.79) to partly fund Credit Rights acquisition (approximately € 881,21) and to endow the Reserve Fund.
- * Interest rate: interest rate of 2.866% (three (3) months Euribor plus margin of 0.75%)
- * Repayment: the Subordinated Loan for Initial Expenses's portion used to fund the Fund's incorporation expenses and the Notes issue expenses, shall be quarterly repaid, as those expenses are being repaid during the first three (3) years since the Disbursement Date. The portion of the Subordinated Loan for Initial Expenses used to partly fund the Credit Rights acquisition, shall be repaid on the Payment Date after the Maturity Date of said Credit Rights, March 28, 2034, or, as the case may be, on the early repayment date of the same. The remaining principal amount of the Subordinated Loan for Initial Expenses used to endow the Reserve Fund shall be repaid on each of the Payment Dates in an amount equal to the difference between the amounts of the balances required from the Reserve Fund as at the prior Fixing Date, and as at the current Fixing Date.

d.3) State Guarantee and Liquidity Facility Agreement

The hypothesis that it will neither be necessary to resort to the State Guarantee is assumed and therefore, nor to draw the Liquidity Facilities down.

d.4) Swap

- * Variable interest rate to be paid by the Fund: it shall be the annual interest rate resulting of dividing the addition of all interest amounts received from Credit Rights during the most recent Fixing Period, by the Notional Balance of the Credit Rights, and multiplying it by the result of dividing 360 by the number of days of the Fixing Period.
- * Interest rate to be received by the Fund: it shall be the annual interest rate resulting of applying the Notes reference interest rate for the current Interest Accrual Period plus the Notes average margin on the Payment Date, weighted by the Notes Principal Outstanding Balance on the Fixing Period immediately prior to the Payment Date, plus zero point sixty five percent (0.65%).

d.5) Reserve Fund

The Reserve Fund shall be endowed with an initial amount of Euro twenty seven million Euro (€ 27,000,000) equivalent to one point five percent (1.50%) of the Issue's initial amount (€ 1,800,000,000). It will remain constant for the first the first 3 years, and may quarterly decrease on each Payment Date as of that moment, once it reaches three percent (3%) of the Notes Principal Outstanding Balance, keeping at said percentage until the Reserve Fund reaches the amount of eighteen million Euro (€ 18,000,000). From then on it shall keep constant at said level until the Fund's Legal Maturity Date or the early repayment date, when it shall be used to meet the Fund's payment duties.

e) Fees

Fixed fee for management of loans: The BANK shall get a quarterly fee of six thousand Euro (€6,000) (VAT included).

Financial Intermediation Margin: The BANK also shall get the intermediation margin, which shall be calculated in each Payment Date and shall be equal to the difference existing between the Fund's incomes and expenses during the Subscription Term.

f) Ordinary expenses

- (i) Management Company's fee: 0.025% yearly over the addition of all the Principal Outstanding Balances of all Notes Classes, which cannot be under seventy thousand (70,000) Euro per year nor upper three hundred thousand (300,000) Euro per year.
- (ii) Expenses for Fund's annual audits, advertising and ratings maintenance.

V.1.2 Analysis and comments on the impact that potential variations of the hypothesis described above would have on the Fund's financial balance.

The possible interest rate risk that would involve the difference between the applicable reference interest rates to the Credit Rights, on the one hand, and to the Notes on the other, is fully covered by the Swap Agreement to be signed with the BANK as described in section V.3.4 below.

V.1.3 Numeric chart of the Fund's income and expense flows

The numeric chart below refers to collections and payments inherent to applying a cash criterion, for the investor's higher clarity, although and pursuant to the provisions of section V.2 hereof, the Fund shall temporarily charge income and expense pursuant to the accrual principle.

Said chart is made on the basis not only of the hypothesis mentioned in section V.1.1 above, but also of the constant maintenance of said hypothesis during the Fund's life. As generally known, the variables concerned, in particular the interest rates for each of the Classes Notes, as well as real early repayment rates of the Loans are subject to continuous changes.

Therefore said numeric chart is for mere information purposes.

FLUJOS DE CAJA DEL FONDO
(EN MILES DE EUROS)

1000

COBROS							PAGOS							
26-10-04 1.800.000.000,00 Emisión de BT's 27.700.000,00 Prestamo Subordinado							26-oct-04 1.800.000 Adquisicion de Derechos 0,69911879 Gastos de Constitucion y							
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)			
SALDO FONDO RESERVA	SALDO VIVO DC'S	FECHA	PRINCIPAL	INTERES SWAPS	INTERES REINVER.	TOTAL	GASTOS CTES.	INTERES A, B, B(G),C y D	PRINCIPAL A, B, B(G),C y D	INTERES PTMO. SUBDO	INTERES PTMO. SUBDO B			
27.000.000,00	1.708.516.491,53	18-01-05	91.483.508,47	12.228.641,85	304.101,14	104.016.251,46	81.010,12	9.817.500,00	91.483.508,47	185.239,13	0,00			
27.000.000,00	1.620.218.399,15	18-04-05	88.298.092,38	12.776.064,29	319.219,29	101.393.375,96	81.010,12	9.999.725,00	88.298.092,38	198.053,07	0,00			
27.000.000,00	1.535.658.737,37	18-07-05	84.559.661,78	12.266.422,97	316.377,52	97.142.462,27	81.010,12	9.604.314,13	84.559.661,78	199.831,59	0,00			
27.000.000,00	1.455.336.760,63	18-10-05	80.321.976,73	11.770.351,81	308.576,05	92.400.904,60	81.010,12	9.219.452,02	80.321.976,73	201.600,83	0,00			
27.000.000,00	1.377.591.964,50	18-01-06	77.744.796,13	11.171.100,53	306.434,68	89.222.331,35	81.010,12	8.753.624,47	77.744.796,13	201.174,12	0,00			
27.000.000,00	1.304.849.764,57	18-04-06	72.742.199,94	10.360.835,80	287.443,42	83.390.479,16	81.010,12	8.122.248,86	72.742.199,94	196.383,34	0,00			
27.000.000,00	1.235.714.124,93	18-07-06	69.135.639,63	9.939.153,64	285.320,98	79.360.114,25	81.010,12	7.795.212,98	69.135.639,63	198.143,31	0,00			
27.000.000,00	1.171.049.863,53	18-10-06	64.664.261,40	9.532.580,77	276.541,62	74.473.383,79	81.010,12	7.479.922,31	64.664.261,40	199.894,00	0,00			
27.000.000,00	1.109.509.034,17	18-01-07	61.540.829,36	9.050.145,66	272.781,69	70.863.756,72	79.802,30	7.104.901,72	61.540.829,36	199.467,29	0,00			
27.000.000,00	1.051.787.815,75	18-04-07	57.721.218,43	8.404.252,12	257.449,52	66.382.920,06	74.404,51	6.601.299,93	57.721.218,43	194.713,61	0,00			
27.000.000,00	996.513.138,06	18-07-07	55.274.677,69	8.071.677,77	256.106,86	63.602.462,32	71.566,76	6.343.531,96	55.274.677,69	196.455,02	0,00			
27.000.000,00	943.997.727,74	18-10-07	52.515.410,32	7.747.994,48	251.589,17	60.514.993,97	68.804,10	6.092.675,44	52.515.410,32	198.187,16	0,00			
26.815.740,15	893.858.005,15	18-01-08	50.139.722,59	7.356.197,26	248.531,83	57.744.451,68	65.494,91	5.788.112,15	50.139.722,59	197.760,45	0,00			
25.395.316,37	846.510.545,57	18-04-08	47.347.459,58	6.906.231,48	238.125,87	54.491.816,92	61.723,19	5.437.573,12	47.347.459,58	194.275,99	0,00			
24.054.001,48	801.800.049,33	18-07-08	44.710.496,24	6.556.829,93	227.006,58	51.494.332,75	58.772,08	5.165.966,08	44.710.496,24	183.985,58	0,00			
22.816.589,31	760.552.976,95	18-10-08	41.247.072,38	6.295.315,24	213.089,43	47.755.477,05	56.534,51	4.963.436,27	41.247.072,38	176.183,31	0,00			
21.646.353,81	721.545.126,91	18-01-09	39.007.850,04	5.987.586,75	204.090,87	45.199.527,66	53.935,38	4.724.223,75	39.007.850,04	167.120,22	0,00			
20.563.568,81	685.452.293,56	18-04-09	36.092.833,35	5.572.725,87	186.253,92	41.851.813,13	50.488,93	4.400.215,04	36.092.833,35	155.102,44	0,00			
19.522.404,60	650.746.819,86	18-07-09	34.705.473,70	5.364.725,56	179.998,99	40.250.198,25	48.733,52	4.242.061,04	34.705.473,70	148.981,44	0,00			
18.525.151,26	617.505.041,97	18-10-09	33.241.777,89	5.149.580,84	172.528,02	38.563.886,75	47.016,09	4.087.402,59	33.241.777,89	142.992,88	0,00			
18.000.000,00	585.574.472,14	18-01-10	31.930.569,83	4.884.163,10	165.280,99	36.980.013,91	44.921,40	3.894.616,80	31.930.569,83	135.688,78	0,00			
18.000.000,00	555.051.386,54	18-04-10	30.523.085,60	4.530.650,08	155.579,03	35.209.314,71	42.107,18	3.628.795,46	30.523.085,60	128.976,31	0,00			
18.000.000,00	525.839.757,22	18-07-10	29.211.629,32	4.340.807,29	155.087,29	33.707.523,90	40.605,79	3.494.020,80	29.211.629,32	130.409,38	0,00			
18.000.000,00	498.122.906,44	18-10-10	27.716.850,78	4.158.855,42	152.818,33	32.028.524,53	39.145,23	3.363.003,70	27.716.850,78	131.842,45	0,00			
18.000.000,00	471.540.643,91	18-01-11	26.582.262,53	3.937.570,41	151.205,81	30.671.038,75	37.398,69	3.202.259,73	26.582.262,53	131.842,45	0,00			
18.000.000,00	446.205.002,75	18-04-11	25.335.641,15	3.647.395,01	144.931,13	29.127.967,30	35.077,69	2.981.832,87	25.335.641,15	128.976,31	0,00			
18.000.000,00	421.889.170,19	18-07-11	24.315.832,56	3.504.600,98	144.683,45	27.965.116,99	33.821,53	2.869.627,32	24.315.832,56	130.409,38	0,00			
18.000.000,00	398.675.338,78	18-10-11	23.213.831,42	3.365.729,98	143.353,83	26.722.915,23	32.594,92	2.760.141,94	23.213.831,42	131.842,45	0,00			
18.000.000,00	376.400.378,56	18-01-12	22.274.960,22	3.195.909,79	141.987,65	25.612.857,66	31.132,13	2.625.513,25	22.274.960,22	131.842,45	0,00			
18.000.000,00	355.139.336,31	18-04-12	21.261.042,25	3.000.439,26	138.073,27	24.399.554,77	29.470,69	2.469.195,54	21.261.042,25	130.409,38	0,00			
18.000.000,00	334.675.769,59	18-07-12	20.463.566,72	2.846.309,37	136.430,68	23.446.306,77	28.145,52	2.347.232,31	20.463.566,72	130.409,38	0,00			
18.000.000,00	315.016.958,31	18-10-12	19.658.811,28	2.727.743,42	135.809,09	22.522.363,79	27.099,28	2.254.347,55	19.658.811,28	131.842,45	0,00			
18.000.000,00	296.179.263,93	18-01-13	18.837.694,38	2.583.973,67	134.633,20	21.556.301,25	25.860,50	2.140.336,21	18.837.694,38	131.842,45	0,00			
18.000.000,00	278.239.941,69	18-04-13	17.939.322,23	2.393.475,08	129.576,40	20.462.373,72	24.267,75	1.986.932,88	17.939.322,23	128.976,31	0,00			
18.000.000,00	261.262.660,79	18-07-13	16.977.280,90	2.291.165,99	129.663,66	19.398.110,54	23.352,47	1.906.101,62	16.977.280,90	130.409,38	0,00			
18.000.000,00	245.508.026,54	18-10-13	15.754.634,25	2.194.355,55	127.839,70	18.076.829,50	22.473,25	1.828.588,00	15.754.634,25	131.842,45	0,00			
18.000.000,00	230.753.799,57	18-01-14	14.754.226,97	2.080.580,27	126.890,13	16.961.697,37	21.480,49	1.737.218,95	14.754.226,97	131.842,45	0,00			
18.000.000,00	217.370.578,43	18-04-14	13.383.221,14	1.932.992,45	120.693,85	15.436.907,44	20.234,67	1.615.746,29	13.383.221,14	128.976,31	0,00			
18.000.000,00	204.564.723,98	18-07-14	12.805.854,46	1.857.696,96	121.033,67	14.784.585,09	19.558,56	1.556.926,65	12.805.854,46	130.409,38	0,00			
18.000.000,00	192.405.124,14	18-10-14	12.159.599,84	1.784.899,54	120.655,22	14.065.154,61	18.900,50	1.499.768,14	12.159.599,84	131.842,45	0,00			
18.000.000,00	180.812.720,78	18-01-15	11.592.403,35	1.694.137,21	119.923,99	13.406.464,56	18.134,28	1.427.151,99	11.592.403,35	131.842,45	0,00			
18.000.000,00	169.886.797,13	18-04-15	10.925.923,65	1.570.985,97	115.704,46	12.612.614,08	17.156,11	1.326.108,83	10.925.923,65	128.976,31	0,00			
18.000.000,00	0,00	18-07-15	169.886.797,13	1.520.968,57	116.167,00	171.523.932,71	16.598,96	1.274.117,55	169.886.797,13	130.409,38	0,00			
1.800.000.000,00							238.553.820,02	8.239.589,28	2.046.793.409,30	2.034.894,82	189.932.983,24	1.800.000.000,00	6.747.405,36	0,00

Explanation of the numeric system**a) Collections**

- (0) Reserve Fund Balance
- (1) Credit Rights portfolio Outstanding Balance as at the relevant Fixing Date for each Payment Date, once collection of said Credit Rights is made.
- (2) Payment Dates for the Notes capital and interest until final maturity of the same.
- (3) Amount of repaid capital, deducing default in the Credit Rights portfolio since the immediately prior Payment Date until the concerned Payment Date.
- (4) Interest collected by the Fund since the immediately prior Payment Date until the Payment Date indicated by Credit Rights, deducing the net amount resulting of the Swap Agreement to be paid by the Fund.
- (5) Profits of (i) the Fund's Cash Account under the Cash Account Guaranteed Rate Reinvestment Agreement.
- (6) Total income on each Payment Date, corresponding to the addition of the amounts (3), (4) and (5).

b) Payments

- (7) Amounts of the Fund's standard expenses.
- (8) Amount of interest to be paid to the Classes A, B(G), C, D and E Note holders.
- (9) Amount of Classes A, B(G), C, D and E Notes capital.
- (10) Amounts for Subordinated Loan for Initial Expenses interest payment, used to fund the Fund's incorporation expenses and the Note issue expenses, to partly fund the Credit Rights purchase and to endow the Reserve Fund.
- (11) Regular repayment of the part of the Subordinated Loan for Initial Expenses used to fund the Fund's incorporation expenses and the Note issue expenses. The tables do not take into account the Subordinated Loan repayment in terms of the decrease in the Reserve Fund because we are neither including said decrease as an origin, nor the part used to partly fund the Credit Rights subscription.
- (12) Bank's fixed loan administration fee.

- (13) Amount to be paid to the Bank of financial intermediation in connection with Credit Rights.
- (14) Total payments on each Payment Date for the addition of the amounts (7), (8), (9), (10), (11), (12) and (13).

V.2 Accounting principles used by the Fund

The Fund shall temporarily charge income and expenses pursuant to an accrual criterion.

The Fund's financial year will be the calendar year. Notwithstanding, as an exception, the first financial year will start on the Incorporation Date and the last financial year will end on the date of the Fund's extinction.

V.3 Description of the purpose of the financial transactions contracted by the Management Company on behalf of the Fund, in order to improve risk, increase regularity in payments, neutralise the interest rate differences coming from the Credit rights or, in general, to change the financial features of all or part of said securities.

With the purpose to consolidate the financial structure and seek greater possible coverage for the risks inherent to the issue, the Management Company, on behalf of the Fund, on the same date of granting of the Deed of Incorporation shall enter into the agreements and carry out the actions described below.

The Management Company, with the purpose that the Fund's operation is met under the terms provided by the Deed of Incorporation and by the regulations in force at the time, acting for and on behalf of the Fund, may extend or amend the agreements entered into on behalf of the Fund, replace each of the Fund's service suppliers under them and, even, if necessary, enter into additional agreements. All of it pursuant to the legislation in force at the time, to the prior authorisation, if necessary, of the CNMV or competent government body and previously notice to the Rating Agents, provided said actions do not go against the Note holder's interests and the credit rating of the same is not decreased.

V.3.1 Cash Account Guaranteed Interest Rate Reinvestment Agreement:

The Management Company, for and on behalf of the Fund, and the BANK shall enter a Cash Account Guaranteed Interest Rate Reinvestment Agreement by which the BANK shall guarantee that the interest rate the amounts deposited by the Fund in an account opened with said credit entity (the "**Cash Account**") shall accrue shall be the Guaranteed Rate as defined in this section.

In particular, the amounts the Fund receives as:

- (i) Credit Rights principal amount and interest;
- (ii) Any other amounts that belong to Credit Rights grouped into the Fund pursuant to the provisions of section IV.1.c) hereof;
- (iii) The amounts constituting at any given time to the Reserve Fund;

- (iv) The amounts that, as the case may be, are paid to the Fund deriving from the Swap;
- (iv) The amounts of the profits obtained by the Cash Account balances;
- (v) The amounts of the withholdings on account of the movable goods capital profits that on every Payment Date shall be made for the interest on the Notes paid by the Fund, until it has to paid to the Tax Office;
- (vi) the amounts received as a result of the State Guarantee execution;
- (vii) the Liquidity Facility drawdowns in case they have to be made;

shall be deposited in the Cash Account opened with the BANK under the Fund's name by the Management Company.

The BANK guarantees a profit for said account pursuant to the following features:

- The applicable interest rate to each interest period shall be the reference interest rate (hereinafter the **“Guaranteed Interest Rate”**) fixed for the Notes for the Interest Accrual Period following the last matured interest settlement date of the Cash Account. Interest payment shall be made into the Cash Account itself, monthly, five (5) Business Days prior to the 15th of each month. The applicable annual nominal interest rate to the First Interest Accrual Period shall be equal to 3 month Euribor at 11:00 hours a.m. (C.E.T. time)) of the Incorporation Date.
- Calculation of the interest on the amounts deposited in the account shall be made taking the effective days and as a basis, three hundred and sixty five (365) days.
- In the event that the BANK's short term debt undergoes, at any time during the life of the Note issue, a decrease in its rating going under A-1 (according to the rating scale of S&P Rating Services) the Management Company, for and on behalf of the Fund, will have a maximum thirty (30) Business Day-term since said situation took place to (i) find a first demand guarantee granted an entity whose short term debt has a minimum rating of A-1, or (ii) move the Fund's Cash Account to an entity which non-subordinated and non-guaranteed short term debt has a minimum rating of A-1. While the funds are deposited in this account, the BANK shall stop their reinvestment and the Management Company shall contract the top possible profitability for their balances, which may be different than the contracted with the BANK. Afterward, when its short term debt reaches rating A-1 according to the abovementioned rating scale, the BANK may move again the Fund's Cash Account to the BANK.

The Guaranteed Interest Rate Reinvestment Agreement of the Cash Account avoids the risk of temporary difference between the Fund's income as monthly

principal amount and interest and repayment and payment of quarterly interest on the Notes.

Currently the profits of the Credit Rights meaning an income for the Fund are not subject to such withholding as provided by section 59.k) of Chapter II, Title VII of the Companies Income Tax Regulations approved by Royal Decree 537/1997, of April 14, as amended by Royal Decree 1777/2004, of July 30.

V.3.2 Subordinated Loan Agreement for Initial Expenses

The Management Company, for and on behalf of the Fund, shall enter with the BANK into a subordinated loan agreement, with a commercial nature (the **“Subordinated Loan for Initial Expenses”**) for a total amount of twenty seven million seven hundred thousand Euro (€ 27,700,000.00) that shall be used for funding the Fund’s incorporation expenses and the Note issue, to partially fund the Credit Rights acquisition and to endow the Reserve Fund.

The loan shall accrue an annual nominal interest rate, quarterly defined for every Interest Accrual Period, which shall be smallest from adding: (i) the Reference Interest Rate defined for the Notes, and (ii) a margin of 0.75%. These interests shall only be paid if the Fund had enough liquidity pursuant to the payment priority order provided by section V.5.2.1.2 hereof. Interest accrued, which shall be paid on a certain Payment Date, shall be calculated on the grounds of: (I) the effective days within each Interest Accrual Period and (ii) a three hundred and sixty (360) day year.

Interest accrued and unpaid on a Payment Date, shall be accumulated accruing an interest at the same nominal interest rate as the Subordinated Loan’s for Initial Expenses and shall be paid, provided the Fund has enough liquidity and pursuant to the payment priority order provided by section V.5.2.1.2 on the immediately subsequent Payment Date.

The part of the Subordinated Loan for Initial Expenses used to finance the Fund’s incorporation expenses (the estimate of which is shown in section II.14 hereof) and the part used for financing the Note issue expenses (the estimate of which is shown in section II.14 hereof) shall be quarterly repaid, as said expenses are being repaid, during the first three (3) years since the Fund’s incorporation and the Note issue. The part of the Subordinated Loan for Initial Expenses used to partly fund the Credit Rights subscription shall be repaid on the month after the Credit Rights Legal Maturity Date (March 28, 2034) or, as the case may be, on the early repayment date of the same. The remaining principal amount of the Subordinated Loan for Initial Expenses shall be repaid on each of the Payment Dates in an amount equal to the difference between the amounts of the balances required of the Reserve Fund (described in section V.3.5 hereof) on the prior and current Fixing Dates. All of it provided that the Fund has enough liquidity pursuant to the payment priority order provided by section V.5.2.1.2 hereof.

In case that the Fund, pursuant to the payment priority order provided by section V.5.2.1.2, did not have on a Payment Date enough liquidity to make the relevant partial repayment of the Subordinated Loan for Initial Expenses, the unpaid part

of capital shall be paid on the immediately subsequent Payment Date, together with the amount that, as the case may be, has to be repaid on that same Payment Date, until full reimbursement.

The unpaid amounts of previous Payment Dates shall be paid before the amounts that had to be paid in connection with the Subordinated Loan for Initial Expenses on said Payment Date, paying in the first place the matured and unpaid interests and, in the second, the capital repayment, pursuant to the payment priority order provided by section V.5.2.1.2 hereof.

V.3.3 State Guarantee

The Ministry of Finance shall grant a guarantee to the Fund for an amount of three hundred and seventy three million five hundred thousand Euro (€ 373,500.000), equivalent to twenty three point thirty one percent (23.31%) of the addition of the face value of Classes A and B(G) Notes, in guarantee, exclusively, of the obligations of payment of the principal amount (in case of early repayment, as contained below, in section V.3.3.2.(ii) hereof) and of the relevant interests.

The payment obligations of Class B(G) Notes shall be guaranteed by the State Guarantee (hereinafter the “**Guarantee**”), which shall guarantee, exclusively, waiving the benefit of excussion, payment of the principal amount (in case of early repayment as contained in section V.3.3.2.(ii) hereof) and of the relevant interests (hereinafter also the “**Guaranteed Class**”).

V.3.3.1 Guarantee general features

The Guarantee shall keep in force and with full effects until final reimbursement of the payment duties inherent to the Notes belonging to the Guaranteed Class. In any event, the Guarantee shall mature on April 18, 2037, or should that date not be a Business Day, on the immediately subsequent Business Day.

The Guarantee will be legally claimed subject to the following: (i) checking by and registration at the CNMV of the Prospectus; (ii) granting of the Fund’s Deed of Incorporation filed with the CNMV’s registry (iii) confirmation as definitive by the Rating Agent, before the Subscription Period starts, of the provisional rating given to each of the Classes, (iv) that the Issue’s Management, Underwriting and Placement Agreements are not terminated and (v) remittance to the *Dirección General del Tesoro y Política Financiera* of the documentation mentioned in the following paragraph.

The Management Company must forward to the *Dirección General del Tesoro y Política Financiera*: (i) a copy of this Prospectus; (ii) an authorised copy of the Fund’s Deed of Incorporation filed with the CNMV’s registry; (iii) a BSCH certificate indicating that the Loans meet the terms and conditions of the Collaboration Framework Agreement enclosed to the Order of December 28, 2001, amended by Order ECO/1064/2003, of April 29, and that at least ninety nine percent (99%)

of the same, at the time of the Fund's incorporation, are loans granted to PYMES pursuant to the Recommendation of April 3, 1996 of the European Commission or another one replacing it; (iv) a copy of the Rating Agents letters informing of the definitive rating given to each of the Note Classes; and (v) an authorised copy of the notary minutes for the Note subscription disbursement granted by the Management Company.

The Management Company must also notify the *Dirección General del Tesoro y Política Financiera*, on each Payment Date of the Guaranteed Class Notes, the Guaranteed Class Notes Principal Outstanding Balance and, additionally, after each Fund's year-end closing, an appreciation of the Guaranteed Class financial charge for the following year.

V.3.3.2 Guarantee drawdown

Guarante may be partially executed, with no limit to the number of executions.

Guarantee shall be executed in the following cases:

- (i) If on a Payment Date, the Available Funds were not enough for the relevant payment of interest for the Guaranteed Class on said Payment Date, once the payments with a prior priority order have been made, pursuant to the provisions of section V.5.2.1.2 hereof.

In this case, the Guarantee drawdown shall be made for an amount equal to the interest due and unpaid of the Guaranteed Class Notes and shall be used for the payment of the interests of the Guaranteed Class.

For this purpose, "**Available Funds**" on each Payment Date shall be the result of adding: (i) the amount received for capital and interest (standard and for delay) on Credit Rights, (ii) the amounts that at the time comprise the Reserve Fund, (iii) the profitability obtained by the Reserve Fund reinvestment, as well as by the other amounts deposited in the Cash Account, (iv) the net amounts received under the Swap and (v) any other amounts the Fund may receive, including those resulting from the sale or exploitation of properties awarded to the same, in the proportional part.

- (ii) If, on a Payment Date, any of the reasons giving rise to an early repayment of the Notes and there was a Capital Insufficiency (as this term is defined in section II.11.3.h)) due to a lack of enough liquidity to repay the capital amount accrued for repayment chargeable to the Guaranteed Class.

In this case, the Guarantee drawdown shall be made for an amount equal to the amount accrued for capital for repayment chargeable to the Guaranteed Class and shall be used for payment of the Guaranteed Class Notes repayment.

This amount accrued for capital for repayment chargeable to the Guaranteed Class shall be the total amount of the Guaranteed Class outstanding capital.

This payment shall take place on the Payment Date following receipt of the funds charged to the State Guarantee.

In the event that any of the two above cases took place, the Management Company shall inform the *Dirección General del Tesoro y Política Financiera* of the amount it must pay charged to the Guarantee. This latter body shall, with the previous check-up, pay them through the Cash Account opened with the BANK on behalf of the Fund. Disbursement of the amounts requested under the Guarantee shall be made by the *Dirección General del Tesoro y Política Financiera* within a ninety (90) day term counting as of the date when the Management Company demands payment. Nevertheless, the Management Company, on behalf of the Fund, may provide mechanism to pay the Guaranteed Class Note holders payment obligation undertaken by the State Guarantee in its maturity date, partly or totally. The costs of said mechanism shall be supported, as the case may be, by the Fund.

In the event that the Management Company, on behalf of the Fund, had drawn the Liquidity Facility down in order to advance the payments of the Guaranteed Class pursuant to the provisions of section V.3.6, the amounts received by the Fund from the State charged to the Guarantee shall be used for return of the amounts drawdown as interest charged to said Liquidity Facility, as soon as they are received.

The Guarantee granting shall accrue no fees.

For the purposes of the Order granting the Guarantee, referrals to “*Cuenta de Ejecución del Aval*” shall be referred to the Cash Account.

V.3.3.3 Guarantee reimbursement

The Fund is under the obligation to return to the State the amounts drawdown on the Guarantee.

Repayment of the amounts drawdown charged to the Guarantee, which have been used for payment of interest of the Guaranteed Class Notes capital, shall be made on each of the following Payment Dates, until full reimbursement, and shall be made charged to the Available Funds taking the same place in the priority order that would have the payment of interest accrued of the Guaranteed Class Notes capital pursuant to the Fund’s priority order described in section V.5.2.1.2.

In the event that, pursuant to the above rule, on a Payment Date, the Fund, further to reimbursement the amount drawdown charged to the State, must request a new amount to pay the Guaranteed Class interest or capital, the net amount to be requested shall be calculated and applied or, as the case may be, return it to the State.

The reimbursement of the Guarantee drawdown for the payment of principal shall be carry out once the Fund is winded-up, keeping the same place in the payment priority order that the repayment of Guaranteed Class has, according to section III.8.1. hereof.

V.3.4 Interest Financial Swap Agreement (Swap)

The Management Company shall enter into, for and on behalf of the Fund, with the BANK a Interest Financial Swap Agreement or Swap within an 1992 ISDA format the most relevant terms of which are described below.

Entering into the Interest Financial Swap responds to the need to mitigate the interest rate risk that takes place in the Fund by the fact that the Credit Rights are subject to variable interest with different reference indexes and different review and settlement periods to the variable interest set forth for each of the Note Classes issued charged to the Fund.

By the Interest Financial Swap the Fund shall make payments to the BANK calculated on the Credit Rights interest rate and, as counterpart, the BANK shall make payments to the Fund calculated on the weighted average nominal interest rate for the Note Classes, all of it as described below.

Part A: The Fund represented by the Management Company

Part B: The BANK.

Settlement Dates

Settlement Dates will fall on the Note Payment Dates, that is, on January 18, April 18, July 18 and October 18 of every year or, should any of these dates not be a Business Day, on the immediately subsequent Business Day..

Settlement Periods

Settlement Periods for Part A and Part B are exactly the same, setting forth as such the days actually passed between two subsequent Settlement Dates, the first one inclusive and the last one exclusive. As an exception, the first Settlement Period for each of the parts shall have a duration equivalent to the days actually passed between the October 26, 2004 inclusive and January 18, 2005 (exclusive).

Amounts to be paid by Part A

It shall be the result of applying the Part A Interest Rate to the Notional of the Swap for Part A, adjusted to the number of days of the Settlement Period (that is, equal or equivalent to: number of days/360).

Part A Interest Rate

It shall be, on each Settlement Date, the annual interest rate resulting from dividing (i) the addition of the interest received from Credit Rights and deposited at the Fund during the maturing Settlement Period by (ii) the Swap Notional for Part A, all of it multiplied by the result of dividing 360 into the number of days of the Settlement Period.

Swap Notional for Part A

It shall be the Credit Rights Balance defined as the daily average during the Settlement Period when the Credit Rights Outstanding Balance matures, which Credit Rights are not delayed in payments of the amounts matured for over ninety (90) days.

Amounts to be paid by part B

It shall be the result of applying the Part B Interest Rate to the Notional of the Swap for Part B, adjusted to the number of days of the Settlement Period (that is, equal or equivalent to: number of days /360).

Interest Rate for Part B

It shall be for each Settlement Period the annual interest rate resulting from adding (i) the Note Reference Interest Rate fixed for the current Interest Accrual Period, as described in section II.10.1c) hereof, plus (ii) the average margin of each of the Note Classes weighed by the Principal Outstanding Balance of each Class during the current Interest Accrual Period plus (iii) a zero point sixty five percent (0.65%).

Swap Notional for Part B

It shall be the greater amount of: (i) the Swap Notional for Part A and (ii) the Notional Adjusted to the Credit Rights Profitability.

The Adjusted Notional to the Credit Rights Profitability for each Settlement Date shall be the lower amount of:

- (i) The addition of interest received from Credit Rights and deposited at the Fund during the maturing Settlement Period, divided by the Part B Interest Rate, multiplied by the result of dividing three hundred and sixty (360) by the number of days of the settlement period.
- (ii) The Credit Rights Outstanding Balance on the immediately prior Settlement Date or, as the case may be, the Credit Rights Outstanding Balance on the Fund's Incorporation Date.

Possible notionals for Part B mentioned above are:

- (a) Swap Notional for Part A. This notional is equal to the Notional Balance of Credit Rights defined as the daily average, during the maturing settlement period, of the Credit Rights Outstanding Balance that have no delay in payment of the amounts due for over ninety (90) days.

- b) Interest received from Credit Rights and deposited at the Fund during the maturing Settlement Period, divided by the Part B Interest Rate, all of it multiplied by the result of dividing three hundred and sixty (360) by the number of days of the Settlement Period.
- c) The Credit Rights Outstanding Balance on the immediately prior Settlement Date or, as the case may be, the Credit Rights Outstanding Balance on the Fund's Incorporation Date.

Possible scenes:

By definition, the notional described in paragraph c) above is always over the notional described in paragraph a).

Scene 1: In the event that the notional described in paragraph b) is over the notional described in paragraph c) this would mean that the interest rate risk did not materialise and in turn that the portfolio's default rate is such that it would not affect the Fund's financial balance. In this case, the BANK would pay to the Fund Part B Interest Rate over the notional described in paragraph c). The Swap net amount in this case is positive for the BANK.

Scene 2: In the event that the value of the notional described in paragraph b) is between the values of the notionals described in paragraphs a) and c), this would mean that the portfolio's default rate is such that it affects the Fund's financial balance. In this case the BANK would pay to the Fund the amount of the interest received from Credit Rights and deposited with the Fund during the maturing Settlement Period. The Swap net amount in this case would be equal to zero.

Scene 3: In the event that the notional described in paragraph b) was under the notional described in paragraph a), this would mean that the interest rate risk has materialised. In this case, the BANK would pay to the Fund Part B Interest Rate over the notional described in paragraph a). The Swap net amount in this case would be positive for the Fund.

The Swap's net amount in this case would be positive for the Fund, as the Swap's notional is equal for Part A and Part B and the interest rate collected by the Fund is under Part B interest rate. The BANK would pay the Fund.

In the event that on a Payment Date the Fund did not have enough liquidity to make the payment of all of the net amount (in case that the amount to be paid by Part A to the BANK was over the amount to be paid by Part B and to be received by the Fund) to be paid by the Fund to the BANK, the part of the net amount not paid shall accumulate accruing an interest rate for delay at the same

interest rate applicable for calculation of the amount to be paid by the Fund, and shall be settled on the following Payment Date when the Fund has enough liquidity pursuant to the payment priority order, so that the Swap is not terminated.

If on a Payment Date the BANK did not meet its payment duties for the full net amount it should pay to the Fund, the Management Company shall terminate the Swap. In this case, the BANK shall undertake the payment duty for the settlement amount provided by the Swap. Also in this case, if the Swap settlement amount should belong to the to the Fund, payment of the same shall be made with the payment priority order provided by section V.5.2.1.2 below.

The settlement amount shall be calculated by the Management Company, as Swap calculation agent, in terms of the Swap's market value.

In case of a decrease in the BANK's short term unsubordinated and unguaranteed debt under A-1 (according to S&P Rating Services' rating scale), and within a maximum thirty (30) Business Days term since said circumstance is informed, the BANK should opt to do any of the following:

- (i) create a cash deposit or a securities deposit in favour of the Fund, for an amount equal to the Swap Agreement, subject to the terms and conditions that the Fund, represented by the Management Company, and S&P España deem appropriate in order to keep the rating of the Notes. Should the rating decreases under BBB+, the Bank must find a substitute entity with a minimum rating of A-1 (according to the short-term rating of S&P Rating Services). Meanwhile said substitute entity is not found, the Bank shall keep the deposit;
- (ii) that a third entity with a minimum short-term rating of A1 (according to short-term rating scale of S&P Rating Services) guarantee the fulfilment of its contractual obligations;
- (iii) that a third entity with a minimum short-term rating of A-1 (according to short-term rating scale of S&P Rating Services) undertakes its contractual position, and the Swap Agreement is fully terminated. The new entity shall be subrogated in the BANK's position, prior to terminate this Agreement, all of it subject to the terms and conditions that the Fund, represented by the Management Company, and S&P España deem appropriate.

In the event that the Bank's rating decreases down to BBB+ according to S&P Rating Services' rating scale, only option (iii) shall be valid, and the Bank shall create the deposit referred to in option (i) until the third substitute entity is found to replace the Bank in its contractual position.

Should the Bank fail to fulfil the obligations referred to in the paragraphs above, the Management Company, acting on behalf of the Fund, shall be empowered to replace the Bank with another entity, according to paragraph (ii) above.

All costs, expenses and taxes incurred due to fulfilment of the above duties shall be for the account of the BANK.

The happening, as the case may be, of the early termination of the Interest Financial Swap shall not involve in itself a reason for early maturity of the Note issue and early settlement of the Fund, unless together with other events or circumstances relating to the Fund's capital condition there was a substantial or permanent alteration of its financial balance.

The Interest Financial Swap shall be terminated with full rights in case the Rating Agent did not confirm before the start of the Subscription Period, as final, the ratings given with an interim nature to each of the Classes.

The Management Company shall use all the means within its reach which are required in order to a Swap Agreement is always in force.

V.3.5 Reserve Fund

The Management Company, for and on behalf of the Fund, shall endow a Reserve Fund with the following features:

a) Amount:

Initially funded with twenty seven million Euro (€ 27,000,000), an amount equivalent to one point five percent (1.5%) of the Notes Principal Outstanding Balance. It will remain constant for the first three (3) years. Thereafter, it can decrease quarterly, on each Payment Date, so that its amount is always equal to three percent (3%) of the Notes Principal Outstanding Balance. It will remain constant at said percentage until the Reserve Fund reaches the amount of eighteen million Euro (€ 18,000,000). Thereafter, the Reserve Fund will remain constant at said level until the final maturity date of the Fund, where it will be used to meet the Fund's obligations.

The Reserve Fund may not be reduced if at any time the Reserve Fund has been used on any Payment Date and, as a result, it is at a level other than required.

In the event that the amount of Credit Rights with delay equal or higher than ninety (90) days and lower eighteen (18) months, on the Fixing Date prior to the current Payment Date, is equal or higher than one percent (1%) of the Credit Rights Outstanding Balance on such date, the Reserve Fund shall not be repaid.

b) Profitability:

The amount of such Reserve Fund shall be paid into the Cash Account, being subject to the Cash Account Guaranteed Rate Reinvestment Agreement to be entered into with the BANK.

c) Use:

The Reserve Fund shall be used, on each Payment Date, to meet the payment duties contained in the payment priority order contained in section V.5.2.1.2 below.

V.3.6 Liquidity Facility Agreement

With the purpose to cover the time periods the Treasury takes in making the Guarantee effective, the Management Company, for and on behalf of the Fund, and the BANK shall enter into the Liquidity Facility Agreement by which BSCH shall grant a facility to make the interest payments of the Guaranteed Class for an amount of eight million four hundred thousand Euro (€ 8,400,000) and maturing on the Legal Maturity Date, except that all the interests of the Guaranteed Class Notes have been paid before of said date.

The Management Company shall use this Liquidity Facility in case that, on a Payment Date, the funds requested from the State to meet the payment duties inherent to Class B(G) Notes had not been received.

The amounts drawdown charged to the Liquidity Facility and outstanding reimbursement shall daily accrue interest in favour of the Bank. Interest shall accrue on the basis of the days actually passed and a three hundred and sixty (360) day year, being settled and paid on each Payment date. The applicable interest rate shall be equal to the Notes reference interest rate.

The accrued interest shall be settled and paid by the Fund to the BANK at the end of each Interest Accrual Period and, in any case, provided that the Fund had enough liquidity in the Cash Account according to the payment priority order foreseen in section V.5.2.1.2. hereof.

In the event that no enough amounts were available in the Cash Account on said date, the accrued interest will be capitalized, and will be considered, for all purposes, as principal withdrawn of the Liquidity Facility.

In the event that BSCH short term debt undergoes, at any time of the Notes life, a decrease under A-1 (according to S&P Rating Services' rating scales), the Management Company, within a maximum thirty (30) Business Day term counting as of the time when such a situation takes place, must replace BSCH in its contractual status under this Liquidity Facility Agreement or, as the case may be, under a new agreement, for the time when the situation of loss of A-1 or equivalent rating is kept, by another entity the short term debt of which has a minimum A-1 rating (according to S&P Rating Services' rating scales).

V.4 Other agreements

V.4.1 Issue Management, Underwriting and Placement Agreement

The Management Company, for and on behalf of the Fund, shall enter into (i) a note issue management, underwriting and placement agreement with the BANK and Société Générale (hereinafter, the **National Tranche Management, Underwriting and Placement Agreement**) and (ii) an underwriting and placement agreement of the issue with Société Générale, Depfa Bank and Banca

Imi, S.p.A. (hereinafter the **“International Tranche Underwriting and Placement Agreement”**).

The Note issue Underwriting Entities shall undertake the duties contained in the National Tranche Management, Underwriting and Placement Agreement and in the International Tranche Underwriting and Placement Agreement which are basically the following: 1) commitment to subscribe jointly the Notes not subscribed once the Subscription Term is over, up to the amounts provided for each Underwriting Entity by the relevant agreement; 2) to seek placement in subscription by third parties of the Note issue; 3) to pay to the Payment Agent, by Société Générale, Depfa Bank and Banca Imi, S.p.A., on the Disbursement Date, with value that same date, the nominal amount insured by each of them, the BANK, as Payment Agent, subsequently paying to the Fund, before 15:00 hours of the same day, with value that same day, the full amount of the Note issue subscription, deducing the addition of the underwriting and placement total fee; and 4) delivery to subscribers of a document evidencing the subscription if so requested.

Additionally, under the National Tranche Management, Underwriting and Placement Agreement the BANK shall undertake, as Payment Agent, the obligations that are briefed below:

- (i) To pay to the Fund before 15:00 hours (CET time) of the Disbursement Date, with value that same day, the amount that, pursuant to the provisions of the Management, Underwriting and Placement Agreements Underwriting Entities pay to it plus the amount of its own underwriting commitment, by deposit in the Fund’s Cash Account.
- (ii) To collect from each of the Underwriting Entities and to deliver to the Management Company the information statements on the diffusion control reached in the issue’s placement, in connection with the amount placed, using for it the form set for that purpose by the CNMV duly completed and broken down for each of the Classes.
- (iii) On each of the Notes Payment Dates, make payment of interest and reimbursement of the Notes principal amount, once deduced the total amount of the withholding on account by movable goods capital profitability relevant to be made pursuant to the applicable tax legislation.
- (iv) On each of the dates for interest rate fixing, to inform the Management Company of the Reference Interest Rate fixed that will be the basis for calculation of the nominal interest rate applying to each of the Note Classes.

In the event that BSCH short term debt undergoes, at any time of the Notes life, a decrease under A-1 (according to S&P Rating Services’ rating scale), the Management Company, within a maximum thirty (30) Business Day term counting as of the time when such a situation takes place, must replace BSCH as Payment Agent, for the time when the situation of loss of A-1 or equivalent

rating is kept, by another entity the short term debt of which has a minimum A-1 rating (according to S&P Rating Services' rating scales).

The National Tranche Management, Underwriting and Placement Agreement and the International Tranche Underwriting and Placement Agreement shall be terminated with full rights in case that the Rating Agent did not confirm before the start of the Subscription Period, as final, de rating given with an interim nature to each of the Classes.

V.5 Priority rules for Fund's payments

V.5.1 Origin and application on the Note Disbursement Date

The origin and application of the available amounts by the Fund on the Disbursement Date of the Note issue shall be as follows:

1. **Origin**
 - a) Note issue
 - b) Subordinated Loan for Initial Expenses
2. **Application:** in turn, on the date of issue, the Fund shall use the above funds for the following payments
 - a) Credit Rights purchase
 - b) Payment of the Fund's incorporation expenses and Note issue expenses
 - c) Funding of the Reserve Fund

V.5.2 Origin and application of the funds as of the Fund's date of incorporation and until full repayment of the Notes.

V.5.2.1 Available Funds: origin and application

1. **Origin:**
 1. *Origin:* The Available Funds on each certain Payment Date shall be the following:
 - 1') Available Funds:
 - a) The amounts received for Credit Rights capital on each prior Fixing Period. Said amounts must have been deposited in the Cash Account.
 - b) The interests collected from Credit Rights during each prior Fixing Period (including, as the case may be, delayed interest). Said amounts must have been deposited in the Cash Account, pursuant to the provisions of section V.3.1 hereof.

- c) The profitability obtained during every prior Fixing Term by the Reserve Fund reinvestment, pursuant to the provisions of Section V.3.5 as well as by the amounts deposited in the Cash Account. Said amounts must have been deposited in the Cash Account, pursuant to the provisions of section V.3.1 hereof.
- d) The Reserve Fund described in section V.3.5 hereof.
- e) The net amount received under the Note Swap Agreement terms, pursuant to section V.3.4 hereof.
- f) Any other amounts the Fund may receive including those resulting of the loan guarantee execution, if any.

Additionally, the fund shall have, only for payment of interest and capital on the Guaranteed Class, the amount drawn down charged to the State Guarantee and, as the case may be, and used for the payment of the interests of the Guaranteed Class, the Liquidity Facility drawdowns, which shall be used pursuant to the provisions of section V.3.3 hereof.

- 2') Available Funds for Repayment: As this term is defined in section II.11.3.g) hereof.

2. Application:

The Management Company, on behalf of the Fund, shall use on each Payment Date the amount of the Available Funds for the following payments and withholdings, pursuant to the payment priority order described below:

- 1.- Payment of the Fund's regular and extraordinary expenses, foreseen for information purposes only in section III.4.3 hereof, whether the Management Company provides them or not and duly supported, including the Management Company's management fee (0.025% yearly, calculated on the basis of the Note Principal Outstanding Balance), and payment of the management fee in favour of a third entity different from the Bank, and not belonging to the Bank consolidated group, in the event that the Bank is replaced as Manager of Credit Rights (pursuant to section V.5.3). In this order only the extraordinary expenses the BANK has advanced or provided on account of the Fund duly supported, shall be paid in favour of the BANK and in connection with the Credit Rights management.
- 2.- Payment to the BANK of the Swap net amount, or according to section V.3.4 hereof and in the event of resolution of the aforementioned contract by breach by the Fund, represented by the Management Company, the Swap settlement payment.
- 3.- Payment of interest accrued on Class A and B(G) Notes pursuant to the following order: (i) payment of interest due on the Class A Notes on the current Payment Date, (ii) as the case may be, payment of interest

accrued on the Liquidity Facility granted by the BANK and reimbursement to the Government of the amounts the Fund had paid because of the Guarantee drawdown for payment of interests of Class B(G) Notes and (iii) once said payments are made, payment of interest due on Notes of Class B(G) on the current Payment Date.

- 4.- Payment of interest accrued on Class C Notes.
- 5.- Payment of interest accrued on Class D Notes.
- 6.- Payment of interest accrued on Class E Notes.
- 7.- Withholding of an amount equal to the Amount Accrued for Repayment.
- 8.- Withholding of a sufficient amount to keep the required Reserve Fund.
- 9.- Payment of the amount due for termination of the swap, as the case may be, in the event of the BANK's default.
- 10.- Payment of interest and principal amount of the Subordinated Loan for Initial Expenses.
- 11.- Payment to the BANK of the fixed fee for the management of Credit Rights.
- 12.- Payment to the BANK of the remuneration for financial intermediation.

In the event of Fund's settlement and termination, the Management Company shall follow the payment priority order included in section III.8.1 hereof.

V.5.3 Fund's Payment priority exceptional rules

As set forth in point 1 of the payment priority order, if the BANK was replaced as manager of the Loans by another entity not included in the BANK's consolidated group, a fee in favour of the third party, new manager, shall accrue, which shall have the place indicated in item 1 in said priority order, and therefore an amendment in the enumeration of subsequent payments contained in the previous items will take place.

Should, at any time, the Credit Rights Outstanding Balance with accumulated default over twelve (12) months was over ten point seventeen percent (10.17%) of the initial balance of the Credit Rights, payment of the Class C Notes shall be postponed after the payment of the principal of the Notes until the total repayment of the Class A and B(G), so that regular payment priority rules shall be used again when Class A and Class B(G) Notes are fully repaid.

Should, at any time, the Credit Rights Outstanding Balance with accumulated default over twelve (12) months was over seven point thirteen percent (7.13 %) of the initial balance of the Credit Rights, payment of the Class D Notes shall be postponed after the payment of the Notes principal until the total repayment of the Class A, B(G) and C, so that regular payment priority rules shall be used again when Class A, Class B(G) and Class C Notes are fully repaid.

Should, at any time, the Credit Rights Outstanding Balance with accumulated default over twelve (12) months was over three point seventy two percent (3.72 %) of the initial balance of the Credit Rights, payment of the Class E Notes shall be postponed after the payment of the Notes principal until the total repayment of the Class A, B(G), C and D, so that regular payment priority rules shall be used again when Class A, Class B(G), Class C and Class D Notes are fully repaid.

CHAPTER VI

GENERAL INFORMATION ON THE MANAGEMENT COMPANY OF THE ASSET SECURITIZATION FUND

Pursuant to Royal Decree 926/1998, the Asset Securitization Funds do not have their own legal personality, being entrusted to Securitization Fund Management Companies the incorporation, management and legal representation of the same, as well as the representation and defence of the interests of the holders of the securities issued charge to the Funds they manage.

In terms of the above, this chapter details information relating to SANTANDER DE TITULIZACION, S.G.F.T., S.A. in its capacity as Management Company incorporating, managing and representing the FONDO DE TITULIZACION DE ACTIVOS, FTPYME SANTANDER 2.

VI.1 Relating the Management Company, save for its capital.

VI.1.1 Registered offices.

- Corporate name: SANTANDER DE TITULIZACION, SOCIEDAD GESTORA DE FONDOS DE TITULIZACION, S.A.
- Registered office: Ciudad Grupo Santander, Avenida de Cantabria, s/n, 28660 Boadilla del Monte (Madrid).
- N.I.F.: A-80481419
- C.N.A.E.: 81 99

VI.1.2 Incorporation and registration with the Commercial Registry, as well as information relating government authorisations and registration with the Spanish Securities Exchange Commission.

SANTANDER DE TITULIZACION, SOCIEDAD GESTORA DE FONDOS DE TITULIZACION, S.A. was incorporated by public deed granted, on December 21, 1992 before the Notary of Madrid Mr. Francisco Mata Pallares, under number 1,310 of his official record, with the prior authorisation of the Ministry of Finance granted on December 1st, 1992. It is registered with the Commercial Registry of Madrid under Volume 4789, Folio 75, Sheet M78658, entry 1. It is also registered with the CNMV special registry under number 1.

Additionally the Management Company amended its By-laws by a resolution of the Board of Directors, passed on June 15, 1998 and put into public deed granted by the Notary of Madrid Mr. Roberto Parejo Gamir on July 20, 1998 under number 3,070 of his official record, with the purpose to adjust to the requirements provided for Asset Securitization Fund Management Companies by Royal Decree 926/1998 of May 14. Said amendment was authorised by the

Ministry of Finance on July 16, 1998 pursuant to the requirements of the Sole Interim Provision of said Decree.

The change of name is recorded in the public deed granted before the Notary Public of Madrid, Mr. Roberto Parejo Gamir, on March 8, 2004, under number 622 of his official record, and registered with the Commercial Registry under Volume 4,789, folio 95, section 8, Sheet M-78658, entry 30, and has been duly notified to the CNMV.

The Management Company's duration is indefinite unless any of the reasons legal and statutory provisions provide for winding up of the same take place.

VI.1.3 Purpose

Pursuant to legal requirements, article two of the By-laws provides that:

“The only purpose of the Company is the incorporation, management and legal representation of Mortgage Securitization funds under the terms of article six of the Act 12/1992, pursuant to the provisions of article 12, item 1, of Royal Decree 926/1998. As other people's business manager it shall represent and defend the interest of the holders of securities issued charged to the Funds it manages and of the remaining standard creditors of the same, as well as the development of the remaining duties provided for Securitization Fund Management Companies by the current legislation “management and representation of Securitization Funds”.

VI.1.4 Place to check the documents mentioned in the Prospectus or the existence of which is inherent to its contents.

The By-laws, accounting financial statements of the Management Company, as well as any other document mentioned herein, including the same, or the existence of which is inherent to its contents, may be checked up at the Management Company's registered offices, Ciudad Grupo Santander, Avenida de Cantabria, s/n, 28660 Boadilla del Monte (Madrid).

This Prospectus has been checked and registered with the CNMV Official Registries, on October X, 2004. It is available to the public free of charges at the Management Company's registered office and at the Underwriting Entities. It may also be checked up at the CNMV at Madrid, Paseo de la Castellana, 19 and at the AIAF management body, with address at Madrid, Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, floor 43.

Once the Deed of Incorporation has been granted and before the beginning of the Note Subscription Period, the Management Company shall submit to the CNMV an authorised copy of the Deed of Incorporation. Additionally, the Management Company itself, Iberclear or the participant entity it delegates its duties on and the AIAF management body shall have available at all times for the Note holders and the public concerned copies of the Deed of Incorporation with the purpose that it may be checked up.

VI.2 Relating Share Capital

VI.2.1 Nominal amount subscribed and paid up.

The Management Company's share capital is nine hundred and one thousand six hundred and fifty (901,650) Euro, represented by fifteen thousand nominative shares of sixty and eleven (60.11) Euro each, correlatively numbered from one (1) to fifteen thousand (15,000) both inclusive, all of them fully subscribed and paid up.

VI.2.2 Classes of shares

All shares belong to the same class and grant the same political and economic rights.

VI.2.3 Capital evolution for the last three years

Since the Management Company's incorporation on December 21, 1992 with one hundred million (100,000,000) pesetas, the capital has undergone a variation twice. The first one, when it was increased in the amount of one hundred and fifty million (150,000,000) pesetas by capital increase deed and other agreements, granted on July 20, 1998 by the Notary of Madrid, Mr. Roberto Parejo Gamir, under number 3,070 of his official record, and registered with the Commercial Registry of Madrid under Volume 4,789, Folio 89, Section 8, Sheet M-78658, entry 13. And the second one, as a result of the share capital redenomination and the shares face value in Euro denomination, it involving a capital increase by adjustment of the share face value of one hundred and thirty one and eighty four (131.84) Euro, thus the share capital going from one hundred and fifty million (150,000,000) pesetas to the current amount of nine hundred and one thousand six hundred and fifty Euro (901,650) by means of a deed of redenomination of share capital and share face value in Euro and subsequent capital increase by adjustment of the shares value, granted on December 13, 2001 by the Notary of Madrid Mr. Roberto Parejo Gamir, under number 4,426 of his official record, and registered with the Commercial Registry of Madrid under Volume 4,789, Folio 94, Section 8, Sheet M-78658, entry 26".

VI.3 Information regarding the shares

VI.3.1 Shares in other companies

There are no shares in any other companies.

VI.3.2 Holding of which the company is a part

For the purposes of section 42 of the Code of Commerce, SANTANDER DE TITULIZACION, SOCIEDAD GESTORA DE FONDOS DE TITULIZACION, S.A. is a part of the Group SANTANDER.

VI.3.3 Holders of significant shares

Ownership of the Management Company's shares is distributed among the companies detailed below, indicating the share holding for each of them:

Santander Central Hispano Investment, S.A. 19% capital

Banco Santander Central Hispano, S.A.: 81% capital

VI.4 Corporate Bodies

The Management Company's government and management are statutorily entrusted to the General Shareholders Meeting and the Board of Directors. Their competences and powers are those for said bodies pursuant to the provisions of the Companies Act and of the Act 19/1992 of July 7, regarding the corporate purpose.

VI.4.1 Directors

Board of Directors

The Board of Directors is comprised by the following individuals:

Directors:	Ms. Ana Bolado Valle Mr. Emilio Osuna Heredia Mr. Santos González Sánchez Mr. Ignacio Ortega Gavara Mr. Marcelo Alejandro Castro Mr. Eduardo García Arroyo Mr. Francisco Pérez Mansilla Mr. Fermín Colomé Graell
Chairman:	Mr. Jose Antonio Alvarez Alvarez
Secretary:	Ms. María José Olmedilla González

VI.4.2 General Manager

The Management Company's General Manager is Mr. Ignacio Ortega Gavara.

VI.5 Set of interest in the Management Company of the people mentioned in section VI.4

The individuals mentioned in section VI.4.1 above are not direct or indirect holders of any share or convertible bond of the Company.

VI.6 Management Company's Lenders for over ten percent (10%)

The Management Company has received no loan or facility from any individual or entity.

VI.7 Mention of whether the Management Company is under any receivership situation and the possible existence of significant litigation or contentious that may concern its financial condition or, in the future, its capacity to carry out the Fund's management and administration duties provided by this Prospectus.

Not applicable.

CHAPTER VII

FUNDING OF THE SMALL BUSINESS

VII.1 Funding of the Small Business

Credit Rights assigned to the Fund are Loans granted by the BANK to non-financial businesses with address in Spain. At least ninety nine percent (99%) of these transactions and the total turnover the Fund is incorporated with have been granted to small and medium businesses meeting the following requirements provided by the European Commission recommendation (Recommendation of April 3, 1996): staff under two hundred and fifty (250) employees, annual turnover under forty million Euro (40,000,000) or a general annual balance under twenty seven million Euro (27,000,000) and not being held in twenty five percent (25%) or over by a business that may not be defined as a small business.

These loans features are described in Chapter IV hereof.

VII.2 State Guarantee of the Order of December 28, 2001

The Fund has been incorporated under the Ministerial Order of December 28, 2001, amended by Order ECO 1064/2003, of April 29. Said Ministerial Order provides for the granting of State Guarantees guaranteeing fix rate securities issued whcrged to certain asset Securitization Funds, with the purpose to improve the business production activity.

Once all requirements are met and all the procedures checked that said Ministerial Order requires, the Ministry of Finance has granted a Guarantee on the Class B(G) Notes that shall extend both to the capital in case of prior repayment and to the interest of said Class Notes.

VII.3 Implications of the above trends

The Credit Rights assigned to the Fund, are at a fix interest rate or at a variable interest rate, with the distribution stated in the above Chapter IV hereof. This notwithstanding, the Fund has agreed with the BANK on a Interest Swap under the terms described in section V.3.4 hereof.

Given the Credit Rights nature, the Debtors of which are small businesses, the fact that a high proportion of the same are at a variable interest rate and the term of the same, it is not likely to have an environment of early repayment of the assigned assets.

Regarding the Debtors credit solvency, all Credit Rights shall be on the date of the Fund's incorporation up to date in payment of all due amounts for each of them

VII.4 Commitment to reinvest liquidity

The Assigning Entity undertakes to reinvest the liquidity obtained as a result of the securitization process of the Credit Rights. Said reinvestment shall be made observing the criteria provided by Order of December 28, 2001, amended by Order ECO/1064/2003, of April 29, in connection with the requirements loans or facilities that are going to be assigned to an Asset Securitization Fund must meet and within the following terms, counting as of the effective liquidity drawdown: (a) fifty percent (50%) within a six (6) month term and (b) the rest within a one (1) year term.

For the above purposes, liquidity obtained shall be the amount of the Credit Rights assigned by the BANK to the Fund.

Signed: IGNACIO ORTEGA GAVARA

 General Manager
 SANTANDER DE TITULIZACION, S.G.F.T, S.A.