# EMPRESAS BANESTO 1

# FONDO DE TITULIZACIÓN DE ACTIVOS

## SECURITISATION BONDS €2,000,000,000

| | | |
|---|---|---|
| Series A1 | €1,060,000,000 | AAA |
| Series A2 | €800,000,000.00 | AAA |
| Series B | €70,000,000 | A |
| Series C | €35,000,000 | BBB- |
| Series D | €35,000,000 | BB- |

BACKED BY ASSETS ASSIGNED BY

Banesto

LEAD MANAGERS OF THE ISSUE

Banesto

CALYON CRÉDIT AGRICOLE CIB

UNDERWRITERS

Banesto

PAYING AGENT

Banesto

PROMOTED AND ADMINISTERED BY:

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A.

Prospectus registered with the registries of the National Securities Market Commission on 4 October 2007

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This document constitutes the informational prospectus (hereinafter the "Prospectus") of EMPRESAS BANESTO 1, Fondo de Titulización de Activos (hereinafter the "Fund"), approved and registered by the Spanish National Securities Markets Commission (Comisión Nacional del Mercado de Valores; hereinafter the "CNMV"), in accordance with the provisions of European Commission Regulation (EC) 809/2004 of 29 April 2004 (hereinafter "Regulation 809/2004"), composed of:

1.- A document describing the main risk factors of the Fund, the Assets backing the issue and the securities issued by the Fund ("Risk Factors").

2.- The Registration Document prepared in accordance with Annex VII of Regulation (EC) 809/2004.

3.- The Securities Note prepared in accordance with Annex XIII of Regulation (EC) 809/2004.

4.- The Additional Building Block to the Securities Note prepared in accordance with Annex VIII of Regulation (EC) 809/2004.

5.- A document containing the terms defined in the Prospectus ("Glossary of Definitions").

## RISK FACTORS

I. Risk factors specific to the Fund:

(i) Risk of insolvency of the Fund:

If it is generally impossible for the Fund to pay its obligations the provisions of article 11 of Royal Decree 926/1998 will apply; that is, the Management Company, after informing the CNMV, will arrange for the orderly liquidation of the Fund according to the rules established in this regard in this Prospectus.

The Fund will only be liable for the performance of its obligations up to the amount of its assets.

(ii) Legal status and lack of legal personality of the Fund:

The Fund lacks legal status. Consequently, the Management Company must carry out its administration and representation and comply with the obligations legally established in respect of the Fund. It will be liable to the Bondholders and the other ordinary creditors of the Fund up to the limit of its net worth in the event of breach of said obligations.

The Fund will be closed in respect of its assets and liabilities.

(iii) Mandatory replacement of the Management Company:

In accordance with article 19 of Royal Decree 926/1998 governing mandatory replacement of the Management Company, if it is declared to be bankrupt and if its administrative authorisation is revoked the Management Company must be replaced, provided that if four (4) months have elapsed since the occurrence of the cause for the replacement and no other Management Company willing to assume management has been found, an Early Liquidation of the Fund and an Early Redemption of the bonds issued against it will occur.

(iv) Limitation of actions against the Management Company:

The Bondholders and other ordinary creditors of the Fund will have no right of action against the Management Company other than for non-performance of its legal functions and obligations or failure to comply with the provisions of the Deed of Establishment, this Prospectus and the applicable laws and regulations.

(v) Validity of assignment in case of insolvency of Assignor:

The case law is not yet sufficient to know how the courts will interpret the regulations contained in Insolvency Act 22/2003 of 9 July 2003 (Ley Concursal, hereinafter the "Insolvency Act"), which came into effect on 1 September 2004. Without prejudice to the foregoing, the most common interpretation is that, according to Additional Provision Two of Act 22/2003, the specific insolvency proceedings under Additional Provision Five of Act 3/1994 will remain in force, so that, unless there is fraud in the assignment, the Assets assigned to the Fund will not form part of the bankrupt's estate in the event of a creditors arrangement for the Assignor. In any event, even if the less common interpretation of the Insolvency Act prevailed, because the transaction involves securitisation of receivables arising from the ordinary conduct of business of credit institutions, the assignment of the Assets to the Fund could only be rescinded in the event of declaration of bankruptcy of the Assignor if the assignment was within the two

(2) years preceding such declaration and the bankruptcy trustee proved that it was not done under normal conditions.

If insolvency proceedings are ordered for the Assignor, the Fund, acting through the Management Company, will have the right of separation in respect of the assigned Assets. Notwithstanding the foregoing, this right of separation will not necessarily extend to the money the Assignor receives in its capacity as Administrator and holds for the account of the Fund prior to the date of ordering insolvency proceedings, because the fungible nature of that money means it could be subject to the results of the proceedings according to the construction of article 80 of Act 22/2003 supported by a majority of authoritative legal commentators.

Nonetheless, there are mechanisms mitigating this risk, which are described in sections 3.4.4.1 (Cash Account), 3.4.5 (How payments are collected in respect of the Assets) and 3.7.1(5) (Collections management) of the Additional Building Block to the Securities Note.

(vi) Relations with third parties:

The Fund, represented by the Management Company, has entered into agreements with third parties for the provision of certain services and financial transactions in respect of the Assets and the Bonds.

These agreements include the Paying Agency Agreement, the Subordinated Loan Agreement for Establishment and Issue Expenses, the Subordinated Loan Agreement for the Reserve Fund, the Swap Agreement, the Cash Account Guaranteed Yield Reinvestment Agreement and the Issue Management, Underwriting and Distribution Agreement.

The Bondholders could be adversely affected if any of the Fund's counterparties were to default on the obligations to be assumed under those agreements.

II. Risk factors specific to the Assets backing the issue:

As indicated in section 4.5.b) of the Registration Document, the Fund is a separate capital base without legal status, such that the specific risks of the Fund are those of the Assets backing the issue, namely: (i) risks relating to the sector of the economy in which the Assets comprising the Fund's assets have been generated and/or (ii) risks relating to the Assets themselves.

In regard to the former, the Assets subject to securitisation in the Fund are loans granted for the conduct of business activities. The Debtors operate in very diverse sectors of the economy so it can be said that the default risk of the Assets is not tied to the performance of any one sector, but rather to the overall trend of the Spanish economy.

As for the latter, the specific risks of the Assets are as follows:

(i) Default risk of the Assets:

The holders of the Bonds issued against the Fund will bear the default risk of the Assets pooled in the Fund. Nevertheless, the credit enhancements described in section 3.4.2 of the Additional Building Block have been arranged.

BANESTO, as Assignor, assumes no liability whatsoever for non-payment by the Debtors, whether of principal, interest or any other amount they may owe by virtue of the Assets. Under article 348 of the Commercial Code (Código de Comercio), the Assignor will only be liable for the existence and lawfulness of the

Assets at the time of their assignment on the terms and conditions set forth in the Prospectus, as well as for the legal status based upon which it makes the assignment.

(ii) Risk of prepayment of the Assets:

The Assets pooled in the Fund may be prepaid if the Debtors make prepayments of the outstanding principal on the terms provided in each of the agreements whereby the Loans underlying the Assets are granted, or if the Assignor is subrogated to those Loan agreements by another duly qualified financial institution.

The risk of such prepayment will be transferred quarterly, on each Payment Date, to the Bondholders through the partial redemption of the Bonds pursuant to the rules for Distribution of Available Principal Funds in section 4.9.3.6 of the Securities Note.

(iii) Liability:

The Bonds issued by the Fund do not represent an obligation of the Management Company or the Assignor. The flow of funds used to perform the obligations to which the Bonds give rise is secured or guaranteed only in the specific circumstances and up to the limits described in section 3.4.2 of the Additional Building Block to the Securities Note. With the exception of these enhancements, no other security has been given by any public or private entity, including the Assignor, the Management Company or any of their affiliated or investee companies. The Assets pooled in the Fund and the rights they carry are the main source of revenues for the Fund and, as such, for payment of the amounts owed to Bondholders.

(iv) Protection:

An investment in Bonds can be affected, among other factors, by a deterioration of the general economic conditions that has a negative effect on the payment of the Assets backing the Bonds issued by the Fund. If non-payments were to reach a high level, they could reduce, or even eliminate, the protection against losses in the Loan portfolio enjoyed by the Bonds as a result of the existence of the credit enhancements described in section 3.4.2 of the Additional Building Block to the Securities Note.

Notwithstanding the foregoing, the Bondholders of each higher ranking Series have their risk mitigated by the subordination rules for payment of interest and repayment of principal on the Bonds of the lower ranking Series as set forth in section 3.4.3.3 of the Additional Building Block to the Securities Note and in accordance with the order of priority of payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note (the "Order of Priority of Payments") and the order of priority of liquidation payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note (the "Order of Priority of Liquidation Payments").

III. Risk factors specific to the securities:

(i) Limited liquidity:

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

There is no commitment to intervene in the secondary market by any entity, providing liquidity to the Bonds through offers of consideration.

In addition, in no event may the Fund repurchase the Bonds from the Bondholders, although they may be fully redeemed in advance in the event of early liquidation of the Fund on the terms established in section 4.4.3.(1) of the Registration Document (the "Early Liquidation").

(ii) Yield and duration:

The calculation of the average life, yield and duration of the Bonds of each Series indicated in section 4.10 of the Securities Note is subject, among other assumptions, to estimates of the prepayment and delinquency rates of the Assets which may or may not be fulfilled, as well as future market interest rates, given the floating nature of the nominal interest rates..

Fulfilment of the prepayment rate of the Assets is influenced by a variety of economic and social factors that hinder their predictability, such as the evolution of market interest rates, the economic situation of the Debtors and the overall level of economic activity.

(iii) Interest

The weighted average interest rate of the loans selected at 20 August 2007, as detailed in section 2.2.2.1.e) of the Additional Building Block to the Securities Note, is four point six six percent (4.66%), lower than the four point nine nine seven percent (4.997%) of the weighted average nominal interest rate of the Bonds, which have been assumed in the table included in 4.10 of the Securities Note. This situation will gradually correct itself as the Loans (annual, half-yearly and quarterly review periods) revise their respective interest rates and incorporate the increments being seen in the Euribor rate in recent months.

(iv) Default interest:

In no event will the existence of delays in payment of interest or repayment of principal to the Bondholders result in accrual of default interest in their favour.

(v) Bond ratings:

The credit risk of the Bonds issued with a charge to the Fund has been evaluated by the rating agency Standard & Poor's España, S.A.

The final ratings assigned may be revised, suspended or withdrawn at any time by that rating agency in view of any information that becomes known to it.

Their ratings are not and can in no way be interpreted to be an invitation, recommendation or solicitation to investors to carry out any type of transaction in respect of the Bonds and, in particular, to acquire, hold, encumber or sell the Bonds.

(vi) Lower ranking of interest payments:

This Prospectus and the rest of the supplementary documentation relating to the Bonds provide that the ranking of interest payments on the Series B, C and D Bonds will be downgraded in the event of occurrence of the circumstances contemplated in ordinal numbers 5th, 6th and 7th, respectively, of section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, in which case they would rank 9th, 10th and 11th, respectively, in the Order of Priority of Payments set forth in that section.

# REGISTRATION DOCUMENT FOR ASSET BACKED SECURITIES (ANNEX VII OF COMMISSION REGULATION (EC) 809/2004)[1]

## 1. PERSONS RESPONSIBLE

### 1.1 Persons responsible for the information given in the Registration Document.

Mr. IGNACIO ORTEGA GAVARA, acting for and on behalf of SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A., with registered address at Ciudad Grupo Santander, Avda. de Cantabria s/n. 28660, Boadilla del Monte (Madrid), assumes responsibility for the information contained in this Registration Document.

Mr. IGNACIO ORTEGA GAVARA acts in his capacity as General Manager and in exercise of the powers expressly conferred for the establishment of the Fund by the Board of Directors of the Management Company at its meeting of 23 July 2007.

SANTANDER DE TITULIZACION, S.G.F.T., S.A. is the promoter of EMPRESAS BANESTO 1, FONDO DE TITULIZACIÓN DE ACTIVOS and will be responsible for its administration and legal representation.

### 1.2 Declaration by those responsible for the Registration Document.

Mr. IGNACIO ORTEGA GAVARA, for and on behalf of the Management Company declares that, after applying reasonable diligence to ensure that it is the case, the information contained in this Registration Document is, to his knowledge, consistent with the facts and contains no omissions that could affect its content.

## 2. AUDITORS OF THE FUND.

### 2.1 Name and address of the auditors of the Fund (together with membership in any relevant professional body).

In accordance with the provisions of section 4.4 of this Registration Document, the Fund lacks historical financial information.

However, during the term of the Fund, the annual financial statements will be audited on an annual basis by the auditors.

The Board of Directors of the Management Company, at its meeting of 23 July 2007 at which the establishment of this Fund was resolved, appointed the following accounting firm as the Fund's statutory auditors: Deloitte, S.L., whose data are set forth in section 5.2.f) of this Registration Document. The Management Company will notify the CNMV and Standard & Poor's of any future change regarding the appointment of the Fund auditors.

[1] This Registration Document has been prepared according to Annex VII of Regulation (EC) 809/2004 and was approved by the Comisión Nacional del Mercado de Valores (Spanish Securities Market Commission, hereinafter the "CNMV") on 4 October 2007.

## 2.2 Accounting principles used by the Fund.

The fiscal year of the Fund will coincide with the calendar year. However, by way of exception, the first fiscal year will begin on the Date of Establishment (that is, on 5 October 2007) and end on 31 December 2007, and the last fiscal year will end on the date the Fund is dissolved.

The Management Company will file the Fund's annual financial statements with the CNMV, together with the auditors' report in respect thereof, within four (4) months following the closing date of the Fund's fiscal year (i.e. prior to April 30 of each year).

The accounting principle that will be used in preparing the Fund's accounting information is the accrual principle, that is, revenues and expenses will be attributed based on the actual flow of goods and services they represent regardless of the timing of the related monetary or financial movement.

## 3. RISK FACTORS

The specific risk factors of the Fund are those described in section I of the "RISK FACTORS" document included at the beginning of this Prospectus.

## 4. INFORMATION ABOUT THE ISSUER.

## 4.1 Statement that the Issuer has been established as a special purpose vehicle or entity for the purpose of issuing asset backed securities.

The Issuer is an asset securitisation fund, lacking legal status and established in accordance with Royal Decree 926/1998 for the purpose of acquiring the Assets assigned to the Fund by BANESTO and issuing the Bonds.

## 4.2 Legal and commercial name of the Fund.

The name of the Fund is "EMPRESAS BANESTO 1, FONDO DE TITULIZACIÓN DE ACTIVOS", and it may also be identified indistinctly by the abbreviated names "EMPRESAS BANESTO 1 F.T.A." and "EMPRESAS BANESTO 1 FTA".

## 4.3 Place of registration of the Issuer.

The place of registration of the Fund is Spain, with the CNMV.

A prerequisite for establishment of the Fund and issuance of the Bonds is the Fund's registration with the official registers of the CNMV in Spain. This Prospectus was registered with the CNMV on 4 October 2007.

It is noted that neither the establishment of the Fund nor the issuance of Bonds against its assets will be subject to registration with the Commercial Register, in view of the authority established by article 5.4 of Royal Decree 926/1998.

## 4.4 Date of establishment and length of life of the Fund, except where indefinite.

### 4.4.1 Date of Establishment.

The execution of the Deed of Establishment and, hence, the Date of Establishment of the Fund is scheduled for 5 October 2007.

The Deed of Establishment cannot be changed other than in exceptional circumstances, provided this is permitted under applicable laws and the conditions established by regulation. In any event such actions will require prior notice from the Management Company to the CNMV or competent administrative body, or its prior authorisation if necessary, as well as notice thereof to Standard & Poor's. Such actions may not impair the rating granted to the Bonds by Standard & Poor's or result in prejudice to the Bondholders. The Deed may also be subject to correction at the instructions of the CNMV.

The Management Company represents that the content of the said Deed of Establishment will be the same as the draft Deed of Establishment that it has submitted to the CNMV, and in no event will the terms of the Deed of Establishment contradict, modify, alter or invalidate the content of this Prospectus.

4.4.2 Length of Life of the Fund.

The Fund is expected to conduct its business until the Statutory Maturity Date, that is, 20 September 2040 or, if this does not fall on a Business Day, the next following Business Day.

4.4.3 Events of Early Liquidation of the Fund. Dissolution of the Fund. Actions for liquidation and dissolution of the Fund.

(1) Events of early liquidation.

Notwithstanding the provisions of section 4.4.2 above, the Management Company on a Payment Date is authorised to carry out the Early Liquidation of the Fund and, hence, the early redemption of the entire Bond issue (the "Early Redemption"), on the terms established in this section, under any of the following circumstances:

(i) When the Outstanding Balance of the Assets is less than ten percent (10%) of the outstanding balance of those Assets at the Date of Establishment, provided the amount of the sale of the Assets pending repayment, together with the balance existing at that time in the Cash Account, allows total cancellation of all pending obligations to the Bondholders and respecting the payments ranked ahead of these in the ranking given in section 3.4.6.3 of the Additional Building Block to the Securities Note;

(ii) When as a result of an event or circumstance of any kind unrelated to the performance of the Fund or the occurrence of exceptional circumstances, there is, in the opinion of the Management Company, a substantial alteration or permanent disruption of the financial balance of the Fund. This event includes circumstances such as an amendment of legal or regulatory provisions, the establishment of withholding obligations or other situations which may permanently affect the financial balance of the Fund;

(iii) On a mandatory basis, in (a) the case contemplated in article 19 of Royal Decree 926/1998, which establishes the obligation to liquidate the Fund if four (4) months have elapsed since the event mandating replacement of the Management Company because it was declared to be bankrupt, and in (b) the case of revocation of its governmental authorisation, without a new management company willing to undertake management of the Fund having been found;

(iv) When there is a non-payment indicating a serious and permanent imbalance in respect of any of the Bonds or such non-payment is expected to occur; and

(v) When forty-two (42) months have passed after the last maturity date of the Assets even if there are still amounts receivable and pending collection.

The liquidation of the Fund must be notified in advance to the CNMV, to Standard & Poor's and then to the Bondholders, in the manner contemplated in section 4.b.(b3) of the Additional Building Block to the Securities Note, at least thirty (30) Business Days in advance of the scheduled Early Redemption date, which must necessarily fall on a Payment Date.

(2) Dissolution of the Fund

The dissolution of the Fund will take place:

(i) due to full repayment of the Assets;

(ii) due to full redemption of the Bonds;

(iii) due to conclusion of the early liquidation process provided for in subsection (1) above;

(iv) due to arrival of the Statutory Maturity Date; and

(v) when the provisional ratings of the Bonds are not confirmed as definitive prior to the beginning of the Subscription Period.

If any of the situations described in the foregoing sections occurs, the Management Company will inform the CNMV and will initiate the pertinent formalities for dissolution of the Fund.

(3) Actions for liquidation and dissolution of the Fund.

In order for the Fund, through its Management Company, to carry out the liquidation and dissolution of the Fund and, if applicable, the Early Liquidation of the Fund and Early Redemption of the Bond issue in the events specified in subsection (1) above and, specifically, in order for the Fund to have sufficient liquidity to perform its payment obligations, the Management Company will proceed, in the name of the Fund, to carry out any or all of the following actions:

(i) sell the Assets for a price no lower than the sum of the value of principal plus the interest accrued and not collected on the Assets pending repayment. For this purpose, the Management Company will request an offer from at least five (5) entities of those most active in the sale and purchase of similar assets, and may not sell them at a price less than the best offer received. The Assignor will have a right of first refusal to acquire those Assets, on the conditions established by the Management Company at the time of liquidation, with preference over third parties to acquire the Assets. To exercise the right of first refusal, the Assignor will have five (5) Business Days after the date on which the Management Company gives it notice of the conditions (price, form of payment, etc.) on which the Assets will be sold. The Assignor's offer must equal at least the best of the offers made by third parties.

If no offer covers the value of the principal plus the interest accrued and not collected on the Assets pending repayment, the Management Company will be required to accept the best offer received (it being understood that it must have requested at least five (5) offers) for the Assets. In this case, the Assignor will also have the right of first refusal described above, provided that its offer at least equals the best of those made by third parties.

This right of first refusal in no event implies an agreement or obligation of the Assignor to repurchase the Assets; and/or

(ii) sell any assets of the Fund other than the Assets and the cash for a price not less than the market price. To determine the market value the Management Company will request, from at least one entity specialised in valuing or trading assets similar to those intended to be sold, such valuation reports as it deems to be necessary, and it will sell the assets in question using the procedure that allows the highest market price to be obtained; and/or

(iii) cancel the agreements that are not necessary to the process of liquidating the Fund.

The Management Company will immediately apply all proceeds obtained from disposition of the Assets and any other assets of the Fund to paying the various items, in the corresponding manner, amount and order of priority, as specified in section 3.4.6.3 of the Additional Building Block to the Securities Note. The Early Redemption of all of the Bonds in any of the events contemplated in subsection (1) above will be undertaken at the Outstanding Principal Balance of the Bonds at that date plus the interest accrued and not paid as of the date of Early Redemption, which must necessarily fall on a Payment Date, minus any applicable, tax withholdings, free of expenses for the holder, which amounts will for all legal purposes be considered net, due and payable on the latter date.

If, once the Fund has been liquidated and all contemplated payments have been made according to the Order of Priority of Liquidation Payments specified in section 3.4.6.3 of the Additional Building Block to the Securities Note, there are remaining assets or court or notary proceedings initiated as a result of default by a Debtor of the Assets remain pending resolution (all as provided in section 3.4.5.a) of the Additional Building Block to the Securities Note), both the said remainder and the continuance of and/or proceeds from the resolution of the said proceedings will be for the benefit of BANESTO.

In any case the Management Company, acting for and on behalf of the Fund, will not proceed to dissolution of the Fund until it has liquidated the Assets and any other remaining assets of the Fund and distributed the Fund's available funds, following the Order of Priority of Liquidation Payments contemplated in section 3.4.6.3 of the Additional Building Block to the Securities Note.

After a maximum of six (6) months have passed after the liquidation of the Assets and any other remaining assets of the Fund and the distribution of the available funds, the Management Company will execute the notary certificate declaring (a) dissolution of the Fund, and the grounds contemplated in this Registration Document that justify its dissolution, (b) the procedure followed for notifying the Bondholders and the CNMV, and (c) the distribution of the available amounts of the Fund following the Order of Priority of Liquidation

Payments contemplated in section 3.4.6.3 of the Additional Building Block to the Securities Note, and will comply with the rest of the applicable administrative formalities. Said notarial document will be sent by the Management Company to the CNMV.

In the liquidation event specified in sub-section (2)(v) above (that is, if the provisional ratings of the Bonds are not confirmed as definitive prior to the start of the Subscription Period) the establishment of the Fund as well as the Bond issue and the agreements executed by the Management Company, acting on behalf of the Fund, will be terminated, except for the Subordinated Loan Agreement for Establishment and Issue Expenses, which will be used to pay the establishment and issuance expenses incurred by the Fund and which will only be cancelled once those expenses have been paid, with repayment of the principal thereof being subordinated to performance of the rest of the obligations assumed by the Management Company, for and on behalf of the Fund. The cancellation will be immediately notified to the CNMV and, one (1) month after the occurrence of the grounds for cancelling the Fund's establishment, the Management Company will execute a notarial certification to be sent to the to the CNMV and to Standard & Poor's, declaring the dissolution of the Fund and the reasons.

4.5 Domicile and legal form of the issuer, the legislation under which the issuer operates.

a) Domicile of the Fund.

The Fund lacks a registered office because it lacks separate legal status. For all purposes, the Fund's registered office is deemed to be that of the Management Company, to wit:

SANTANDER DE TITULIZACION, S.G.F.T., S.A.
Ciudad Grupo Santander
Avenida de Cantabria, s/n
28660 Boadilla del Monte (Madrid)
Telephone: 91.289.32.97

b) Legal status of the Fund.

The Fund will constitute a separate capital base, without legal status, closed in respect of its assets and liabilities. The assets will be comprised of the Assets it will acquire at the time of its establishment.

c) Legislation under which it operates and country of establishment.

The establishment of the Fund and issuance of the Bonds against it is done under the laws of Spain and, specifically, according to the regulations contemplated in (i) Royal Decree 926/1998 of 14 May 1998 and its implementing provisions; (ii) Act 19/1992 of 7 July 1992 governing Real Estate Investment Companies and Funds and Mortgage Securitisation Funds (Ley sobre Régimen de Sociedades y Fondos de Inversión Inmobiliaria y sobre Fondos de Titulización Hipotecaria), as regards matters not provided for in Royal Decree 926/1998 and as applicable; (iii) Act 3/1994 of 14 April 1994 adapting Spanish legislation on credit institutions to the Second Directive on Banking Coordination and introducing other modifications relating to the financial system; (iv) Act 44/2002 (in particular, article 18), (v) Securities Market Act 24/1988 of 28 July 1988 (Ley del Mercado de Valores) in respect of supervision, inspection, sanctions and all matters of application; (vi) Royal Decree 1310/2005 of 4 November 2005 with its partial implementation of Securities Market Act 24/1988 of 28 July 1988 on matters of admission of securities to trading on official secondary markets, public sale and subscription offerings and the requisite prospectus for such operations; (vii) Ministry of Economy and Finance Order EHA/3536/2005 of 10 November 2005, which implements article 27.4 of Securities Market Act 24/1988 of 28 July 1988; and (viii) all other applicable legal and regulatory provisions in effect from time to time.

The Prospectus has been prepared following the model forms contemplated in Commission Regulation (EC) 809/2004 of 29 April 2004, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

d) Tax regime of the Fund.

In accordance with Law 19/1992, Royal Legislative Decree 4/2004, Royal Decree 1777/2004, Law 37/1992 and Royal Legislative Decree 1/1993, the characteristics of the Fund's tax regime are as follows:

(i) The establishment of the Fund is exempt from the "corporate transactions" concept under the Capital Transfer Tax and Stamp Duty (Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados) according to the provisions of article 5 of Act 19/1992.

(ii) The Fund is subject to the general regime of the Corporations Tax, the general rate of which at present is thirty-five per cent (35%).

(iii) The return on the Assets that constitutes the Fund's revenues is not subject to withholding or advance payment on account (article 59, section k) of Royal Decree 1777/2004).

(iv) The management and custodial services provided by the Management Company to the Fund will be exempt from Value Added Tax (article 20.One.18.n. of Act 37/1992).

(v) The issue, subscription, transfer, redemption and repayment of the Bonds are exempt from Transfer Tax/Stamp Duty (article 45.I.B. no. 15 of Royal Legislative Decree 1/1993).

(vi) The issuance of the Mortgage Transfer Certificates and subscription by the Fund thereof is a transaction subject to and exempt from Value Added Tax.

4.6 <u>Description of the amount of the Fund's authorised and issued capital.</u>

Not applicable.

## 5. BUSINESS OVERVIEW.

### 5.1 Brief description of the Issuer's principal activities.

The issuer is an asset securitisation vehicle and, as such, its principal activity consists of acquiring the Assets and issuing the Bonds. In other words, by means of their securitisation, BANESTO transfers the Assets to the Fund, which pays the price of the acquisition using the proceeds obtained from issuing the Bonds subscribed for by the qualified investors for whom they are intended. This transaction thus serves to allow BANESTO to collect on the Loans earlier, that is, Assets which were not liquid at the time of their assignment to the Fund are made liquid for BANESTO.

The revenue received by the Fund in respect of interest and repayment of the acquired loans will be used quarterly, on each Payment Date, to pay interest and repay principal of the Bonds issued according to the specific conditions for each of the Series into which the Bond issue is divided and to the order of priority established for payments by the Fund.

Also, the Management Company, for and on behalf of the Fund, will arrange a series of financial transactions and provision of services with the aim of strengthening the Fund's financial structure, enhancing the certainty or regularity of the bond payments, covering temporary timing gaps between the principal and interest payment schedule of the Loans and that of the Bonds, and, in general, allowing the financial transformation of the Fund assets from the financial characteristics of the Loans to the financial characteristics of each Bond Series.

### 5.2 Global overview of the parties to the securitisation programme.

a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. acts as the Fund's Management Company and as legal and financial adviser for the structure of the transaction.

SANTANDER DE TITULIZACIÓN S.G.F.T., S.A. is a securitisation funds management company with registered address in Ciudad Grupo Santander, Avenida de Cantabria, 28660 Boadilla del Monte (Madrid) and holder of corporate taxpayer identity code (C.I.F.) number A-80481419. A brief description thereof is set forth in section 6 of the Registration Document.

b) BANCO ESPAÑOL DE CRÉDITO, S.A. acts as Assignor of the Assets, as Lead Manager of the Bond issue, as Underwriter, as Paying Agent and as the Fund's counterparty in the Subordinated Loan Agreement for Establishment and Issue Expenses, in the Subordinated Loan Agreement for the Reserve Fund, in the Swap Agreement and in the Cash Account Guaranteed Yield Reinvestment Agreement.

BANCO ESPAÑOL DE CRÉDITO, S.A. in its capacity as Lead Manager carries out the following function, on the terms established by article 35.1 of Royal Decree 1310/2005:

To receive the mandate of the Management Company in order to direct the operations concerning the design of the temporal and commercial financial conditions of the issue, as well as co-ordination of the relations with the supervisory authorities, with the market operators, with the potential investors and with the rest of the distribution entities and underwriters.

BANCO ESPAÑOL DE CRÉDITO, S.A. is a Spanish credit institution with registered address at Avda. Gran Vía de Hortaleza, 3 (Madrid), C.I.F. no. A28000032 and Spanish national sector classification code (CNAE) 65121. A brief description is set forth in section 3.5 of the Additional Building Block to the Securities Note.

Ratings of BANESTO's unsubordinated and unsecured short and long-term debt, as assigned by Standard & Poor's:

| | S&P |
|---|---|
| Short-term | A1+ |
| Long-term | AA |

c) CALYON, Sucursal en España ("CALYON"), acts as Lead Manager of the Bond issue.

CALYON, Sucursal en España, in its capacity as Lead Manager carries out the following function, on the terms established by article 35.1 of Royal Decree 1310/2005:

To receive the mandate of the Management Company in order to direct the operations concerning the design of the temporal and commercial financial conditions of the issue, as well as co-ordination of the relations with the supervisory authorities, with the market operators, with the potential investors and with the rest of the distribution entities and underwriters.

CALYON, Sucursal en España, is a bank incorporated and registered in France that acts through its Spanish branch, which is registered with the Bank of Spain as a branch of the foreign community credit institution with code number 0154, with registered office at Paseo de la Castellana 1, 28046 Madrid, and C.I.F. No. A0011043G.

Ratings of CALYON's unsubordinated and unsecured short and long-term debt, as assigned by Standard & Poor's:

| | S&P |
|---|---|
| Short-term | A1+ |
| Long-term | AA- |

d) STANDARD & POOR'S ESPAÑA, S.A. acts as rating agency of the Bonds.

STANDARD & POOR'S ESPAÑA, S.A. is a Spanish corporation, a subsidiary of the credit rating agency Standard & Poor's Limited, with registered address in Madrid, at Marqués de Villamejor, 5 and holder of C.I.F. No. A-90310824.

e) CLIFFORD CHANCE, S.L. acts as legal advisor on the transaction.

CLIFFORD CHANCE, S.L. is a law firm with registered address in Madrid, at Paseo de la Castellana, 110 and holder of C.I.F. No. B-80603319.

f) DELOITTE, S.L. acts as auditor of the Fund and as auditor of the assignable portfolio.

DELOITTE, S.L. is a firm of auditors with registered address in Madrid, at Torre Picasso, Plaza Pablo Ruiz Picasso, s/n, holder of C.I.F. No. B-79104469, and is registered in the Official Register of Auditors (ROAC) under number S0692.

For the purposes of article 4 of the Securities Market Act, BANCO ESPAÑOL DE CRÉDITO, S.A. and SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. form part of the SANTANDER GROUP, of which BANCO SANTANDER, S.A. is the parent company.

There is no knowledge of the existence of any other relationship involving direct or indirect ownership or control between the aforesaid legal entities acting in the securitisation transaction.

## 6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE MANAGEMENT COMPANY.

In accordance with Royal Decree 926/1998, Asset Securitisation Funds lack separate legal status. Securitisation Fund Management Companies are entrusted with the establishment, administration and legal representation thereof, as well as the representation and defence of the interests of the holders of the securities issued against the funds they administer and of the other ordinary creditors thereof.

Thus, this section gives the information on SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A., as the management company that establishes, manages and represents EMPRESAS BANESTO 1, FONDO DE TITULIZACIÓN DE ACTIVOS.

### 6.1 Incorporation and registration with the Commercial Register.

a) Name and business address.

- Corporate name: SANTANDER DE TITULIZACION, SOCIEDAD GESTORA DE FONDOS DE TITULIZACION, S.A.
- Registered address: Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte (Madrid).
- Tax Identification Code number: A-80481419
- C.N.A.E.: 8199

b) Incorporation and registration with Commercial Register, as well as information relating to administrative authorisations and registration with the Comisión Nacional del Mercado de Valores (Spanish Securities Market Commission).

SANTANDER DE TITULIZACION, S.G.F.T., S.A. was incorporated by public deed executed on 21 December 1992 before Madrid notary Mr. Francisco Mata Pallarés, with number 1310 in his notary record, with the prior authorisation of the Ministry of Economy and Finance issued on 1 December 1992. It is registered with the Commercial Register of Madrid, at Volume 4789, Sheet 75, Page M-78658, 1st entry. It is also registered with the special register of the CNMV, with number 1.

In addition, the Management Company amended its articles and bylaws by resolution of its Board of Directors adopted on 15 June 1998, as formalised in a public deed attested by Madrid notary Mr. Roberto Parejo Gamir on 20 July 1998, under number 3070 in his notary record, in order to adapt to the requirements established for Asset Securitisation Fund Management Companies by Royal Decree 926/1998. Such amendment was authorised by the Ministry of Economy and Finance on 16 July 16 1998, in accordance with the provisions of the Sole Transitional Provision of the aforesaid Royal Decree 926/1998.

The duration of the Management Company is indefinite, except for the occurrence of any of the causes based upon which the legal and statutory provisions, as the case may be, call for dissolution.

6.2 Audit of Accounts

The annual financial statements of the Management Company for the years ended 31 December 2004, 2005 and 2006 were audited by the firm of Deloitte, S.L. and deposited with the Commercial Register of Madrid. The auditor's report corresponding to each one of these annual financial statements contained no qualifications.

6.3 Principal Activities.

In accordance with legal requirements, article two of the articles and bylaws of the Management Company establishes that: "the sole object of the Company is the establishment, administration and legal representation of mortgage securitisation funds on the terms of article six of Act 19/1992 of 7 July 1992 governing Real Estate Investment Companies and Funds and Mortgage Securitisation Funds, and of asset securitisation funds in accordance with the provisions of article 12.1 of Royal Decree 926/1998 of 14 May 1998 regulating asset securitisation funds and the management companies of securitisation funds. The Management Company is also responsible, as manager of third-party funds, for representing and safeguarding the interests of holders of the securities issued against the Funds it manages and of the rest of their ordinary creditors, and for performing the functions attributed to securitisation fund management companies by the applicable laws".

The total net assets managed by the Management Company as at 24 July 2007 are as indicated below.

| MORTGAGE SECURITISATION FUNDS | | | | | | |
|---|---|---|---|---|---|---|
| FUNDS | SERIES | OUTSTANDING BALANCE PER SERIES | INTEREST RATE PER SERIES | RATING AGENCY | DATE OF FORMATION | INITIAL BALANCE |
| **FTH HIPOTEBANSA VI** | **Series A** | 25,271,179.08 € | Libor 3M + 0.12% | S&P España / Moody's España | 27/10/1997 | 262,942,795.67 € |
| | **Series B** | 2,527,118.60 € | Libor 3M + 0.50% | | | |
| | **Total** | **27,798,297.68 €** | | | | |
| **FTH HIPOTEBANSA VII** | **Series A** | 47,293,667.25 € | Libor 3M + 0.15% | S&P España / Moody's España | 05/05/1998 | 317,334,391.12 € |
| | **Series B** | 4,729,366.38 € | Libor 3M + 0.525% | | | |
| | **Total** | **52,023,033.63 €** | | | | |
| **FTH UCI 4** | **Series A** | 23,359,958.50 € | Libor 3M + 0.16% | S&P España | 25/06/1998 | 180,303,631.32 € |
| | **Series B** | 2,335,996.42 € | Libor 3M + 0.575% | | | |
| | **Total** | **25,695,954.92 €** | | | | |
| **FTH HIPOTEBANSA VIII** | **Series A** | 57,580,881.64 € | Libor 3M + 0.27% | Fitch IBCA / Moody´s España | 17/12/1998 | 328,302,862.02 € |
| | **Series B** | 5,758,087.89 € | Libor 3M + 0.800% | | | |
| | **Total** | **63,338,969.53 €** | | | | |
| **FTH UCI 5** | **Series A** | 47,480,864.20 € | Euribor 3M + 0.23% | Moody's España | 03/06/1999 | 265,000,000.00 € |
| | **Series B** | 3,798,469.20 € | Euribor 3M + 0.625% | | | |
| | **Total** | **51,279,333.40 €** | | | | |
| **FTH BANESTO 1** | **Series A** | 111,933,644.12 € | Euribor 3M + 0.23% | Moody's España | 29/07/1999 | 759,000,000.00 € |
| | **Series B** | 8,954,693.16 € | Euribor 3M + 0.625% | | | |
| | **Total** | **120,888,337.28 €** | | | | |
| **FTH HIPOTEBANSA IX** | **Series A** | 121,659,030.72 € | Euribor 3M + 0.27% | Fitch IBCA / Moody´s España | 10/11/1999 | 519,200,00.00 € |
| | **Series B** | 12,165,903.40 € | Euribor 3M + 0.75% | | | |
| | **Total** | **133,824,934.12 €** | | | | |
| **FTH BANESTO 2** | **Series A** | 166,020,969.00 € | Euribor 3M + 0.27% | Moody's España | 08/05/2000 | 715,000,000.00 € |
| | **Series B** | 11,621,467.50 € | Euribor 3M + 0.625% | | | |
| | **Total** | **177,642,436.50 €** | | | | |
| **FTH BANESTO 3** | **Series A** | 158,990,968.70 € | Euribor 3M + 0.23% | Moody's España | 16/07/2001 | 545,000,000.00 € |
| | **Series B** | 15,899,095.80 € | Euribor 3M + 0.60% | | | |
| | **Total** | **174,890,064.50 €** | | | | |
| **FTH BANESTO 4** | **Series A** | 715,871,640.00 € | Euribor 3M + 0.20% | S&P España | 15/11/2003 | 1,500,001,867.69 € |
| | **Series B** | 45,000,000.00 € | Euribor 3M + 0.65% | | | |
| | **Total** | **760,871,640.00 €** | | | | |
| **FTH UCI 10** | **Series A** | 285,633,843.60 € | Euribor 3M + 0.16% | S&P España | 14/05/2004 | 700,000,000.00 € |
| | **Series B** | 18,231,948.00 € | Euribor 3M + 0.50% | | | |
| | **Total** | **303,865,791.60 €** | | | | |
| **FTH UCI 12** | **Series A** | 513,533,119.36 | Euribor 3M + 0.15% | S&P España | 30/05/2005 | 900,000,000.00 € |
| | **Series B** | 9,000,000,.00 | Euribor 3M + 0.27% | | | |
| | **Series C** | 23,800,000.00 | Euribor 3M + 0.60% | | | |
| | **Total** | **546,333,119.36 €** | | | | |
| | **TOTAL FTH** | **2,438,451,912.52€** | | | | **6,992,085,547.82 €** |

| ASSET SECURITISATION FUNDS | | | | | | |
|---|---|---|---|---|---|---|
| FUNDS | SERIES | OUTSTANDING BALANCE PER SERIES | INTEREST RATE PER SERIES | RATING AGENCY | DATE OF FORMATION | INITIAL BALANCE |
| FTA SANTANDER 1 | Int. Pmt. | 4,970,626,533.46 | | S&P España / Moody's España | 26/11/1998 | 1,202,024,208.77 € |
| | Dom. Pmt. | 0.00 | | | | |
| | Total | 4,970,626,533.46 € | | | | |
| FTA UCI 6 | Series A | 93,495,252.46 | Euribor 3M + 0.295% | Moody's España | 19/06/2000 | 457,000,000.00 € |
| | Series B | 8,227,582.32 | Euribor 3M + 0.775% | | | |
| | Total | 101,722,834.78 € | | | | |
| FTA UCI 7 | Series A | 111,018,782.88 | Euribor 3M + 0.250% | S&P España / Moody's España | 25/10/2001 | 455,000,000.00 € |
| | Series B | 7,771,313.84 | Euribor 3M + 0.700% | | | |
| | Total | 118,790,096.72 € | | | | |
| FTA HIPOTEBANSA X | Series A | 305,531,668.09 | Euribor 3M + 0.21% | S&P España / Moody's España | 04/03/2002 | 917,000,000.00 € |
| | Series B | 18,300,000.00 | Euribor 3M + 0.55% | | | |
| | Total | 323,831,668.09 € | | | | |
| FTA FTPYME BANESTO 1 | Series A1(G) | 0.00 € | Euribor 3M + 0.01% | Fitch IBCA / Moody´s España | 11/06/2002 | 500,000,000.00 € |
| | Series A1 | 0.00 € | Euribor 3M + 0.35% | | | |
| | Series A2(G) | 0.00 € | Euribor 3M + 0.04% | | | |
| | Series A2 | 0.00 € | Euribor 3M + 0.38% | | | |
| | Series A3(G) | 166,700,000.00 | Euribor 3M + 0.07% | | | |
| | Series A3 | 41,700,000.00 | Euribor 3M + 0.48% | | | |
| | Series B(G) | 984,102.75 | Euribor 3M + 0.20% | | | |
| | Series B | 984,102.75 | Euribor 3M + 0.90% | | | |
| | Series C | 1,722,180.00 | Euribor 3M + 1.80% | | | |
| | Total | 212,090,385.50 € | | | | |
| FTA UCI 8 | Series A | 143,221,093.56 | Euribor 3M + 0.220% | S&P España / Moody's España | 24/06/2002 | 600,000,000.00 € |
| | Series B | 9,452,591.28 | Euribor 3M + 0.600% | | | |
| | Total | 152,673,684.84 € | | | | |
| FTA HIPOTEBANSA 11 | Series A | 464,383,311.36 | Euribor 3M + 0.24% | S&P España / Moody's España | 26/11/2002 | 1,062,000,000.00 € |
| | Series B | 21,200,000.00 | Euribor 3M + 0.45% | | | |
| | Total | 485,583,311.36 € | | | | |
| SANTANDER CONSUMER FINANCE SPAIN 02-1 FTA | Series A | 148,873,946.15 | Euribor 3M + 0.30% | Fitch / Moody´s España / S&P | 09/12/2002 | 850,000,000.00 € |
| | Series B | 9,502,592.85 | Euribor 3M + 0.60% | | | |
| | Total | 158,376,539.00 € | | | | |
| FTA CONSUMO SANTANDER 1 | Series A | 82,003,557.60 | Euribor 3M + 0.25% | S&P España / Moody's España | 04/03/2003 | 1,080,000,000.00 € |
| | Series B | 37,800,000.00 | Euribor 3M + 0.43% | | | |
| | Series C | 35,100,000.00 | Euribor 3M + 0.73% | | | |
| | Series D | 35,100,000.00 | Euribor 3M + 1.40% | | | |
| | Total | 190,003,557.60 € | | | | |
| FTA UCI 9 | Series A | 379,041,339.47 | Euribor 3M + 0.265% | S&P España / Moody's España | 16/06/2003 | 1,250,000,000.00 € |
| | Series B | 28,107,753.25 | Euribor 3M + 0.65% | | | |
| | Series C | 6,200,240.00 | Euribor 3M + 1.20% | | | |
| | Total | 413,349,332.72 € | | | | |
| FTA FTPYME SANTANDER 1 | Series A | 357,946,368.57 | Euribor 3M + 0.25% | Fitch /Moody´s España | 24/09/2003 | 1,800,000,000.00 € |
| | Series B1(G) | 537,100,000.00 | Euribor 3M + 0.00% | | | |
| | Series B2 | 134,300,000.00 | Euribor 3M + 0.40% | | | |
| | Series C | 27,000,000.00 | Euribor 3M + 0.90% | | | |
| | Series D | 87,300,000.00 | Euribor 3M + 1.80% | | | |
| | Total | 1,143,646,368.57 € | | | | |
| FTA SANTANDER HIPOTECARIO 1 | Series A | 943,456,760.64 | Euribor 3M + 0.18% | S&P España / Moody's España | 11/06/2004 | 1,875,000,000.00 € |
| | Series B | 53,400,000.00 | Euribor 3M + 0.30% | | | |
| | Series C | 46,900,000.00 | Euribor 3M + 0.50% | | | |
| | Series D | 56,300,000.00 | Euribor 3M + 0.95% | | | |
| | Total | 1,100,056,760.64 € | | | | |
| FTA FTPYME SANTANDER 2 | Series A | 554,193,794.70 | Euribor 3M + 0.20% | S&P España | 21/10/2004 | 1,850,000,000.00 € |
| | Series B | 168,491,153.70 | Euribor 3M + 0.00% | | | |
| | Series C | 81,000,000.00 | Euribor 3M + 0.30% | | | |
| | Series D | 58,500,000.00 | Euribor 3M + 0.70% | | | |
| | Series E | 58,500,000.00 | Euribor 3M + 1.50% | | | |
| | Total | 920,684,948.40 € | | | | |
| FTA UCI 11 | Series A | 383,221,657.14 | Euribor 3M + 0.14% | S&P España | 17/11/2004 | 850,000,000.00 € |
| | Series B | 6,000,000.00 | Euribor 3M + 0.33% | | | |
| | Series C | 22,900,000.00 | Euribor 3M + 0.75% | | | |
| | Total | 412,121,657.14 € | | | | |
| FTA SANTANDER PUBLICO 1 | Series A | 1,105,019,148.80 | Euribor 3M + 0.039% | Fitch /Moody´s España | 17/12/2004 | 1,850,000,000.00 € |
| | Series B | 37,000,000.00 | Euribor 3M + 0.30% | | | |
| | Total | 1.142,019,148.80 € | | | | |
| FTA SANTANDER AUTO 1 | Sole Series | 868,484,875.20 | Euribor 3M + 0.059% | S&P España | 07/04/2005 | 1,598,000,000.00 € |
| | Total | 868,484,875.20 € | | | | |

| ASSET SECURITISATION FUNDS | | | | | | |
|---|---|---|---|---|---|---|
| **FUNDS** | **SERIES** | **OUTSTANDING BALANCE PER SERIES** | **INTEREST RATE PER SERIES** | **RATING AGENCY** | **DATE OF FORMATION** | **INITIAL BALANCE** |
| **FTA SANTANDER EMPRESAS 1** | **Series A1** | 223,775,796.48 | Euribor 3M + 0.02% | S&P España / Fitch España | 27/10/2005 | 3,100,000,000.00 € |
| | **Series A2** | 1,240,000,000.00 | Euribor 3M + 0.12% | | | |
| | **Series B** | 80,600,000.00 | Euribor 3M + 0.21% | | | |
| | **Series C** | 96,100,000.00 | Euribor 3M + 0.29% | | | |
| | **Series D** | 170,500,000.00 | Euribor 3M + 0.59% | | | |
| | **Total** | **1,810,975,796.48€** | | | | |
| **FTA UCI 14** | **Series A** | 935,815,094.00 | Euribor 3M + 0.15% | S&P España / Fitch España | 30/11/2005 | 1,350,000,000.00 € |
| | **Series B** | 34,100,000.00 | Euribor 3M + 0.29% | | | |
| | **Series C** | 38,400,000.00 | Euribor 3M + 0.58% | | | |
| | **Total** | **1,008,315,094.00€** | | | | |
| **FTA UCI 15** | **Series A** | 1,053,560,916.56 | Euribor 3M + 0.14% | S&P España / Fitch España | 28/04/2006 | 1,430,000,010.22 € |
| | **Series B** | 32,900,000.00 | Euribor 3M + 0.27% | | | |
| | **Series C** | 56,500,000.00 | Euribor 3M + 0.53% | | | |
| | **Series D** | 21,600,000.00 | Euribor 3M + 0.58% | | | |
| | **Total** | **1,164,560,916.56€** | | | | |
| **FTA SANTANDER HIPOTECARIO 2** | **Series A** | 1,543,034,930.51 | Euribor 3M + 0.15% | S&P España / Moody's España | 30/06/2006 | 1,955,000,000.00 € |
| | **Series B** | 51,800,000.00 | Euribor 3M + 0.20% | | | |
| | **Series C** | 32,300,000.00 | Euribor 3M + 0.30% | | | |
| | **Series D** | 49,800,000.00 | Euribor 3M + 0.55% | | | |
| | **Series E** | 19,600,000.00 | Euribor 3M + 2.10% | | | |
| | **Series F** | 17,600,000.00 | Euribor 3M + 1.00% | | | |
| | **Total** | **1,714,134,930.51€** | | | | |
| **FTA SANTANDER CONSUMER1 SPAN AUTO 06** | **Series A1** | 1,282,500,000.00 | Euribor 3M + 0.15% | S&P España / Fitch España | 10/10/2006 | 1,350,000,000.00 € |
| | **Series A2** | 22,300,000.00 | Euribor 3M + 0.20% | | | |
| | **Series B** | 22,300,000.00 | Euribor 3M + 0.30% | | | |
| | **Series C** | 22,900,000.00 | Euribor 3M + 0.55% | | | |
| | **SeriesD** | 10,200,000.00 | Euribor 3M + 2.10% | | | |
| | **Total** | **1,360,200,000.00€** | | | | |
| **FTA UCI 16** | **Series A1** | 249,770,875.00 | Euribor 3M + 0.06% | S&P España / Fitch España | 18/10/2006 | 1,800,000,000.00 € |
| | **Series A2** | 1,247,600,000.00 | Euribor 3M + 0.15% | | | |
| | **Series B** | 72,000,000.00 | Euribor 3M + 0.30% | | | |
| | **Series C** | 41,400,000.00 | Euribor 3M + 0.55% | | | |
| | **Series D** | 9,000,000.00 | Euribor 3M + 2.25% | | | |
| | **Series E** | 19,800,000.00 | Euribor 3M + 2.30% | | | |
| | **Total** | **1,639,570,875.00€** | | | | |
| **FTA PYMES BANESTO 2** | **Series A1** | 400,000,000.00 | Euribor 3M + 0.13% | S&P España / Moody's España Fitch España | 17/11/2006 | 1,000,000,000.00 € |
| | **Series A2** | 541,700,000.00 | Euribor 3M + 0.16% | | | |
| | **Series B** | 24,300,000.00 | Euribor 3M + 0.27% | | | |
| | **Series C** | 34,000,000.00 | Euribor 3M + 0.54% | | | |
| | **Total** | **1,000,000,000.00€** | | | | |
| **FTA FINANCIACION 1** | **Series A** | 1,738,500,000.00 | Euribor 3M + 0.15 % | S&P España / Moody's España | 14/12/2006 | 1,900,000,000.00 € |
| | **Series B** | 25,700,000.00 | Euribor 3M + 0.20% | | | |
| | **Series C** | 61,700,000.00 | Euribor 3M + 0.30% | | | |
| | **Series D** | 47,500,000.00 | Euribor 3M + 0.55% | | | |
| | **Series E** | 26,600,000.00 | Euribor 3M + 2.10% | | | |
| | **Series F** | 14,300,000.00 | Euribor 3M + 1.00% | | | |
| | **Total** | **1,914,300,000.00 €** | | | | |
| **FTA SANTANDER EMPRESAS 2** | **Series A1** | 934,102,088.48 | Euribor 3M + 0.05% | Fitch España / Moody's España | 14/12/2006 | 2,534,002,088.48 € |
| | **Series A2** | 1,365,000,000.00 | Euribor 3M + 0.16% | | | |
| | **Series B** | 84,100,000.00 | Euribor 3M + 0.22% | | | |
| | **Series C** | 62,300,000.00 | Euribor 3M + 0.32% | | | |
| | **Series D** | 59,500,000.00 | Euribor 3M + 0.55% | | | |
| | **Series E** | 29,000,000.00 | Euribor 3M + 2.10% | | | |
| | **Series F** | 53,700,000.00 | Euribor 3M + 0.50% | | | |
| | **Total** | **2,587,702,088.48 €** | | | | |
| **FTA SANTANDER HIPOTECARIO 3** | **Series A1** | 536,230,559.58 | Euribor 3M + 0.06% | Fitch España / Moody's España | 04/04/2007 | 2,800,000,000.00 € |
| | **Series A2** | 1,540,000,000.00 | Euribor 3M + 0.14% | | | |
| | **Series A2** | 420,000,000.00 | Euribor 3M + 0.20% | | | |
| | **Series B** | 79,200,000.00 | Euribor 3M + 0.22% | | | |
| | **Series C** | 47,500,000.00 | Euribor 3M + 0.30% | | | |
| | **Series D** | 72,000,000.00 | Euribor 3M + 0.55% | | | |
| | **Series E** | 28,000,000.00 | Euribor 3M + 2.10% | | | |
| | **Series F** | 22,400,000.00 | Euribor 3M + 0.50% | | | |
| | **Total** | **2,745,330,559.58 €** | | | | |
| **FTA UCI 17** | **Series A1** | 325,000,000.00 | Euribor 3M + 0.10 % | S&P España / Fitch España | 07/05/2007 | 1,415,400,000.00 € |
| | **Series A2** | 974,200,000.00 | Euribor 3M + 0.18% | | | |
| | **Series B** | 72,800,000.00 | Euribor 3M + 0.35% | | | |
| | **Series C** | 28,000,000.00 | Euribor 3M + 0.60% | | | |
| | **Series D** | 15,400,000.00 | Euribor 3M + 2.25% | | | |
| | **Total** | **1,415,400,000.00 €** | | | | |
| **ASSET SECURITISATION FUNDS** | | | | | | |

| FUNDS | SERIES | OUTSTANDING BALANCE PER SERIES | INTEREST RATE PER SERIES | RATING AGENCY | DATE OF FORMATION | INITIAL BALANCE |
|---|---|---|---|---|---|---|
| **FTA** | **Series A** | 1,902,000,000.00 | Euribor 3M + 0.15% | S&P España / Fitch España | 21/05/2007 | 2,000,000,000.00 € |
| **SANTANDER CONSUMER** | **Series B** | 78,000,000.00 | Euribor 3M + 0.28% | | | |
| **SPAIN AUTO 07-01** | **Series C** | 20,000,000.00 | Euribor 3M + 0.60% | | | |
| | **Series D** | 40,000,000.00 | Euribor 3M + 3.50% | | | |
| | **Total** | **2,040,000,000.00 €** | | | | |
| **FTA** | **Series A1** | 800,000,000.00 | Euribor 3M + 0.00% | S&P España / Moody's España | 28/05/2007 | 3,500,000,000.00 € |
| **SANTANDER EMPRESAS 3** | **Series A2** | 1,800,000,000.00 | Euribor 3M + 0.17% | Fitch España | | |
| | **Series A3** | 627,500,000.00 | Euribor 3M + 0.25% | | | |
| | **Series B** | 39,700,000.00 | Euribor 3M + 0.28% | | | |
| | **Series C** | 117,300,000.00 | Euribor 3M + 0.32% | | | |
| | **Series D** | 70,000,000.00 | Euribor 3M + 0.65% | | | |
| | **Series E** | 45,500,000.00 | Euribor 3M + 2.30% | | | |
| | **Series F** | 45,500,000.00 | Euribor 3M + 0.50% | | | |
| | **Total** | **3,545,500,00.00 €** | | | | |
| **FINANCIACIÓN BANESTO 1** | **Series A** | 760,000,000.00 € | Euribor 3M + 0.00% | S&P España / Moody's España | 25/06/2007 | 800,000,000.00 € |
| **FTA** | **Series B** | 24,000,000.00 € | Euribor 3M + 0.00% | | | |
| | **Series C** | 16,000,000.00 € | Euribor 3M + 0.00% | | | |
| | **Total** | **800,000,000.00 €** | | | | |
| **FTA** | **Series 1** | 1,200,000,000.00 € | 5.1353% | S&P España / Moody's España | 17/07/2007 | 1,200,000,000.00 € |
| | **TOTAL FTA** | **38,660,051,963.43 €** | | | | **46,330,426,307.47 €** |

| | | | | | | |
|---|---|---|---|---|---|---|
| | **TOTAL (FTH+FTA)** | **41,098,503,875.95 €** | | | | **53,322,511,855.29 €** |

6.4 Share Capital and Equity.

a) Nominal amount subscribed and paid in:

The Management Company's share capital is nine hundred one thousand six hundred fifty (901,650) euros, represented by fifteen thousand (15,000) registered shares each having a par value of sixty euros and eleven cents (60.11), consecutively numbered from one (1) to fifteen thousand (15,000), both inclusive, all of which are fully subscribed and paid in.

b) Share classes:

All of the shares are of the same class and confer identical voting and dividend rights.

6.5 Existence or non-existence of holdings in other companies.

The Management Company holds no interest in any other company.

6.6 Corporate bodies.

The governance and administration of the Management Company are entrusted by the bylaws to the General Shareholders Meeting and to the Board of Directors. Their competencies and authorities are those vested in said bodies in accordance with the provisions of the Corporations Act (Ley de Sociedades Anónimas), Act 19/1992 and Royal Decree 926/1998, in respect of the corporate purpose.

a) Directors

The Board of Directors is comprised of the following persons:

| | |
|---|---|
| Chairman: | Mr. José Antonio Álvarez Álvarez |
| 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 Colomés Graell |
| | Mr. José Antonio Soler Ramos |
| Non-Director Secretary: | Ms. María José Olmedilla González |

b) General Management

The General Manager of the Management Company is Mr. Ignacio Ortega Gavara.

6.7 <u>Principal activities performed by the persons cited in section 6.6 outside the Management Company where these are significant as regards the Fund.</u>

The most significant activities performed outside the Management Company by the persons mentioned in this section are described below:

| Name | Position with the Bank | Company other than the Bank for which activities are performed outside the Management Company and position held or duties performed therein |
|---|---|---|
| Emilio Osuna Heredia | Manager of Coordination for SGC (Santander Global Connect) | AIAF, Mercado de Renta Fija (Director) |
| Fermín Colomés Graell | BS Manager of Operations and Services | Open Bank Santander Consumer, S.A. (Director) |
| | | Geoban S.A. (Chairman) |
| Santos González Sánchez | BS Manager of Mortgage Business | Hipotebansa, EFC (Director and General Manager) |
| Francisco Pérez Mansilla | BS Manager of Companies and SMEs | Santander Central Hispano Lease, SA, EFC (Director) |
| | | Santander Central Hispano Multileasing, S.A., EFC (Director) |
| | | Santander Central Hispano, Factoring y Confirming, S.A., EFC (Director) |
| Eduardo García Arroyo | BS Manager of Technology | Ingeniería de Software bancario, S.L. (Director) |
| Marcelo Alejandro Castro | BS Treasurer for Europe | MEFF, Mercados Españoles Futuros Financieros (Director) |
| | | Holding Mercados S.A. (Director) |
| José Antonio Álvarez Álvarez | BS General Financial Manager | Santander Consumer Finance (Director) |
| José Antonio Soler Ramos | BS Manager of Financial Management | Santander Commercial Paper SAU (Chairman) |
| | | Santander Perpetual SAU (Chairman) |
| | | Santander US Debt SAU (Chairman) |
| | | Santander Finance Preferred SAU (Director and Chairman) |
| | | Santander Issuances SAU (Director and Chairman) |
| | | Santander International Debt SAU (Director and Chairman) |
| | | Santander Finance Capital SAU (Director and Chairman) |

The persons mentioned in this section 6.7 do not hold, directly or indirectly, any share, convertible bond or other securities entitling their holder to acquire shares of the Management Company.

The business address of all of the persons mentioned in this section 6.7 is as follows:

Santander de Titulización, S.G.F.T., S.A.
Ciudad Grupo Santander
Avda. de Cantabria s/n
28660 Boadilla del Monte (Madrid)

## 6.8 More than ten percent (10%) lenders to the Management Company.

The Management Company has not received any loan or credit facility from any person or entity. The long and short-term debts carried on the accompanying balance sheet are debts with BANCO SANTANDER, S.A. because the Management Company is taxed under the consolidated tax rules with the parent company.

## 6.9 Significant litigation and disputes.

As at the verification date of this Prospectus, the Management Company is not subject to any insolvency-related situation and no significant litigation or disputes exist that may affect its economic and financial position or, in the future, its capacity to carry out the duties of management and administration of the Fund as contemplated in this Prospectus.

## 6.10 Economic information on the Management Company.

The Management Company will carry out the accounting of the Fund according to the General Accounting Plan approved by Royal Decree 1643/1990 of 20 December 1990.

Below are the balance sheet and income statement for the years 2005 and 2006 and for the second quarter of 2007:

Balance sheet at 30 June 2007, and 31 December 2006 and 2005 (figures in € 000s)

| LENDING | 2005 | 2006 | 30/06/07 |
|---|---|---|---|
| FIXED ASSETS: | | | |
| Intangible fixed assets | 6 | 7 | 5 |
| Tangible fixed assets | 107 | 165 | 116 |
| Total Fixed Assets | 113 | 172 | 121 |
| CURRENT ASSETS: | | | |
| Debtors | 178 | 209 | 131 |
| Loans to employees | 89 | 130 | 102 |
| Other receivables | 89 | 79 | 29 |
| Temporary financial investments | | | |
| Cash | 10,307 | 11,623 | 15,188 |
| Adjustments for timing differences | 821 | 967 | 888 |
| Total Current Assets | 11,306 | 12,590 | 16,076 |
| TOTAL ASSETS | 11,419 | 12,971 | 16,328 |

| LIABILITIES | 2005 | 2006 | 30/06/07 |
|---|---|---|---|
| SHAREHOLDERS' EQUITY: | | | |
| Subscribed capital | 902 | 902 | 902 |
| Reserves | 1,160 | 182 | 182 |
| Profit for the year | 3,298 | 3,768 | 2,225 |
| Interim dividend | - | - | 3,768 |
| Total shareholders' equity | 5,360 | 4,852 | 7,076 |
| LONG-TERM CREDITORS: | | | |
| Debts to Group companies | 4,068 | 5,858 | 5,877 |
| | 4,068 | 5,858 | 5,877 |
| SHORT-TERM CREDITORS: | | | |
| Public Treasury (Hacienda Pública) | 41 | 40 | 33 |
| Other debts | 14 | 27 | 11 |
| Debts to Group companies | 1,782 | 2,035 | 3,235 |
| Adjustments for timing differences | 154 | 158 | 96 |
| Total short-term creditors | 1,991 | 2,261 | 3,375 |
| TOTAL LIABILITIES | 11,419 | 12,971 | 16,328 |

Income statements for 30 June 2007 and the years ended 31 December 2006 and 2005 (€ 000s)

| DEBIT | 2005 | 2006 | 30/06/07 |
|---|---|---|---|
| **EXPENSES:** | | | |
| **Personnel Costs** | | | |
| Wages, salaries and similar | 880 | 867 | 421 |
| Social expenses | 137 | 137 | 63 |
| Other personnel expenses | 21 | 27 | 12 |
| | 1,038 | 1,031 | 496 |
| **Allocation for fixed assets amortisation** | 145 | 82 | 50 |
| **Other operating expenses** | | | |
| Outside services | 84 | 119 | 14 |
| Taxes | 2 | 9 | - |
| Other current management expenses | 147 | 149 | 63 |
| | 233 | 277 | 77 |
| **Operating profits** | **5,002** | **5,597** | **3,213** |
| Financial and similar expenses | - | - | - |
| **Positive financial results** | **83** | **215** | **211** |
| **Ordinary operating profits** | **5,085** | **5,812** | **3,424** |
| Extraordinary expenses | 10 | - | - |
| **Positive extraordinary income** | - | - | - |
| **Profits before taxes** | **5,080** | **5,803** | **3,424** |
| Corporate Income Tax | 1,782 | 2,035 | 1,199 |
| **Profit for the fiscal year** | **3,298** | **3,768** | **2,225** |

| CREDIT | 2005 | 2006 | 30/06/07 |
|---|---|---|---|
| **REVENUE:**<br>Net revenue<br>Rendering of services | 6,418 | 6,986 | 3,836 |
| Other interest and similar revenue | 83 | 215 | 211 |
| Extraordinary revenue | 5 | - | - |
| **Extraordinary loss** | **5** | **-** | **-** |

## 7. MAJOR SHAREHOLDERS OF THE MANAGEMENT COMPANY

a) Shareholders of the Management Company

Ownership of the shares of the Management Company is distributed among the companies listed below, with an indication of the percentage interest held by each in the Management Company's share capital:

| SHAREHOLDERS | % SHARE CAPITAL |
|---|---|
| Santander Investment, S.A. | 19% |
| Banco Santander, S.A. | 81% |

b) Description of nature of such control and measures in place to ensure that such control is not abused.

For the purpose of article 4 of the Securities Market Act, SANTANDER DE TITULIZACION, S.G.F.T., S.A. forms part of the SANTANDER GROUP.

In order to ensure the absence of abuses of control on the part of Banco Santander, S.A. over the Management Company, the Management Company approved Internal Rules of Conduct in application of the provisions of Chapter II of Royal Decree 629/1993 of 3 May 1993 on rules of conduct on the securities markets and mandatory records, which were reported to the CNMV.

## 8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL SITUATION, AND PROFITS AND LOSSES.

### 8.1 Declaration regarding commencement of operations and financial statements of the Issuer prior to the date of the Registration Document.

The Management Company declares that, as at the verification date of this Registration Document, the Fund has not yet been established and, therefore, its operations have not begun and no financial statement in respect thereof has been prepared.

### 8.2 Historical Financial Information.

Not applicable.

8.2.bis This paragraph may be used only for issues of asset backed securities having a denomination per unit of at least €50,000.

Not applicable.

8.3 Legal and arbitration proceedings.

Not applicable.

8.4 Material adverse change in the Issuer's financial situation.

Not applicable.

## 9. THIRD PARTY INFORMATION AND STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST.

9.1 Statement or report attributed to a person as an expert.

This document includes no statement or report attributed to a person as an expert.

9.2 Information sourced from third parties.

This document includes no information sourced from third parties.

## 10. DOCUMENTS ON DISPLAY.

The following documents (or copies thereof) will be available to the public during the term of this Registration Document:

(a) The Corporate Bylaws and deed of incorporation of the Management Company.

(b) This Prospectus.

(c) The Deed of Establishment of the Fund.

(d) The Subordinated Loan Agreement for Establishment and Issue Expenses, Subordinated Loan Agreement for the Reserve Fund, Swap Agreement, Paying Agent Agreement, Cash Account Guaranteed Rate Reinvestment Agreement and Issue Management, Underwriting and Distribution Agreement.

(e) The Audit Report on the portfolio of Loans granted by BANESTO, from which the Assets to be assigned to the Fund will be drawn, prepared by the firm of Deloitte, S.L.

(f) Certification of the resolution adopted by the Management Company's Board of Directors at its meeting of 23 July 2007, in which it was resolved, among other matters, to establish the Fund, to have the Fund acquire the Assets assigned by BANESTO and to issue the Bonds against the Fund.

(g) The letter communicating the provisional ratings and the letter communicating the definitive ratings by Standard & Poor's, España, S.A.

(h) The Annual Financial Statements and the audit reports of the Management Company.

Copies of all of the above documents may be inspected at the registered office of the Management Company.

In addition, copies of all documents mentioned in the above sections, except for those contained in section a), may be inspected at the CNMV at Paseo de la Castellana 15, Madrid, and at Iberclear, at Plaza de la Lealtad, 1 (Madrid).

A copy of this Prospectus is available to the public at the website of the CNMV www.cnmv.es, the AIAF website (www.aiaf.es) and at the registered address specified in section 5.2 of this Registration Document for each of the Underwriters.

## SECURITIES NOTE

## (ANNEX XIII OF COMMISSION REGULATION (EC) 809/2004)[2]

## 1. PERSONS RESPONSIBLE

### 1.1 Persons responsible for the information contained in the Securities Note and in the Additional Building Block to the Securities Note.

Mr. IGNACIO ORTEGA GAVARA, acting for and on behalf of SANTANDER DE TITULIZACIÓN, SGFT, S.A., with registered address at Ciudad Grupo Santander, Avda. de Cantabria s/n. 28660, Boadilla del Monte (Madrid), assumes responsibility for the information contained in this Securities Note and in the Additional Building Block to the Securities Note.

Mr. IGNACIO ORTEGA GAVARA acts in his capacity as General Manager and in exercise of the powers expressly conferred for the establishment of the Fund by the Board of Directors of the Management Company at its meeting of 23 July 2007.

SANTANDER DE TITULIZACION, S.G.F.T., S.A. is the promoter of EMPRESAS BANESTO 1, FONDO DE TITULIZACIÓN DE ACTIVOS and will be responsible for its administration and legal representation.

### 1.2 Statement of those responsible for the Securities Note and the Additional Building Block to the Securities Note.

Mr. IGNACIO ORTEGA GAVARA, for and on behalf of the Management Company, declares that, after applying reasonable diligence to ensure that it is the case, the information contained in the Securities Note and in the Additional Building Block to the Securities Note is, to his knowledge, consistent with the facts and contains no omissions that could affect its content.

## 2. RISK FACTORS

The specific risk factors of the Assets backing the issue and of the securities are those described respectively in sections II and III of the "RISK FACTORS" document included at the beginning of this Prospectus.

## 3. KEY INFORMATION

### 3.1 Interest of natural and legal persons involved in the issue.

The identity of the legal persons involved in the offering and the direct or indirect participation or controlling interest among them are as described in section 5.2 of the Registration Document. The interests of the said persons in the issue are described below:

a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. acts as the Fund's Management Company and as legal and financial adviser for the structure of the transaction.

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[2] This Securities Note was prepared in accordance with Annex XIII of Regulation (EC) 809/2004 and was approved by the CNMV on 4 October 2007.

b) BANCO ESPAÑOL DE CRÉDITO, S.A. acts as Assignor of the Assets, as Lead Manager, as Underwriter, Paying Agent and as the Fund's counterparty in the Subordinated Loan Agreement for Establishment and Issue Expenses, in the Subordinated Loan Agreement for the Reserve Fund, in the Swap Agreement and in the Cash Account Guaranteed Yield Reinvestment Agreement.

c) CALYON acts as Lead Manager of the Bond issue.

d) STANDARD & POOR'S acts as rating agency of the Bonds.

e) CLIFFORD CHANCE, S.L. acts as legal advisor on the transaction.

f) DELOITTE, S.L. acts as auditor of the Fund and as auditor of the assignable portfolio.

Said persons have no interest, including conflicting ones, that is material to the issue, except as specifically described in section 5.2 of the Registration Document.

# 4. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED AND ADMITTED TO TRADING

## 4.1 Total amount of the securities.

### 4.1.1 Total amount of the issue.

The total amount of the Bonds issued is TWO BILLION EUROS (€2,000,000,000), represented by TWENTY THOUSAND (20,000) Bonds of ONE HUNDRED THOUSAND EUROS (€100,000) face value each, distributed over five (5) Series of Bonds (A1, A2, B, C and D), the following total face amounts corresponding to each of them:

- Series A1: with a total face value of ONE BILLION SIXTY MILLION EUROS (€1,060,000,000), it is comprised of TEN THOUSAND SIX HUNDRED (10,600) Bonds of ONE HUNDRED THOUSAND EUROS (€ 100,000) face value each;
- Series A2: with a total face value of EIGHT HUNDRED MILLION EUROS (€800,000,000), it is comprised of EIGHT THOUSAND (8,000) Bonds of ONE HUNDRED THOUSAND EUROS (€100,000) face value each;
- Series B: with a total face value of SEVENTY MILLION EUROS (€70,000,000), it is comprised of SEVEN HUNDRED (700) Bonds of ONE HUNDRED THOUSAND EUROS (€100,000) face value each;
- Series C: with a total face value of THIRTY-FIVE MILLION EUROS (€35,000,000), it is comprised of THREE HUNDRED FIFTY (350) Bonds of ONE HUNDRED THOUSAND EUROS (€100,000) face value each; and
- Series D: with a total face value of THIRTY-FIVE MILLION EUROS (€35,000,000), it is comprised of THREE HUNDRED FIFTY (350) Bonds of ONE HUNDRED THOUSAND EUROS (€100,000) face value each.

Subscribing or holding Bonds of one Series does not imply subscription or holding of the other Series.

### 4.1.2 Underwriting and distribution.

Initially only BANESTO will act as Underwriter. The commitment of BANESTO, as Underwriter as regards its participation in underwriting the distribution of the Bonds, which will be stated in the Issue Management, Underwriting and Distribution Agreement, is as set forth below:

| Underwriters | Series A1 Bonds | Series A2 Bonds | Series B Bonds | Bonds Series C | Bonds Series D |
|---|---|---|---|---|---|
| Banco Español de Crédito, S.A. | 1,060,000,000 | 800,000,000 | 70,000,000 | 35,000,000 | 35,000,000 |
| Totals | 1,060,000,000 | 800,000,000 | 70,000,000 | 35,000,000 | 35,000,000 |

After the Date of Establishment and prior to the end of the Subscription Period, BANESTO may assign a part of its underwriting commitments to new underwriting entities, which in any event will result in 100% of the issue being underwritten, in which case they must so advise the Management Company, which will proceed to change the amounts of the commitments initially undertaken by BANESTO as indicated in the preceding table, in accordance with the procedure established in the Issue Management, Underwriting and Distribution Agreement.

The new underwriting entities will become Underwriters with the same rights and obligations as the prior ones, by express, full, unreserved and unconditioned acceptance of all of the terms and conditions of the Issue Management, Underwriting and Distribution Agreement. In any event, the new underwriting entities will be required to subscribe all of the Bonds corresponding to their underwriting, BANESTO therefore being relieved of the obligation to subscribe those Bonds.

The addition of new Underwriters may not result in any increase in cost for the Fund, or amend the rights and obligations of the Fund deriving from the Deed of Establishment thereof and the other agreements affecting it, in particular the Issue Management, Underwriting and Distribution Agreement. In any event the inclusion of new Underwriters, and the distribution of the amounts of their respective underwriting commitments, will be notified to the CNMV to be made available to the public by it, changing the amounts of the respective underwriting commitments reflected in the foregoing table.

If BANESTO decides to assign a part of its underwriting commitment, before the end of the Subscription Period it will send the Management Committee the commitment letters of the new Underwriters.

It is the intention of the Underwriters to distribute the Bonds amongst qualified investors during the Subscription Period. The distribution fees are estimated at a maximum amount of one million (1,000,000) euros, equivalent to 0.05% of the total amount of the issue. If the Bonds are not distributed among investors, the Underwriters will not receive any distribution fee.

| Series | Distribution Fee |
|---|---|
| A1 | 0-0.05% |
| A2 | 0-0.05% |
| B | 0-0.05% |
| C | 0-0.05% |
| D | 0-0.05% |

In addition, each of the Underwriters will assume the obligations laid down in the Issue Management, Underwriting and Distribution Agreement. As consideration for the distribution commitments assumed by the Underwriters, they will receive a distribution fee, included within the establishment and issue expenses of the Fund, which will vary within the limits indicated for each of the Series in the accompanying table. . The Underwriters will only receive this distribution fee to the extent the Bonds are effectively distributed among investors.

In all events, the Bonds will be paid in at the issue price of one hundred percent (100%) of the unit face value.

The sole cause for termination established in the Issue Management, Underwriting and Distribution Agreement is absence of confirmation of the provisional ratings of the Bonds as being definitive prior to the commencement of the Subscription Period.

BANESTO and CALYON, in their capacity as Lead Managers, act in that capacity according to the terms set forth in section 5.2 of the Registration Document, and CALYON will receive a fee of ONE HUNDRED FIFTY THOUSAND EUROS (€150,000) therefor. For its part, BANESTO will not collect any fee for its activity as Lead Manager. The Underwriters will not collect any fee for their underwriting commitment, without prejudice to the distribution fee to which they may be entitled as provided above as consideration for their distribution commitment.

## 4.2 Description of the type and the class of the securities.

The Bonds are negotiable fixed-income securities with an explicit yield that represent a debt of the issuer, accrue interest and are redeemable by early redemption or at maturity.

## 4.3 Legislation under which the securities have been created.

The Bonds are issued in accordance with the laws of Spain and, specifically, according to the regulations set forth in (i) Royal Decree 926/1998 of 14 May 1998 and its implementing provisions; (ii) Royal Decree 1310/2005 of 4 November 2005 with its partial implementation of Securities Market Act 24/1988 of 28 July 1988 on matters of admission of securities to trading on official secondary markets, public sale and subscription offerings and the requisite prospectus for such operations; (iii) Act 19/1992 of 7 July 1992 governing Real Estate Investment Companies and Funds and Mortgage Securitisation Funds (Ley sobre Régimen de Sociedades y Fondos de Inversión Inmobiliaria y sobre Fondos de Titulización Hipotecaria), regarding matters not provided for in Royal Decree 926/1998 and as applicable; (iv) Securities Market Act 24/1988 of 28 July 1988 (Ley del Mercado de Valores) in respect of supervision, inspection and sanctions; (v) Ministry of Economy and Finance Order EHA/3537/2005 of 10 November 2005, which implements article 27.4 of Securities Market Act 24/1988 of 28 July 1988; and (vi) all other applicable legal and regulatory provisions in effect from time to time.

This Securities Note has been prepared according to the models set forth in Annex XIII of Regulation (EC) 809/2004.

Any issue, difference or dispute regarding the Fund or the Bonds issued by the Fund which may arise during its operation or liquidation, whether among the Bondholders or between the Bondholders and the Management Company, will be submitted to the courts and tribunals of the capital of Madrid, with waiver of any other jurisdiction to which the parties may be entitled.

4.4 Indication of whether the securities are in registered or bearer form and whether the securities are in certificated or book-entry form.

The Bonds will be represented by book entries according to the terms of Royal Decree 926/1998, and will be constituted as such by virtue of entry in the corresponding accounting register. The Deed of Establishment will have the effects provided in article 6 of the Securities Market Act, in accordance with the provisions of article 5.9 of Act 19/1992.

The Bondholders will be identified as such (in their own names or in the names of third parties) as recorded in the accounting register kept by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear), with registered office at Plaza de la Lealtad, 1 (Madrid), which has been named the entity responsible for the bookkeeping for the Bonds.

4.5 Currency of the issue.

The Bonds will be denominated in EUROS.

4.6 Ranking of the securities according to subordination.

The Management Company, on behalf of the Fund, on each Payment Date will proceed to apply the amount of the Available Funds to the corresponding payments and withholdings, as per the Order of Priority of Payments described in section 3.4.6.2.1 (b) of the Additional Building Block, which as regards the payment of interest and principal on the Bonds may be summarised as follows, without prejudice to the Order of Priority of Liquidation Payments described in section 3.4.6.3 of the Addition Building Block:

A) Simple indication of the ranking in the priority of payments of the interest payments on the Bonds of each Series

Payment of the interest accrued on Series A1 and A2 Bonds is ranked (4th) in the Order of Priority of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note.

Payment of the interest accrued on Series B Bonds is ranked fifth (5th) in the Order of Priority of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, unless the situation contemplated in number 5th of section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note occurs, in which case it will be ranked ninth (9th) in the Order of Priority of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note.

Payment of the interest accrued on Series C Bonds is ranked sixth (6th) in the order of priority of payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, unless the situation contemplated in number 6th of section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note occurs, in which case it will be ranked tenth (10th) in the Order of Priority of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note.

Payment of the interest accrued on Series D Bonds is ranked seventh (7th) in the order of priority of payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, unless the situation contemplated in number 8th of section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note occurs, in which case it will be ranked eleventh (11th) in the Order of Priority of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note.

B) Simple indication of the ranking in the priority of payments of the repayment of principal on the Bonds

The amount of the Withholding of Principal used for redemption of the Bonds is ranked eighth (8th) in the Order of Priority of Payments set forth in section 3.4.6.2.1 (b) of the Additional Building Block to the Securities Note.

Repayment of principal on Series A1, A2, B, C and D Bonds will be in accordance with the rules for Distribution of the Principal Funds Available for Redemption set forth in section 4.9.3.6 of this Securities Note.

## 4.7 Description of the rights attached to the securities

In accordance with current legislation, the Bonds described in this Securities Note will not confer upon the investor that acquires them any present and/or future voting rights in respect of the Fund.

The economic and financial rights of the investor associated with the acquisition and holding of the Bonds will be those derived from the interest rate conditions, yields and form of redemption pursuant to which they are issued, which are set forth sections 4.8 and 4.9 below.

The Bondholders will only be entitled to bring action against the Management Company in the event of non-performance of its duties or non-compliance with the provisions of the Deed of Establishment, of this Prospectus or of the applicable laws and regulations, and, therefore, never as a result of non-payment or prepayment on the Assets, of default of the counterparties to the transactions contracted for and on behalf of the Fund, or of insufficiency of the credit enhancement transactions to cover the financial servicing of the Bonds.

The Bondholders will have no recourse whatsoever against the Debtors of the Assets that default on their payment obligations; such action may only be brought by the Management Company, as representative of the Fund.

## 4.8 The nominal interest rate and provisions relating to interest payable.

All of the Bonds will accrue, from the Disbursement Date until their full maturity, a nominal annual interest rate variable quarterly. The interest will be paid quarterly in arrears on each Payment Date provided the Fund has sufficient liquidity, in accordance with the Order of Priority of Payments contemplated for each Series in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, and will be calculated on the Outstanding Principal Balance of the Bonds of each Series on the immediately preceding Payment Date.

Any withholdings, contributions and taxes established or to be established in the future on principal, interest or yield on the Bonds will be for the exclusive account and expense of the Bondholders, and the amount thereof, if any, will be deducted by the Management Company, acting for and on behalf of the Fund, through the Paying Agent, in the manner established by law.

### 4.8.1 Accrual of interest

For purposes of accrual of interest, the life of the Bond issue will be divided into successive Interest Accrual Periods including the actual number of days between each Payment Date, with each Interest Accrual Period including the initial Payment Date and not including the end Payment Date. The first Accrual Period will have a term of less than one quarter, equal to the period from the Disbursement Date (9 October 2007) (included) to the First Payment Date (20 December 2007 (not included)).

4.8.2 Nominal Interest Rate

The nominal interest rate per annum applicable to each Series of Bonds for each Interest Accrual Period (the "Nominal Interest Rate") will be the sum of: (i) the reference interest rate, determined as provided in section 4.8.3 below (the "Reference Interest Rate"), common to all of the Bond Series, plus (ii) the margin applicable to each Bond Series, as indicated in section 4.8.4 below, all rounded to the closest one thousandth of one point (taking into account that, in the event the next lowest and next highest thousandth are equally close, the result will always be rounded upwards). The determination of the Nominal Interest Rate will be in accordance with the rules described in this section. The Nominal Interest Rate Fixing Date for each Interest Accrual Period (the "Rate Fixing Date") will be the second Business Day before the Payment Date that marks the beginning of the corresponding Interest Accrual Period.

The Nominal Interest Rate of the Bonds for the first Interest Accrual Period will be determined on the basis of the Reference Interest Rate existing at 11.00 a.m. (CET) on the Date of Establishment.

The Nominal Interest Rate determined for all of the Bond Series for the successive Interest Accrual Periods will be notified to the Bondholders at the time and in the manner provided in section 4 of the Additional Building Block to the Securities Note.

The Management Company will notify the CNMV, as additional information, of the Nominal Interest Rate of the Bonds for the First Interest Accrual Period.

4.8.3 Reference Interest Rate

The Reference Interest Rate for determining the Nominal Interest Rate applicable to all Bonds will be the three (3) month EURIBOR or its replacement, if necessary, determined as set forth below.

On each of the Fixing Dates, the Management Company will determine the Reference Interest Rate, which will be equal to the EURIBOR, understood as:

(i) The EURIBOR (Euro Interbank Borrowing Offered Rate) is the reference rate of the euro money market for deposits with a three (3) month maturity. The three (3) month EURIBOR rate will the taken from the REUTERS screen, page "EURIBOR01" (or such other page as may replace it in this service) at 11.00 a.m. (CET) on the corresponding Rate Fixing Date.

    By way of exception, the Reference Interest Rate for the First Interest Accrual Period will be that resulting from linear interpolation between the EURIBOR rate at two (2) months and the EURIBOR rate at three (3) months maturity, established at 11:00 am (CET) on the Date of Establishment, taking into account the number of days in the first Interest Accrual Period.

(ii) In the absence of rates as provided section (i) above, the replacement Reference Interest Rate will be the interest rate equal to the simple arithmetic mean of the interbank offering rates for euro deposit transactions with a maturity of three months, quoted as soon as possible after 11.00 a.m. (CET) on the corresponding Fixing Date by the banks indicated below:

- Banco Santander, S.A., London Branch
- J.P. Morgan Chase & Co., London Branch
- Bank of America N.R. & S.A., London Branch

all rounded to the nearest one thousandth of one percentage point (taking into account that, if the next lowest and next highest thousandth are equally close, the result will always be rounded upwards).

Should it be impossible to apply the replacement Reference Interest Rate indicated above, owing to the fact that one of the aforesaid entities has not provided quotations continuously, the interest rate resulting from the calculation of the simple arithmetic average of the interest rates quoted by the remaining two (2) entities will apply.

If one of the two (2) remaining banks mentioned above no longer gives quotations, the last Nominal Interest Rate applicable to the last Interest Accrual Period will apply, and so on for successive Interest Accrual Periods, for so long as the said situation is maintained.

If at least two (2) of the institutions mentioned above should once again provide quotations, the replacement Reference Interest Rate will again apply, as provided above.

The Management Company will keep printouts of the content of the REUTERS screen or, if applicable, the quotations of the institutions referenced above, as documents evidencing the corresponding rate.

On each Rate Fixing Date, the Paying Agent will notify the Management Company of the Reference Interest Rate that will serve as the basis for calculating the Nominal Interest Rate applicable to each Series of Bonds.

#### 4.8.4 Margin applicable to each Series of Bonds

The maximum margins that will be added to the Reference Interest Rate of the Bonds to determine the Nominal Interest Rate for each Series of Bonds on each Rate Fixing Date will be as set forth below:

- 0.09% for Series A1 Bonds;
- 0.25% for Series A2 Bonds;
- 0.35% for Series B Bonds;
- 0.80% for Series C Bonds; and
- 1.50% for Series D Bonds.

The final margins applicable to Series A1, A2, B, C and D, respectively, will be fixed and notified to the Management Company on the Date of Establishment (5 October 2007) by the Lead Managers, before 10:00 a.m. (CET). The Management Company will likewise notify those margins to the CNMV as additional information. In the absence of the notice to be given by the Lead Managers, the Management Company will set the margin of Series A1 at 0.09%, the margin of Series A2 at 0.25%, the margin of Series B at 0.35%, the margin of Series C at 0.80% and the margin of Series D at 1.50%.

### 4.8.5 Formula for calculating the yield on the Bonds

The Nominal Interest Rate will accrue on the basis of the actual number of days in each Interest Accrual Period for which it was determined, calculated on the basis of a year of three hundred sixty (360) days.

Interest payable on each Payment Date for each Interest Accrual Period will be calculated in accordance with the following formula:

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

Where:

*I* = Interest to be paid on a given Payment Date.

*P* = Outstanding Principal Balance of the Bonds on the Determination Date for that Payment Date.

*R* = Nominal Interest Rate expressed as an annual percentage.

*d* = Number of actual days in each Interest Accrual Period.

Both the interest payable to the Bondholders, calculated as provided above, and the amount of interest accrued and not paid, will be notified to the Bondholders in the manner described in section 4 of the Additional Building Block to the Securities Note at least one (1) calendar day in advance of each Payment Date.

### 4.8.6 Dates, place, entities and procedure for payment of interest

The interest accrued on the Bonds of all Series will be payable quarterly, on each Payment Date, that is, on the 20th day of March, June, September and December of each year or, if any of those dates is not a Business Day, on the next following Business Day (the "Payment Dates").

The first Payment Date will be 20 December 2007.

The interest accrued will be paid on each Payment Date, provided the Fund has sufficient liquidity to do so, in accordance with the Order of Priority of Payments contemplated in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note or, if applicable, on the Statutory Maturity Date or when the Early Liquidation of the Fund takes place as contemplated in section 4.4.3 of the Registration Document, in accordance with the Order of Priority of Liquidation Payments contemplated in section 3.4.6.3 of the Additional Module to the Securities Note.

If on a Payment Date the Fund cannot pay all or part of the interest accrued on the Bonds of any of the Series according to the Order of Priority of Payments contemplated in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, the amounts not received by the Bondholders will be accumulated on the next Payment Date with the interest for that Series payable on that Payment Date, without accruing additional interest, and will be paid on the next Payment Date on which, subject to the aforesaid Order of Priority of Payments, the Fund has sufficient liquidity to do so, in order of maturity if it is not possible to pay the whole of such interest due to insufficiency of Available Funds.

The withholdings, contributions and taxes established or which may in the future be established on principal, interest or yields of the Bonds will be for the sole account of the Bondholders and the amount thereof will be deducted, where applicable, by the corresponding entity in the manner established by law.

The payment will be made through the Paying Agent. Payments to be made by the Paying Agent to the Bondholders will be made through the corresponding Iberclear-affiliated entities in accordance with the procedures prevailing in those systems. The payment of interest and redemption will be notified to the Bondholders in the events and with the advance notice contemplated for each case in section 4 of the Additional Building Block.

The Fund, through its Management Company, cannot defer interest payments beyond the Statutory Maturity Date, and on that date the provisions of sections 4.4.3.(2)(iv) and 4.4.3.(3) of the Registration Document will apply.

### 4.8.7 Calculation agent

The Nominal Interest Rate for each Series of Bonds will be calculated by the Management Company.

## 4.9 Maturity date and redemption of the securities

### 4.9.1 Redemption price of the Bonds

The redemption price of the Bonds of each Series will be ONE HUNDRED THOUSAND (100,000) euros per Bond, equal to their face value, free of expenses and taxes for the Bondholder, partially payable on each Payment Date, as provided in the following sections.

Each and every one of the Bonds in a single Series will be redeemed on each Payment Date (that is, on 20 March, 20 June, 20 September and 20 December of each year or, if any of these dates is not a Business Day, on the following Business Day) in the same amount by means of a reduction of the face value of each of them.

### 4.9.2 Specific characteristics of redemption of each of the Series of Bonds

#### 4.9.2.1 Redemption of Series A1 Bonds:

Repayment of the principal of Series A1 Bonds will be accomplished by partial redemption on each of the Payment Dates from commencement of their redemption until reaching their total face value, in the amount of the Available Principal Funds applied on each Payment Date to redemption of Series A1 pursuant to the rules for Distribution of Principal Funds Available for Redemption set forth in section 4.9.3.6 below, which will be distributed pro rata among the Series A1 Bonds by reduction of the face value of each Series A1 Bond.

The first Series A1 Bonds redemption payment will take place on the Payment Date corresponding to 20 December 2007.

The final redemption of the Series A1 Bonds will be on the Statutory Maturity Date or, if it is not a Business Day, on the following Business Day, without prejudice to full redemption prior to that date by the contemplated partial redemptions and the fact that the Management Company, for and on behalf of the Fund, and pursuant to section 4.9.4 below, may proceed with Early Redemption of the Bond issue prior to the Statutory Maturity Date.

#### 4.9.2.2 Redemption of Series A2 Bonds:

Repayment of the principal of Series A2 Bonds will be accomplished by partial redemption on each of the Payment Dates from commencement of their redemption until reaching their total face value, in the amount of the Available Principal Funds applied on each Payment Date to redemption of Series A2 pursuant to the rules for Distribution of Principal Funds Available for Redemption set forth in section 4.9.3.6 below, which will be distributed pro rata among the Series A2 Bonds by reduction of the face value of each Series A2 Bond.

The first partial redemption of Series A2 Bonds will occur on the Payment Date when the Series A1 Bonds have been fully redeemed. Nonetheless, if the circumstances for Pro Rata Redemption of Series A1 and A2 are present, the Series A2 Bonds will be redeemed pro rata with the Series A1 Bonds, all in accordance with the rules for Distribution of Principal Funds Available for Redemption.

The final redemption of the Series A2 Bonds will be on the Statutory Maturity Date or, if it is not a Business Day, on the following Business Day, without prejudice to full redemption prior to that date by the contemplated partial redemptions and the fact that the Management Company, for and on behalf of the Fund, and pursuant to section 4.9.4 below, may proceed with Early Redemption of the Bond issue prior to the Statutory Maturity Date.

4.9.2.3 Redemption of Series B Bonds:

Repayment of the principal of Series B Bonds will be accomplished by partial redemption on each of the Payment Dates from commencement of their redemption until reaching their total face amount, in the amount of the Available Principal Funds applied on each Payment Date to redemption of Series B pursuant to the rules for Distribution of Principal Funds Available for Redemption set forth in section 4.9.3.6 below, which will be distributed pro rata among the Series B Bonds by reduction of the face value of each Series B Bond.

The first partial redemption of Series B Bonds will occur once the Series A1 and A2 Bonds have been fully redeemed. Nevertheless, even if Series A1 and A2 have not been fully redeemed, the Principal Funds Available for Redemption will also be applied for redemption of Series B on the Payment Date when the Conditions for Pro Rata Redemption are satisfied for Series B pursuant to the rules for Distribution of Principal Funds Available for Redemption, in such manner that the relationship between the Outstanding Principal Balance of Series B and the Outstanding Principal Balance of the Issue of Bonds of Series A1, A2, B, C and D is maintained at 7.00%, or the nearest possible higher percentage.

The final redemption of the Series B Bonds will be on the Statutory Maturity Date or, if it is not a Business Day, on the following Business Day, without prejudice to full redemption prior to that date by the contemplated partial redemptions and the fact that the Management Company, for and on behalf of the Fund, and pursuant to section 4.9.4 below, may proceed with Early Redemption of the Bond issue prior to the Statutory Maturity Date.

4.9.2.4 Redemption of Series C Bonds:

Repayment of the principal of Series C Bonds will be accomplished by partial redemption on each of the Payment Dates from commencement of their redemption until reaching their total face value, in the amount of the Available Principal Funds applied on each Payment Date to redemption of Series C pursuant to the rules for Distribution of Principal Funds Available for Redemption set forth in section 4.9.3.6 below, which will be distributed pro rata among the Series C Bonds by reduction of the face value of each Series C Bond.

The first partial redemption of Series C Bonds will occur once the Series A1, A2 and B Bonds have been fully redeemed. Nevertheless, even if Series A1, A2 and B have not been fully redeemed, the Principal Funds Available for Redemption will also be applied for redemption of Series C on the Payment Date when the Conditions for Pro Rata Redemption are satisfied for Series C pursuant to the rules for Distribution of Principal Funds Available for Redemption, in such manner that the relationship between the Outstanding Principal Balance of Series C and the Outstanding Principal Balance of the Issue of Bonds of Series A1, A2, B, C and D is maintained at 3.50%, or the nearest possible higher percentage.

The final redemption of the Series C Bonds will be on the Statutory Maturity Date or, if it is not a Business Day, on the following Business Day, without prejudice to full redemption prior to that date by the contemplated partial redemptions and the fact that the Management Company, for and on behalf of the Fund, and pursuant to section 4.9.4 below, may proceed with Early Redemption of the Bond issue prior to the Statutory Maturity Date.

4.9.2.5 Redemption of Series D Bonds:

Repayment of the principal of Series D Bonds will be accomplished by partial redemption on each of the Payment Dates from commencement of their redemption until reaching their total face value, in the amount of the Available Principal Funds applied on each Payment Date to redemption of Series D pursuant to the rules for Distribution of Principal Funds Available for Redemption set forth in section 4.9.3.6 below, which will be distributed pro rata among the Series C Bonds by reduction of the face value of each Series D Bond.

The first partial redemption of Series D Bonds will occur once the Series A1, A2, B and C Bonds have been fully redeemed. Nevertheless, even if Series A1, A2, B and C have not been fully redeemed, the Principal Funds Available for Redemption will also be applied for redemption of Series D on the Payment Date when the Conditions for Pro Rata Redemption are satisfied for Series D pursuant to the rules for Distribution of Principal Funds Available for Redemption, in such manner that the relationship between the Outstanding Principal Balance of Series D and the Outstanding Principal Balance of the Issue of Bonds of Series A1, A2, B, C and D is maintained at 3.50%, or the nearest possible higher percentage.

The final redemption of the Series D Bonds will be on the Statutory Maturity Date or, if it is not a Business Day, on the following Business Day, without prejudice to full redemption prior to that date by the contemplated partial redemptions and the fact that the Management Company, for and on behalf of the Fund, and pursuant to section 4.9.4 below, may proceed with Early Redemption of the Bond issue prior to the Statutory Maturity Date.

4.9.3 Partial redemption of the Bonds

Independently of the Statutory Maturity Date and without prejudice to Early Redemption of the Bond Issue in the event of Early Liquidation of the Fund, the Fund through the Management Company will make partial redemptions of the Series A1, A2, B, C and D Bonds on each Payment Date that is not the Statutory Maturity Date when Early Liquidation of the Fund has not occurred, in accordance with the specific redemption conditions for each of those Series as provided in sections 4.9.2.1 to 4.9.2.5 of this Securities Note and the terms described below in this section that are common to Series A1, A2, B, C and D.

4.9.3.1 Determination Dates and Determination Periods:

The "Determination Dates" will be the dates corresponding to the fifth (5th) Business Day prior to each of the Payment Dates, on which the Management Company on behalf of the Fund will make the calculations necessary to distribute or withhold the Available Funds and the Available Principal Funds the Fund has available on the corresponding Payment Date in accordance with the Order of Priority of Payments described in section 3.4.6.2.1. (b) of the Additional Building Block to the Securities Note. The first Determination Date will be 13 December 2007.

The "Determination Periods" will be the periods including the days effectively elapsed between two consecutive Determination Dates, excluding from each Determination Period the initial Determination Date and the including the final Determination Date. By way of exception,

(i) the term of the first Determination Period will be equal to the days elapsed between the date of establishment of the Fund, inclusive, and the first Determination Date, 13 December 2007, inclusive, and

(ii) the term of the last Determination Period will be equal to the days elapsed a) until the Statutory Maturity Date or the date of completion of Early Liquidation of the Fund, as provided in section 4.4.3 of the Registration Document, on which the Loans have been repaid and the assets remaining in the Fund have been liquidated and the Available Liquidation Funds have been distributed following the Order of Priority of Liquidation Payments described in section 3.4.6.3 of the Additional Module to the Securities Note, b) from the Determination Date prior to the Payment Date preceding the date indicated in a), excluding the former and including the latter.

4.9.3.2 Outstanding Principal Balance of the Bonds:

The "Outstanding Principal Balance of a Series" will be the aggregate outstanding balances of the Bonds comprising that Series (that is, the amount of principal of the Bonds comprising that Series pending repayment).

By aggregation, the "Outstanding Principal Balance of the Bonds" will be the sum of the Outstanding Principal Balance of the five (5) Series A1, A2, B, C and D comprising the Bond issue.

4.9.3.3 Outstanding Balance of the Assets:

The "Outstanding Balance" of any Asset means the amount of principal due and not collected by the Fund together with the amount of principal not yet due pending maturity of that Asset.

The "Outstanding Balance" of any Assets will be the sum of the Outstanding Balance of each and every one of those Assets on that date.

"Non-Performing Loans" are the Loans that at a given date are more than ninety (90) days past due on the payment of their debts, not including the Defaulted Loans. "Performing Loans" are Loans that on a given date are not considered to be Non-Performing Loans, also excluding Defaulted Loans.

"Defaulted Loans" are the Loans that at a given date are twelve (12) or more months past due on payment of their debts or are classified as defaulted by the Management Company because they present reasonable doubts as to their full repayment according to the indications or information obtained from the Administrator. "Non-Defaulted Loans" are Loans that on a given date are not considered to be Defaulted Loans.

4.9.3.4 Withholding of Principal.

On each Payment Date, with a charge to the Available Funds and in the eighth (8th) position in the Order of Priority of Payments contemplated in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, Bonds will be redeemed in an amount equal to the difference (if positive) between (i) the Outstanding Principal Balance of the Bonds and, (ii) the sum of the Outstanding Balance of the Loans that are not Delinquent Loans, calculated on the Determination Date before the corresponding Payment Date.

Depending on the liquidity existing on each Payment Date, the amount of the Available Funds actually applied to the Withholding of Principal will be added to the Available Principal Funds to be used according to the rules for Distribution of the Available Principal Funds set forth in section 4.9.3.6 below.

4.9.3.5 Available Principal Funds and Principal Deficit:

The available principal funds on each Payment Date (the "Available Principal Funds") will be equal to the sum of the amount of the Principal Withholding made on the Payment Date in question in eighth (8th) place in the Order of Priority of Payments contemplated in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note.

The deficit of principal (the "Principal Gap") on a Payment Date will be the positive difference, if any, between (i) the amount of the Withholding of Principal, and (ii) the amount of Available Funds actually applied to the Withholding of Principal.

4.9.3.6 Distribution of the Available Principal Funds

The Available Principal Funds will be applied on each Payment Date according to the following rules ("Distribution of the Available Principal Funds"):

The Principal Funds Available for Redemption will be applied on each Payment Date to redemption of Series A1, A2, B, C and D in accordance with the following rules ("Distribution of the Principal Funds Available for Redemption"):

1. The Available Principal Funds will be applied sequentially, first to redemption of Series A1 until its full redemption, second to redemption of Series A2 until its full redemption, third to redemption of Series B until its full redemption, fourth to redemption of Series C until its full redemption and fifth to redemption of Series D until its full redemption, without prejudice to the provisions of rules 2, 3 and 4 below for pro rata redemption of the various Series.

2. Exceptional pro rata application to Series A1 and A2 ("Pro Rata Redemption of Series A1 and A2"): even when Series A1 has not been fully redeemed, the order of application under the preceding section will be suspended if on the Determination Date preceding the corresponding Payment Date the ratio between (i) the Outstanding Balance of the Performing Loans, increased by the amount of the revenue received in repayment of principal of the Loans during the Determination Period preceding the corresponding Payment Date, and (ii) the sum of the Outstanding Principal Balance of Series A1 and A2, is less than or equal to 1.

   In this case, on the corresponding Payment Date the amount of the Funds Available for Redemption applied to redemption of Series A1 and A2 will be applied to the redemption of Series A1 and the redemption of Series A2, distributed among them on a pro rata basis directly proportional (i) to the

Outstanding Principal Balance of Series A1 and (ii) to the Outstanding Principal Balance of Series A2, as of the Determination Date preceding the corresponding Payment Date.

It is contemplated that Pro Rata Redemption of Series A1 and A2 may only occur in situations with a percentage of Non-Performing Loans over 8%.

3. Nevertheless, even if Series A1 and A2 have not been fully redeemed, the Available Principal Funds also will be applied to redemption of Series B, C and D on the Payment Dates when all of the following conditions are satisfied ("Conditions for Pro Rata Redemption") in respect of each of these Series:

   a) To proceed to repayment of Series B, that on the Determination Date before the corresponding Payment Date:

      i) the Outstanding Principal Balance of Series B is not less than 7.00% (that is, double the weight of that Series) of the sum of the Outstanding Principal Balance of Series A1, A2, B, C and D, and

      ii) the Outstanding Balance of the Non-performing Loans is not more than 1.25% del Outstanding Balance of the Non-Defaulted Loans.

   b) To proceed to repayment of Series C, that on the Determination Date before the corresponding Payment Date:

      i) the Outstanding Principal Balance of Series C is not less than 3.50% (that is, double the weight of that Series) of the sum of the Outstanding Principal Balance of Series A1, A2, B, C and D and

      ii) the Outstanding Balance of the Non-performing Loans is not more than 1.00% del Outstanding Balance of the Non-Defaulted Loans.

   c) To proceed to repayment of Series D, that on the Determination Date before the corresponding Payment Date:

      i) the Outstanding Principal Balance of Series D is not less than 3.50% (that is, double the weight of that Series) of the sum of the Outstanding Principal Balance of Series A1, A2, B, C and D and

      ii) the Outstanding Balance of the Non-performing Loans is not more than 0.75% del Outstanding Balance of the Non-Defaulted Loans.

   d) In addition, in order to redeem Series B, Series C and, if applicable, Series D:

      i) that the amount of the Reserve Fund is equal to the Required Reserve Amount on the corresponding Payment Date, and

      ii) that on the Determination Date prior to the corresponding Payment Date the amount of the Outstanding Balance of the Assets is not less than TWO HUNDRED MILLION Euros (€200,000,000) (equivalent to ten percent (10%) of the initial Outstanding Balance upon the establishment of the Fund).

   It is contemplated that the pro rata redemption of Series B, C and D may occur starting when the Outstanding Principal Balance of all of the bonds is reduced to half of the Outstanding Principal Balance on the Date of Establishment, that is one billion Euros (€1,000,000,000), after which time Series B, C and D may satisfy the pro rata condition of representing double their initial relative weight. It is contemplated that the conditions for proration of those Series will occur simultaneously, provided that the requirements regarding delinquency established for each of them are also satisfied (for Series B, that the percentage of non-performing loans is less than 1.25% of the Outstanding Balance of the Non-Defaulted Loans, for Series C that it is less than 1.00% of the Outstanding Balance of the Non-Defaulted Loans, and for Series D that it is less than 0.75% of the Outstanding Balance of the Non-Defaulted Loans).

4. If on a Payment Date Series B, Series C and, if applicable, Series D are to be redeemed, as provided in the prior rule, the Available Principal Funds will also be applied to redemption of Series B, Series C and, if applicable, Series D in such manner that (i) the Outstanding Principal Balance of Series B, that of Series C or that of Series D, as a percentage of (ii) the sum of the Outstanding Principal Balance of Series A1, A2, B, C and D, is maintained, respectively, at 7.00%, 3.50% or 3.50% or the nearest possible higher percentages.

#### 4.9.4 Early Redemption of the Bond issue.

Independently the obligation of the Fund, through its Management Company, to finally redeem the Bonds on the Statutory Maturity Date or redeem each Series prior to the Statutory Maturity Date, the Management Company, after notice to the CNMV, will be entitled to proceed, if applicable, with Early Liquidation of the Fund and thereby Early Redemption of the entire Bond issue, in the events of Early Liquidation and in accordance with the requirements specified in section 4.4.3 of the Registration Document, subject to the Order of Priority of Liquidation Payments described in section 3.4.6.3 of the Additional Module to the Securities Note.

#### 4.9.5 Statutory Maturity Date.

The Statutory Maturity Date, and therefore the date of final redemption of the Bonds, is 20 September 2040 or, if this is not a Business Day, the following Business Day, without prejudice to the fact that the Management Company, for and on behalf of the Fund, in accordance with the provisions of sections 4.9.2 to 4.9.4 of this Securities Note, may proceed to redeem some or all of the Series of the Bond issue prior to the Statutory Maturity Date. Final redemption of the Bonds on the Statutory Maturity Date will be made subject to the Order of Priority of Liquidation Payments described in section 3.4.6.3 of the Additional Module to the Securities Note.

### 4.10 Indication of investor yield and calculation method

The principal characteristics of the Bonds reside in the fact that their periodical redemption and, consequently, their average life and duration, depend fundamentally on the speed with which the Debtors decide to pay off their Loans.

In this regard, the prepayments which the Debtors may decide to make are subject to continual changes and are estimated in this Prospectus by means of the use of various future CAPRs, which will directly affect the speed of repayment of the Assets and on the average life and duration of the Bonds.

Furthermore, other variables exist, also subject to continuous changes, which affect the average life and duration of the Bonds. These variables and their hypothetical values assumed in all of the tables appearing in this section are:

(i) Interest rate of the Assets portfolio: four point six six percent (4.66%) (weighted average interest rate at 20 August 2007 of the portfolio of selected loans that has been used for calculation of the principal and interest instalments of each of the selected loans);

(ii) Delinquency of the Assets portfolio: 0.25% of the Outstanding Balance of the Assets with 64% recovery at between 90 days and 12 months;

(iii) Defaults in the Assets portfolio deemed to be uncollectible: 0.09% with 0% recoveries;

(iv) That the Disbursement Date of the Bonds is 9 October 2007;

(v) That there is no Principal Gap;

(vi) That the CAPR remains constant throughout the life of the Bonds; and

(vii) That there is no extension of any of the Loans.

The actual adjusted term and yield or profitability of the Bonds also will depend on their floating interest rates. The variable nominal interest rates on the Bonds of each Series are assumed to be constant as specified below, the result of three month Euribor (4.726%) at 26 September 2007 and, if the applicable margins are the margins established in section 4.8.4 of this Securities Note: 4.766% for Series A1; 4.926% for Series A2; 5.026% for Series B, 5.476% for Series C and 6.176% for Series D.

Assuming that the Management Company, acting on behalf of the Fund, proceeds to the Early Liquidation of the Fund contemplated in section 4.4.3 of the Registration Document when the Outstanding Balance of the Assets is less than ten percent (10%) of the initial principal of the Assets, the average life, duration, maturity and IRR of the Bonds would be as follows for different CAPRs:

| | **2%** | **5%** | **8%** |
|---|---|---|---|
| **A1** | | | |
| *Average Life* | *1.10* | *1.02* | *0.94* |
| *IRR* | *4.766%* | *4.766%* | *4.766%* |
| *Duration* | *1.07* | *0.99* | *0.92* |
| *Estimated End Life* | *20-dec-09* | *20-sep-09* | *20-sep-09* |
| | **2%** | **5%** | **8%** |
| **A2** | | | |
| *Average Life* | *4.23* | *3.90* | *3.62* |
| *IRR* | *4.926%* | *4.926%* | *4.926%* |
| *Duration* | *3.85* | *3.58* | *3.34* |
| *Estimated End Life* | *20-mar-14* | *20-sep-13* | *20-mar-13* |
| | **2%** | **5%** | **8%** |
| **B** | | | |
| *Average Life* | *4.24* | *4.03* | *3.67* |
| *IRR* | *5.026%* | *5.026%* | *5.026%* |
| *Duration* | *3.86* | *3.69* | *3.39* |
| *Estimated End Life* | *20-mar-14* | *20-sep-13* | *20-mar-13* |

| | 2% | 5% | 8% |
|---|---|---|---|
| **C** | | | |
| *Average Life* | *4.24* | *4.03* | *3.67* |
| *IRR* | *5.476%* | *5.476%* | *5.476%* |
| *Duration* | *3.90* | *3.73* | *3.42* |
| *Estimated End Life* | *20-mar-14* | *20-sep-13* | *20-mar-13* |
| | **2%** | **5%** | **8%** |
| **D** | | | |
| *Average Life* | *4.24* | *4.03* | *3.67* |
| *IRR* | *6.176%* | *6.176%* | *6.176%* |
| *Duration* | *3.97* | *3.79* | *3.47* |
| *Estimated End Life* | *20-mar-14* | *20-sep-13* | *20-mar-13* |

The CAPRs were selected based on the historical behaviour of a portfolio of loans made by BANESTO to companies for the purpose of financing their respective businesses or the acquisition of real property used in their business and of similar characteristics.

The Management Company expressly represents that the tables of financial servicing of each of the Series that appear below are merely theoretical and for illustrative purposes.

Below are financial servicing tables for each of the Series, for CAPRs of 2%, 5% and 8%, respectively:

| CAPR (2%) | Series A1 EUR 3m+0.09% | | | Series A2 EUR 3m+0.25% | | | Series B EUR 3m+0.35% | | | Series C EUR 3m+0.8% | | | Series D EUR 3m+1.5% | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Principal* | *Interest (Gross)* | *Total Flows* | *Principal* | *Interest (Gross)* | *Total Flows* | *Principal* | *Interest (Gross)* | *Total Flows* | *Principal* | *Interest (Gross)* | *Total Flows* | *Principal* | *Interest (Gross)* | *Total Flows* |
| **20-sep-07** | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € |
| **20-dic-07** | 8,955.48 € | 1,211.82 € | 10,167.30 € | - € | 1,252.27 € | 1,252.27 € | - € | 1,277.54 € | 1,277.54 € | - € | 1,391.29 € | 1,391.29 € | - € | 1,568.24 € | 1,568.24 € |
| **20-mar-08** | 12,794.72 € | 1,107.07 € | 13,901.79 € | - € | 1,256.41 € | 1,256.41 € | - € | 1,281.69 € | 1,281.69 € | - € | 1,395.44 € | 1,395.44 € | - € | 1,572.38 € | 1,572.38 € |
| **20-jun-08** | 16,418.25 € | 893.25 € | 17,311.50 € | - € | 1,182.42 € | 1,182.42 € | - € | 1,207.98 € | 1,207.98 € | - € | 1,322.98 € | 1,322.98 € | - € | 1,501.87 € | 1,501.87 € |
| **20-sep-08** | 12,931.49 € | 718.39 € | 13,649.88 € | - € | 1,202.74 € | 1,202.74 € | - € | 1,228.29 € | 1,228.29 € | - € | 1,343.29 € | 1,343.29 € | - € | 1,522.18 € | 1,522.18 € |
| **20-dic-08** | 12,520.88 € | 553.97 € | 13,074.85 € | - € | 1,173.30 € | 1,173.30 € | - € | 1,198.58 € | 1,198.58 € | - € | 1,312.33 € | 1,312.33 € | - € | 1,489.27 € | 1,489.27 € |
| **20-mar-09** | 12,463.72 € | 401.77 € | 12,865.50 € | - € | 1,144.41 € | 1,144.41 € | - € | 1,169.41 € | 1,169.41 € | - € | 1,281.91 € | 1,281.91 € | - € | 1,456.91 € | 1,456.91 € |
| **20-jun-09** | 11,451.58 € | 266.14 € | 11,717.71 € | - € | 1,153.71 € | 1,153.71 € | - € | 1,179.27 € | 1,179.27 € | - € | 1,294.27 € | 1,294.27 € | - € | 1,473.15 € | 1,473.15 € |
| **20-sep-09** | 9,075.17 € | 145.88 € | 9,221.05 € | - € | 1,211.33 € | 1,211.33 € | - € | 1,236.89 € | 1,236.89 € | - € | 1,351.89 € | 1,351.89 € | - € | 1,530.78 € | 1,530.78 € |
| **20-dic-09** | 3,388.70 € | 39.23 € | 3,427.94 € | 4,502.21 € | 1,198.17 € | 5,700.38 € | 8,605.84 € | 1,223.44 € | 9,829.28 € | 8,605.84 € | 1,337.19 € | 9,943.03 € | 8,605.84 € | 1,514.14 € | 10,119.98 € |
| **20-mar-10** | - € | - € | - € | 9,943.15 € | 1,131.65 € | 11,074.80 € | 9,515.88 € | 1,105.87 € | 10,621.75 € | 9,515.88 € | 1,208.69 € | 10,724.57 € | 9,515.88 € | 1,368.63 € | 10,884.51 € |
| **20-jun-10** | - € | - € | - € | 7,499.70 € | 1,036.39 € | 8,536.09 € | 7,177.43 € | 1,012.78 € | 8,190.21 € | 7,177.43 € | 1,106.94 € | 8,284.37 € | 7,177.43 € | 1,253.41 € | 8,430.84 € |
| **20-sep-10** | - € | - € | - € | 6,349.26 € | 952.00 € | 7,301.27 € | 6,076.43 € | 930.18 € | 7,006.62 € | 6,076.43 € | 1,016.09 € | 7,092.52 € | 6,076.43 € | 1,149.72 € | 7,226.15 € |
| **20-dic-10** | - € | - € | - € | 5,286.05 € | 865.96 € | 6,152.01 € | 5,058.90 € | 846.10 € | 5,905.00 € | 5,058.90 € | 924.16 € | 5,983.06 € | 5,058.90 € | 1,045.58 € | 6,104.49 € |
| **20-mar-11** | - € | - € | - € | 8,465.34 € | 794.13 € | 9,259.46 € | 8,101.57 € | 775.89 € | 8,877.47 € | 8,101.57 € | 847.41 € | 8,948.98 € | 8,101.57 € | 958.65 € | 9,060.22 € |
| **20-jun-11** | - € | - € | - € | 5,915.03 € | 709.06 € | 6,624.09 € | 5,660.85 € | 692.76 € | 6,353.62 € | 5,660.85 € | 756.55 € | 6,417.40 € | 5,660.85 € | 855.77 € | 6,516.62 € |
| **20-sep-11** | - € | - € | - € | 6,903.13 € | 637.36 € | 7,540.49 € | 6,606.50 € | 622.70 € | 7,229.19 € | 6,606.50 € | 679.97 € | 7,286.47 € | 6,606.50 € | 769.06 € | 7,375.56 € |
| **20-dic-11** | - € | - € | - € | 4,086.40 € | 547.37 € | 4,633.78 € | 3,910.81 € | 534.77 € | 4,445.58 € | 3,910.81 € | 583.91 € | 4,494.71 € | 3,910.81 € | 660.34 € | 4,571.15 € |
| **20-mar-12** | - € | - € | - € | 3,813.58 € | 498.33 € | 4,311.91 € | 3,649.70 € | 486.85 € | 4,136.55 € | 3,649.70 € | 531.54 € | 4,181.24 € | 3,649.70 € | 601.05 € | 4,250.76 € |
| **20-jun-12** | - € | - € | - € | 3,684.10 € | 457.59 € | 4,141.69 € | 3,525.79 € | 447.04 € | 3,972.83 € | 3,525.79 € | 488.02 € | 4,013.81 € | 3,525.79 € | 551.77 € | 4,077.56 € |
| **20-sep-12** | - € | - € | - € | 2,633.93 € | 421.68 € | 3,055.61 € | 2,520.74 € | 411.77 € | 2,932.51 € | 2,520.74 € | 448.69 € | 2,969.44 € | 2,520.74 € | 506.14 € | 3,026.88 € |
| **20-dic-12** | - € | - € | - € | 2,492.19 € | 385.52 € | 2,877.72 € | - € | 376.44 € | 376.44 € | - € | 410.10 € | 410.10 € | - € | 462.45 € | 462.45 € |
| **20-mar-13** | - € | - € | - € | 2,970.52 € | 351.60 € | 3,322.13 € | - € | 373.39 € | 373.39 € | - € | 406.68 € | 406.68 € | - € | 458.46 € | 458.46 € |
| **20-jun-13** | - € | - € | - € | 2,407.65 € | 322.84 € | 2,730.49 € | - € | 382.84 € | 382.84 € | - € | 416.86 € | 416.86 € | - € | 469.80 € | 469.80 € |
| **20-sep-13** | - € | - € | - € | 2,471.32 € | 293.20 € | 2,764.51 € | - € | 383.98 € | 383.98 € | - € | 418.01 € | 418.01 € | - € | 470.94 € | 470.94 € |
| **20-dic-13** | - € | - € | - € | 1,886.85 € | 259.69 € | 2,146.54 € | - € | 380.93 € | 380.93 € | - € | 414.58 € | 414.58 € | - € | 466.94 € | 466.94 € |
| **20-mar-14** | - € | - € | - € | 18,689.61 € | 233.98 € | 18,923.59 € | 29,589.55 € | 377.83 € | 29,967.39 € | 29,589.55 € | 411.12 € | 30,000.67 € | 29,589.55 € | 462.90 € | 30,052.46 € |

| | Series A1 | | | Series A2 | | | Series B | | | Series C | | | Series D | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | EUR 3m+0.09% | | | EUR 3m+0.25% | | | EUR 3m+0.35% | | | EUR 3m+0.8% | | | EUR 3m+1.5% | | |
| CAPR (5%) | *Principal* | *Interest (Gross)* | *Total Flows* | *Principal* | *Interest (Gross)* | *Total Flows* | *Principal* | *Interest (Gross)* | *Total Flows* | *Principal* | *Interest (Gross)* | *Total Flows* | *Principal* | *Interest (Gross)* | *Total Flows* |
| **20-sep-07** | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € |
| **20-dic-07** | 10,806.78 € | 1,211.82 € | 12,018.60 € | - € | 1,252.27 € | 1,252.27 € | - € | 1,277.54 € | 1,277.54 € | - € | 1,391.29 € | 1,391.29 € | - € | 1,568.24 € | 1,568.24 € |
| **20-mar-08** | 13,939.79 € | 1,084.56 € | 15,024.35 € | - € | 1,256.41 € | 1,256.41 € | - € | 1,281.69 € | 1,281.69 € | - € | 1,395.44 € | 1,395.44 € | - € | 1,572.38 € | 1,572.38 € |
| **20-jun-08** | 17,265.38 € | 859.04 € | 18,124.43 € | - € | 1,182.42 € | 1,182.42 € | - € | 1,207.98 € | 1,207.98 € | - € | 1,322.98 € | 1,322.98 € | - € | 1,501.87 € | 1,501.87 € |
| **20-sep-08** | 13,637.02 € | 673.73 € | 14,310.76 € | - € | 1,202.74 € | 1,202.74 € | - € | 1,228.29 € | 1,228.29 € | - € | 1,343.29 € | 1,343.29 € | - € | 1,522.18 € | 1,522.18 € |
| **20-dic-08** | 13,041.61 € | 502.43 € | 13,544.04 € | - € | 1,173.30 € | 1,173.30 € | - € | 1,198.58 € | 1,198.58 € | - € | 1,312.33 € | 1,312.33 € | - € | 1,489.27 € | 1,489.27 € |
| **20-mar-09** | 12,793.84 € | 345.78 € | 13,139.62 € | - € | 1,144.41 € | 1,144.41 € | - € | 1,169.41 € | 1,169.41 € | - € | 1,281.91 € | 1,281.91 € | - € | 1,456.91 € | 1,456.91 € |
| **20-jun-09** | 11,647.32 € | 206.05 € | 11,853.36 € | - € | 1,153.71 € | 1,153.71 € | - € | 1,179.27 € | 1,179.27 € | - € | 1,294.27 € | 1,294.27 € | - € | 1,473.15 € | 1,473.15 € |
| **20-sep-09** | 6,868.26 € | 80.39 € | 6,948.65 € | 3,150.82 € | 1,211.33 € | 4,362.15 € | - € | 1,236.89 € | 1,236.89 € | - € | 1,351.89 € | 1,351.89 € | - € | 1,530.78 € | 1,530.78 € |
| **20-dic-09** | - € | - € | - € | 9,020.01 € | 1,160.41 € | 10,180.43 € | 9,313.46 € | 1,223.44 € | 10,536.91 € | 9,313.46 € | 1,337.19 € | 10,650.66 € | 9,313.46 € | 1,514.14 € | 10,827.60 € |
| **20-mar-10** | - € | - € | - € | 9,754.23 € | 1,040.78 € | 10,795.00 € | 10,071.56 € | 1,097.31 € | 11,168.87 € | 10,071.56 € | 1,199.33 € | 11,270.89 € | 10,071.56 € | 1,358.03 € | 11,429.59 € |
| **20-jun-10** | - € | - € | - € | 7,396.07 € | 945.78 € | 8,341.85 € | 7,636.69 € | 997.16 € | 8,633.84 € | 7,636.69 € | 1,089.86 € | 8,726.55 € | 7,636.69 € | 1,234.07 € | 8,870.76 € |
| **20-sep-10** | - € | - € | - € | 6,252.72 € | 862.04 € | 7,114.76 € | 6,456.14 € | 908.74 € | 7,364.88 € | 6,456.14 € | 992.66 € | 7,448.80 € | 6,456.14 € | 1,123.21 € | 7,579.35 € |
| **20-dic-10** | - € | - € | - € | 5,212.33 € | 778.05 € | 5,990.38 € | 5,381.90 € | 820.18 € | 6,202.08 € | 5,381.90 € | 895.85 € | 6,277.75 € | 5,381.90 € | 1,013.55 € | 6,395.46 € |
| **20-mar-11** | - € | - € | - € | 7,948.42 € | 707.97 € | 8,656.40 € | 8,207.01 € | 746.29 € | 8,953.30 € | 8,207.01 € | 815.07 € | 9,022.09 € | 8,207.01 € | 922.07 € | 9,129.08 € |
| **20-jun-11** | - € | - € | - € | 5,590.28 € | 627.22 € | 6,217.50 € | 5,772.15 € | 661.15 € | 6,433.30 € | 5,772.15 € | 722.03 € | 6,494.17 € | 5,772.15 € | 816.72 € | 6,588.87 € |
| **20-sep-11** | - € | - € | - € | 6,367.72 € | 559.41 € | 6,927.13 € | 6,574.88 € | 589.67 € | 7,164.55 € | 6,574.88 € | 643.90 € | 7,218.78 € | 6,574.88 € | 728.27 € | 7,303.15 € |
| **20-dic-11** | - € | - € | - € | 3,837.38 € | 476.69 € | 4,314.07 € | 3,962.22 € | 502.45 € | 4,464.68 € | 3,962.22 € | 548.62 € | 4,510.84 € | 3,962.22 € | 620.44 € | 4,582.66 € |
| **20-mar-12** | - € | - € | - € | 3,546.45 € | 430.60 € | 3,977.05 € | 3,661.83 € | 453.86 € | 4,115.70 € | 3,661.83 € | 495.52 € | 4,157.36 € | 3,661.83 € | 560.33 € | 4,222.16 € |
| **20-jun-12** | - € | - € | - € | 3,383.58 € | 392.31 € | 3,775.88 € | 3,493.65 € | 413.50 € | 3,907.15 € | 3,493.65 € | 451.40 € | 3,945.06 € | 3,493.65 € | 510.37 € | 4,004.02 € |
| **20-sep-12** | - € | - € | - € | 2,888.37 € | 358.69 € | 3,247.06 € | - € | 377.89 € | 377.89 € | - € | 411.78 € | 411.78 € | - € | 464.49 € | 464.49 € |
| **20-dic-12** | - € | - € | - € | 2,351.79 € | 319.85 € | 2,671.64 € | - € | 374.90 € | 374.90 € | - € | 408.42 € | 408.42 € | - € | 460.56 € | 460.56 € |
| **20-mar-13** | - € | - € | - € | 2,719.50 € | 288.20 € | 3,007.70 € | - € | 371.87 € | 371.87 € | - € | 405.02 € | 405.02 € | - € | 456.59 € | 456.59 € |
| **20-jun-13** | - € | - € | - € | 2,209.53 € | 261.01 € | 2,470.54 € | - € | 381.27 € | 381.27 € | - € | 415.16 € | 415.16 € | - € | 467.87 € | 467.87 € |
| **20-sep-13** | - € | - € | - € | 18,370.81 € | 233.70 € | 18,604.51 € | 29,468.50 € | 382.41 € | 29,850.90 € | 29,468.50 € | 416.30 € | 29,884.79 € | 29,468.50 € | 469.01 € | 29,937.51 € |

| | Series A1 | | | Series A2 | | | Series B | | | Series C | | | Series D | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | EUR 3m+0.09% | | | EUR 3m+0.25% | | | EUR 3m+0.35% | | | EUR 3m+0.8% | | | EUR 3m+1.5% | | |
| CAPR (8%) | *Principal* | *Interest (Gross)* | *Total Flows* | *Principal* | *Interest (Gross)* | *Total Flows* | *Principal* | *Interest (Gross)* | *Total Flows* | *Principal* | *Interest (Gross)* | *Total Flows* | *Principal* | *Interest (Gross)* | *Total Flows* |
| **20-sep-07** | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € | - € |
| **20-dic-07** | 12,697.47 € | 1,211.82 € | 13,909.29 € | - € | 1,252.27 € | 1,252.27 € | - € | 1,277.54 € | 1,277.54 € | - € | 1,391.29 € | 1,391.29 € | - € | 1,568.24 € | 1,568.24 € |
| **20-mar-08** | 15,085.18 € | 1,061.57 € | 16,146.75 € | - € | 1,256.41 € | 1,256.41 € | - € | 1,281.69 € | 1,281.69 € | - € | 1,395.44 € | 1,395.44 € | - € | 1,572.38 € | 1,572.38 € |
| **20-jun-08** | 18,093.16 € | 824.39 € | 18,917.54 € | - € | 1,182.42 € | 1,182.42 € | - € | 1,207.98 € | 1,207.98 € | - € | 1,322.98 € | 1,322.98 € | - € | 1,501.87 € | 1,501.87 € |
| **20-sep-08** | 14,310.38 € | 628.84 € | 14,939.22 € | - € | 1,202.74 € | 1,202.74 € | - € | 1,228.29 € | 1,228.29 € | - € | 1,343.29 € | 1,343.29 € | - € | 1,522.18 € | 1,522.18 € |
| **20-dic-08** | 13,521.28 € | 451.03 € | 13,972.31 € | - € | 1,173.30 € | 1,173.30 € | - € | 1,198.58 € | 1,198.58 € | - € | 1,312.33 € | 1,312.33 € | - € | 1,489.27 € | 1,489.27 € |
| **20-mar-09** | 13,078.56 € | 290.38 € | 13,368.94 € | - € | 1,144.41 € | 1,144.41 € | - € | 1,169.41 € | 1,169.41 € | - € | 1,281.91 € | 1,281.91 € | - € | 1,456.91 € | 1,456.91 € |
| **20-jun-09** | 11,796.37 € | 147.05 € | 11,943.41 € | - € | 1,153.71 € | 1,153.71 € | - € | 1,179.27 € | 1,179.27 € | - € | 1,294.27 € | 1,294.27 € | - € | 1,473.15 € | 1,473.15 € |
| **20-sep-09** | 1,417.60 € | 16.59 € | 1,434.19 € | 8,715.56 € | 1,211.33 € | 9,926.90 € | 10,398.56 € | 1,236.89 € | 11,635.45 € | 10,398.56 € | 1,351.89 € | 11,750.45 € | 10,398.56 € | 1,530.78 € | 11,929.34 € |
| **20-dic-09** | - € | - € | - € | 9,163.25 € | 1,093.74 € | 10,256.99 € | 8,994.31 € | 1,096.22 € | 10,090.53 € | 8,994.31 € | 1,198.15 € | 10,192.45 € | 8,994.31 € | 1,356.69 € | 10,351.00 € |
| **20-mar-10** | - € | - € | - € | 9,703.98 € | 973.14 € | 10,677.12 € | 9,525.07 € | 975.35 € | 10,500.41 € | 9,525.07 € | 1,066.03 € | 10,591.10 € | 9,525.07 € | 1,207.09 € | 10,732.16 € |
| **20-jun-10** | - € | - € | - € | 7,384.54 € | 877.25 € | 8,261.78 € | 7,248.39 € | 879.24 € | 8,127.63 € | 7,248.39 € | 960.98 € | 8,209.37 € | 7,248.39 € | 1,088.14 € | 8,336.53 € |
| **20-sep-10** | - € | - € | - € | 6,227.70 € | 793.18 € | 7,020.87 € | 6,112.88 € | 794.87 € | 6,907.74 € | 6,112.88 € | 868.27 € | 6,981.15 € | 6,112.88 € | 982.47 € | 7,095.34 € |
| **20-dic-10** | - € | - € | - € | 5,190.37 € | 710.16 € | 5,900.53 € | 5,094.68 € | 711.66 € | 5,806.34 € | 5,094.68 € | 777.32 € | 5,872.00 € | 5,094.68 € | 879.45 € | 5,974.13 € |
| **20-mar-11** | - € | - € | - € | 7,569.28 € | 641.03 € | 8,210.31 € | 7,429.72 € | 642.37 € | 8,072.09 € | 7,429.72 € | 701.57 € | 8,131.29 € | 7,429.72 € | 793.67 € | 8,223.39 € |
| **20-jun-11** | - € | - € | - € | 5,350.49 € | 563.35 € | 5,913.84 € | 5,251.84 € | 564.52 € | 5,816.36 € | 5,251.84 € | 616.49 € | 5,868.34 € | 5,251.84 € | 697.35 € | 5,949.19 € |
| **20-sep-11** | - € | - € | - € | 5,955.43 € | 498.42 € | 6,453.84 € | 5,845.63 € | 499.44 € | 6,345.06 € | 5,845.63 € | 545.37 € | 6,391.00 € | 5,845.63 € | 616.83 € | 6,462.45 € |
| **20-dic-11** | - € | - € | - € | 3,643.92 € | 421.29 € | 4,065.21 € | 3,576.74 € | 422.14 € | 3,998.88 € | 3,576.74 € | 460.93 € | 4,037.67 € | 3,576.74 € | 521.27 € | 4,098.00 € |
| **20-mar-12** | - € | - € | - € | 3,907.79 € | 377.49 € | 4,285.28 € | - € | 378.25 € | 378.25 € | - € | 412.97 € | 412.97 € | - € | 466.97 € | 466.97 € |
| **20-jun-12** | - € | - € | - € | 3,683.06 € | 334.11 € | 4,017.17 € | - € | 382.89 € | 382.89 € | - € | 417.99 € | 417.99 € | - € | 472.59 € | 472.59 € |
| **20-sep-12** | - € | - € | - € | 2,686.07 € | 295.41 € | 2,981.48 € | - € | 391.40 € | 391.40 € | - € | 426.50 € | 426.50 € | - € | 481.10 € | 481.10 € |
| **20-dic-12** | - € | - € | - € | 2,192.74 € | 259.59 € | 2,452.33 € | - € | 388.30 € | 388.30 € | - € | 423.02 € | 423.02 € | - € | 477.03 € | 477.03 € |
| **20-mar-13** | - € | - € | - € | 18,625.83 € | 230.39 € | 18,856.22 € | 30,522.19 € | 385.16 € | 30,907.36 € | 30,522.19 € | 419.50 € | 30,941.69 € | 30,522.19 € | 472.92 € | 30,995.11 € |

## 4.11 Bondholder representation.

No Syndicate of Bondholders will be established for the securitisation Bonds.

On the terms of article 12 of Royal Decree 926/1998, it corresponds to the Management Company, in its capacity as manager of third party business, to represent and defend the interests of the holders of the Bonds issued against the Fund and the other ordinary creditors of the Fund. Consequently, the Management Company must subject its actions to the defence thereof and comply with the provisions that are established from time to time for this purpose.

## 4.12 Resolutions, authorisations and approvals by virtue of which the securities are issued.

The resolutions, approvals and authorisations by virtue of which this Bond issue is being carried out are as listed below:

a) Corporate resolutions:

- a.1 Resolution of the Executive Committee of BANESTO dated 16 July 2007, pursuant to the resolution of the BANESTO Board of Directors approved on 29 August 1994, to delegate to the Executive Committee of BANESTO the powers of the Board of Directors that allow the Executive Committee to approve the assignment of the Assets.
- a.2 Resolution of the Board of Directors of the Management Company, approved on 23 July 2007.

b) Registration of this Prospectus with the CNMV, which took place on 4 October 2007.

c) Execution of the Deed of Establishment, which will take place on 5 October 2007, a copy of which will be sent to the CNMV and Iberclear before the start of the Subscription Period.

## 4.13 Issue date.

The issue date of the Bonds is the Date of Establishment of the Fund.

### 4.13.1 Effects of the subscription for the Bondholders.

The subscription of the Bonds implies the acceptance of the terms of the Deed of Establishment and this Prospectus by each Bondholder.

### 4.13.2 Pool of potential investors.

The issue is aimed at qualified investors, within the meaning of that term given in article 39 of Royal Decree 1310/2005 of 4 November 2005, which partially implements Act 24/1998 on matters of admission of securities to trading on official secondary markets, public offers for sale or subscription and the prospectus required for such purposes, or at equivalent investor categories under the laws prevailing in the future.

### 4.13.3 Subscription Period.

The Subscription Period will begin at 2:00 p.m. (CET) on the first Business Day after the Date of Establishment (which is expected to be 5 October 2007) and end at 3:00 p.m.

(CET) on the same day. Thus, it is contemplated that the Subscription Period will occur on 28 September 2007.

4.13.4 Where and with whom the subscription can be arranged.

Bond subscription applications must be submitted during the Subscription Period through the Underwriters. In order to be taken into account, subscription requests must be made through any of the legally admitted means.

4.13.5 Distribution and allotment of the Bonds

The Underwriters will freely accept or not accept the applications for subscription received, taking care that there is no discriminatory treatment as regards the applications that have similar characteristics. Nevertheless, the Underwriters may give priority to the requests from those customers they consider to be most appropriate or advisable.

4.13.6 Disbursement Date and Form.

The Bonds will be paid in at the issue price of one hundred percent (100%) of the unit face value.

The investors to which Bonds are allotted must pay the corresponding Underwriter the issue price corresponding to each allotted Bond before 12:00 noon (CET) on the second Business Day after execution of the Deed of Establishment (that is, 5 October 2007) (the "Disbursement Date"), with value on that day.

4.14 Restrictions on the free transferability of the securities.

According to the applicable laws, there are no specific nor general restrictions on the free transferability of the Bonds issued hereunder.

## 5. ADMISSION TO TRADING AND DEALING ARRANGEMENTS.

5.1 Indication of Market where the securities will be traded.

Prior to the Disbursement Date the Management Company will apply to have this issue admitted to trading on the AIAF Market, in order for it to be quoted within no more than thirty days after the Disbursement Date.

If the above time limit is not met, the Management Company will report the causes of such failure to the CNMV and to the public by including an advertisement in a newspaper of nationwide circulation or in the Daily Trading Bulleting (Boletín Diario de Operaciones) of the AIAF Fixed Income Market, without prejudice to such liabilities as may be incurred because of the failure if it is attributable to the Management Company.

The Management Company will request to have this issue included in the accounting record managed by Iberclear, so that clearing and settlement of the Bonds is done according to the operating rules established or which may in the future be approved by Iberclear for securities admitted to trading on AIAF.

The Management Company hereby states for the record that it is familiar with the requisites and conditions for admission, maintenance and exclusion of the Bonds on AIAF under current legislation, as well as the requirements of its Governing Bodies and hereby agrees to abide by them.

### 5.2 Paying Agent and Depository Institutions.

#### 5.2.1 Paying Agent:

The Management Company, for and on behalf of the Fund, will execute a paying agency agreement with BANESTO for the performance of the financial servicing of the Bond issue (the "Paying Agency Agreement").

The obligations of BANESTO (the "Paying Agent") under the Paying Agency Agreement are summarised below:

Disbursement of the issue.

The Paying Agent will proceed to pay to the Fund before 2:00 p.m. (CET) on the Disbursement Date, for value that same day, the amount that under the Issue Management, Underwriting and Distribution Agreement is paid to it by the Underwriters by means of payment into the Cash Account of the Fund.

Notice of the Reference Interest Rate.

On each of the Fixing Dates, the Calculation Agent will notify the Management Company of the Reference Interest Rate that will serve as the basis for calculating the Nominal Interest Rate applicable to each Series of Bonds.

Payments against the Fund.

On each of the Payment Dates of the Bonds, the Paying Agent will proceed to pay the interest and repay the principal in respect of the Bonds in accordance with the instructions received from the Management Company.

Payments to be made by the Paying Agent will be carried out through the corresponding institutions participating In Iberclear, in whose records the Bonds are registered, as per the current procedures of said service.

If on a Payment Date there are no Available Principal Funds in the Cash Account, the Paying Agent will not be required to make any payment.

Obligations in the event of decline of rating

If the rating of the short-term debt of BANESTO is at any time during the life of the Bond issue downgraded to below A-1 on the Standard & Poor's rating scale, or that rating is for any reason withdrawn by Standard & Poor's, the Management Company will have a maximum of sixty (60) Business Days after the time of the downgrade within which to, for and on behalf of the Fund and upon prior notice to Standard & Poor's, adopt one of the required options from those described below that allow an adequate level of security to be maintained in respect of the commitments deriving from the functions contained in the Paying Agency agreement and no impairment to be suffered in the rating granted to the Bonds by Standard & Poor's:

(i) Obtain guarantees or similar commitments from a credit institution or institutions whose short-term debt has a rating not lower than A-1 on the Standard & Poor's rating scale, that guarantee the commitments assumed by the Paying Agent; or

(ii) Replace the Paying Agent with an entity whose short-term debt has a rating not lower than A-1 on the Standard & Poor's rating scale, in order for it to assume the functions of Paying Agent under the same conditions, with all costs and expenses arising from the replacement process being for the account of the replaced Paying Agent.

(iii) If the foregoing options are not possible, invest the balances in short term fixed income euro assets issued by entities having at least an A-1 Standard & Poor's rating of short-term debt, for periods of less than 60 Business Days (always with maturities prior to the following Payment Date on the Bonds). Investment for terms greater than 60 Business Days and less than the term ending on the following Payment Date on the Bonds will be allowed, provided that a clause is included whereby the investment may be cancelled within a maximum term of 60 Business Days after the downgrade of the rating. Any replacement, guarantee or investment will be subject to confirmation of the rating of the Bonds by Standard & Poor's. All costs deriving from any of the aforesaid actions will be the responsibility of the ineligible counterparty.

In no event will the appointment of BANESTO as Paying Agent be revoked unless a new entity has been appointed as Paying Agent.

If BANESTO is replaced as Paying Agent, the Management Company is authorised to fix the fee payable to the replacement entity. BANESTO will receive no fee whatsoever in its capacity as Paying Agent.

All costs, expenses and taxes incurred in the performance of the above obligations will be for the account of the Paying Agent.

5.2.2 Depository agents:

Not applicable.

## 6. EXPENSES OF THE OFFER AND ADMISSION TO TRADING.

The expenses contemplated are as follows:

a) Establishment and Issue Expenses (expenses of documentation, publicity and official fees):

| | Euros |
|---|---|
| • CNMV Fees (for the offer and admission to trading): | €48,993.66 |
| • AIAF and Iberclear fees: | €55,100 |
| • Fees of notaries, auditors, rating agencies and legal advisors: | €628,720 |
| • Others (translation, printing and miscellaneous): | €67,186.34 |
| • | |
| Subtotal: | €800,000 |

b) Issue expenses:

| | Euros |
|---|---|
| Management fee: | €150,000 |
| Distribution fee: | €1,000,000 |
| Subtotal: | €1,150,000 |
| TOTAL: | €1,950,000 |

The indicated establishment and issuance expenses will be paid against the Subordinated Loan Agreement for Establishment and Issue Expenses described in section 3.4.3.1 of the Additional Building Block to the Securities Note.

Any expenses incurred on the occasion of the Fund's liquidation will be the responsibility of the Fund.

## 7. ADDITIONAL INFORMATION.

### 7.1 Persons and entities involved in the issue as advisors.

a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A., CALYON and BANESTO have designed the financial conditions of the Fund and the Bond issue.

b) CLIFFORD CHANCE, S.L. acts as an independent thirty-party legal advisor for the transaction.

### 7.2 Information in the Securities Note that has been reviewed by the statutory auditors.

Not applicable.

### 7.3 Statement or report attributed to a person as an expert.

Deloitte, S.L. whose name, address and registration particulars are given in section 2.1 of the Registration Document, has prepared a report on its review of the main attributes of the Assets, contained in section 2.2 of the Additional Building Block to the Securities Note, and has conducted the audit of the annual financial statements of the Management Company and of BANESTO for the last three closed years. Deloitte, S.L. also acts as auditor of the Fund.

### 7.4 Information sourced from third parties.

As part of the work of verifying the information contained in this Prospectus, the Management Company has received confirmation from the Assignor as to the accuracy of the characteristics of the Assignor and of the Assets, which are reproduced in section 2.2.8 of the Additional Building Block, as well as of the rest of the information on the Assignor and the Assets contained in this Prospectus. In the Deed of Establishment the Assignor will reiterate to the Management Company the compliance of said characteristics on the Date of Establishment.

The Management Company confirms that the information provided by the Assignor on the Assets has been accurately reproduced and that, to the best of its knowledge and as far as it can confirm from the information provided by that entity, nothing has been omitted which would render the information reproduced herein inaccurate or misleading, and this Prospectus does not omit material facts or data that could be of significance to the investor.

### 7.5 Ratings.

The Bonds included in this Securities Note on 28 September 2007 were assigned the following provisional ratings by Standard & Poor's:

| | |
|---|---|
| Series A1 | AAA |
| Series A2 | AAA |
| Series B | A |
| Series C | BBB- |
| Series D | BB- |

An analysis of the ratings

The ratings made by Standard & Poor`s on the risk constitute opinions on the capacity of the Fund to duly comply with the payment of interest on each Payment Date stipulated and the repayment of the principal over the life of the transaction and, in any event, before the Statutory Maturity Date thereof.

The Standard & Poor's ratings take into account the structure of the Bond issue, its legal aspects and those of the Fund that issues them, the characteristics of the assets selected for assignment to the Fund and the regularity and continuity of the flows of the transaction.

The Standard & Poor's ratings do not constitute an evaluation of the probability that the Debtors will make prepayments of principal, or to what extent those prepayments may differ from those originally contemplated. The ratings do not in any way imply a rating of the actuarial yield.

The ratings assigned and any revision or suspension thereof:

(i) are calculated by Standard & Poor's on the basis of various information which it receives, the accuracy and completeness of which it does not guarantee so that Standard & Poor's is in no way responsible for this information; and

(ii) do not constitute and therefore may not in any way be interpreted as an invitation, recommendation or encouragement to the investors to carry out any type of transaction concerning the Bonds and, in particular, to acquire, hold, encumber or sell the Bonds.

The ratings ultimately assigned may be revised, suspended or withdrawn at any time by Standard & Poor's based on any information of which it becomes aware. These situations, which do not constitute events of Early Liquidation of the Fund, will be immediately notified to the CNMV and to the bondholders, in compliance with section 4.b) of the Additional Building Block.

In order to carry out the rating and monitoring process, Standard & Poor's relies on the accuracy and completeness of the information it is provided with by BANESTO, the Management Company, the auditors, the legal advisers and other experts. The above credit ratings are only an estimate and are not intended to relieve potential investors of the need to perform their own analysis of the securities to be acquired.

If, prior to the start of the Subscription Period, Standard & Poor's does not confirm any of the provisional ratings assigned as being final, this circumstance will be reported immediately to the CNMV and made public in the manner provided by section 4 of the Additional Building Block. This circumstance will result in termination of establishment of the Fund, issue of the Bonds, the agreements with the exception of the Subordinated Loan Agreement for Establishment and Issue Expenses to the extent it relates to the expenses of establishment and issue of the Fund, and the assignment of the Assets.

## ADDITIONAL BUILDING BLOCK TO SECURITIES NOTE[3]

## (ANNEX VIII OF COMMISSION REGULATION (EC) 809/2004)

### 1. SECURITIES.

#### 1.1 Minimum denomination of the issue.

The Fund will be established with the Assets BANESTO will assign to the Fund on the Date of Establishment, the total principal of which will be equal to or slightly higher than TWO BILLION (2,000,000,000) EUROS, the aggregate face value of the issue of Series A1, A2, B, C and D Bonds.

#### 1.2 Confirmation that the information relating to an undertaking/obligor not involved in the issue has been reproduced.

Not applicable.

### 2. UNDERLYING ASSETS.

#### 2.1 Confirmation of the capacity of the securitised assets to produce the funds payable on the securities.

In accordance with the information supplied by the Assignor, the Management Company confirms that the streams of principal, interest and any other sums generated by the Assets allow, according to their contractual terms, the payments on the issued Bonds to be made as they fall due.

Nevertheless, to cover possible payment defaults by the Debtors, a series of credit enhancement transactions are planned to mitigate risk of default on the principal and interest of the Bonds. They are described in section 3.4.2 of this Additional Building Block to the Securities Note. In exceptional circumstances, said enhancement transactions could be insufficient.

Not all of the Bonds have the same default risk given the different credit ratings assigned to the different series of Bonds, as specified in section 7.5 of the Securities Note.

When, by reason of a change in the prevailing laws and regulations or occurrence of exceptional circumstances, in the opinion of the Management Company there is a substantial disruption or a permanent impairment of the financial balance of the Fund or there is a non-payment indicating a serious and permanent imbalance in respect of any of the Bonds or such non-payment is expected, the Management Company may proceed to the Early Liquidation of the Fund and the consequent Early Redemption of the Bond issue on the terms provided in section 4.4.3 of the Registration Document.

#### 2.2 Assets backing the issue.

The assets to be pooled in the Fund assets (hereinafter the "Assets") are credit rights arising from loans secured by real estate mortgages (hereinafter the "Mortgage Loans") and loans without real estate mortgage security, that is loans guaranteed by third parties or by personal or non-real estate in rem security (hereinafter the "Non-Mortgage

[3] This Securities Note was prepared in accordance with Annex VIII of Regulation (EC) 809/2004 and was approved by the CNMV on 4 October 2007.

Loans"). Hereinafter the Mortgage Loans and the Non-Mortgage Loans together will be called the "Loans". BANESTO has extended the Loans to all kinds of companies, domiciled in Spain, for the purpose of financing their corresponding businesses or acquisition of real estate used in their businesses (the "Debtors").

The requirements the Assets must satisfy in order to be assigned to the Fund and the characteristics of the Assets are described below in this section 2.2 in accordance with the provisions of the Deed of Establishment.

### 2.2.1 Legal jurisdiction by which the pool of Assets is governed.

The Assets are governed by the laws of Spain.

### 2.2.2 Description of the general characteristics of the obligors and the economic environment, as well as global statistical data referred to the securitised assets.

The Fund assets will be comprised of Non-Mortgage Loans and by Mortgage Transfer Certificates issued to allow participation in the credit rights arising from the underlying Mortgage Loans.

#### 2.2.2.1 Assets

The Assets to be pooled in the Fund on the Date of Establishment will be comprised of Non-Mortgage Loans and Mortgage Transfer Certificates issued to allow participation in the credit rights arising from the underlying Mortgage Loans. They will comprise the portfolio.

*Audit Report on the Assets:*

To comply with the terms of article 5 of Royal Decree 926/1998 of 14 May 1998, the preliminary portfolio of Loans from which the Assets derive has been the subject of an audit report done by the firm of Deloitte, S.L. which dealt with a series of qualitative and quantitative attributes of a sample of this preliminary portfolio, specifically as regards:

- Nature of the assigned debtor
- Identification of the assigned debtor
- Transferability of the assets
- Loan execution date
- Maturity date of the loan
- Initial amount of the loan
- Current balance of the loan
- Reference index or interest rate
- Interest rate margin
- Interest rate applied
- Late Payments
- Purpose of the loan
- Holder of record
- Execution of the loan

- Frequency of payments
- Current operations
- Insolvency proceedings
- Risk approval policy

The preliminary portfolio of selected loans from which the Initial Assets will be extracted to be assigned to the Fund on the Date of Establishment is comprised of 20,116 Loans the unmatured principal of which, at 20 August 2007, amounted to 2,345,249,362.09 euros.

BANESTO warrants that there are sufficient loans in the preliminary portfolio to ensure that the amount of the Assets satisfying the representations contained in items b), c) and d) of section 2.2.8 below and assigned to the Fund on the Date of Establishment will not be less than TWO BILLION (2,000,000,000) Euros.

The tables that follow show the distribution of those Loans according to various criteria.

a) Information on the number of debtors of the selected Loans and their distribution.

The debtors on the selected loans are all kinds of companies domiciled in Spain, for purposes of financing their respective businesses or the acquisition of real properties used in their businesses.

The following table shows the concentration of the twenty (20) largest debtors with the greatest weighting in the preliminary portfolio of Loans at 20 August 2007:

| | **Outstanding principal** | | **Loans** | |
|---|---|---|---|---|
| Debtor | Euros | % | Number | % |
| Debtor 1 | 23,000,000.00 | 0.98% | 2 | 0.01% |
| Debtor 2 | 22,000,000.00 | 0.94% | 1 | 0.00% |
| Debtor 3 | 21,196,000.00 | 0.90% | 2 | 0.01% |
| Debtor 4 | 20,901,000.00 | 0.89% | 1 | 0.00% |
| Debtor 5 | 20,000,000.00 | 0.85% | 2 | 0.01% |
| Debtor 6 | 19,650,000.00 | 0.84% | 1 | 0.00% |
| Debtor 7 | 19,365,000.00 | 0.83% | 2 | 0.01% |
| Debtor 8 | 18,030,000.00 | 0.77% | 1 | 0.00% |
| Debtor 9 | 18,000,000.00 | 0.77% | 1 | 0.00% |
| Debtor 10 | 15,450,000.00 | 0.66% | 1 | 0.00% |
| Debtor 11 | 15,000,000.00 | 0.64% | 1 | 0.00% |
| Debtor 12 | 15,000,000.00 | 0.64% | 1 | 0.00% |
| Debtor 13 | 14,700,000.00 | 0.63% | 1 | 0.00% |
| Debtor 14 | 14,461,320.00 | 0.62% | 3 | 0.01% |
| Debtor 15 | 14,400,000.00 | 0.61% | 1 | 0.00% |
| Debtor 16 | 14,250,000.00 | 0.61% | 1 | 0.00% |
| Debtor 17 | 14,097,222.23 | 0.60% | 1 | 0.00% |
| Debtor 18 | 14,000,000.00 | 0.60% | 1 | 0.00% |
| Debtor 19 | 14,000,000.00 | 0.60% | 1 | 0.00% |
| Debtor 20 | 12,750,000.00 | 0.54% | 1 | 0.00% |
| REST: 16890 | 2,004,998,819.86 | 85.49% | 20090 | 99.87% |
| **Totals** | **2,345,249,362.09** | **100.00%** | **20,116** | **100.00%** |

b) Distribution of the Loans according to the type of security.

As regards the composition of the preliminary portfolio of Loans from which the Assets that will be assigned to the Fund will be extracted, the following is noteworthy:

| | Euros | % | Number | % |
|---|---|---|---|---|
| Loans with mortgage collateral | 797,488,756.95 | 34.00% | 1,749 | 8.69% |
| Loans with personal guarantee | 1,277,916,566.26 | 54.49% | 17,551 | 87.25% |
| Loans with real guarantees (*) | 269,844,038.88 | 11.51% | 816 | 4.06% |
| | | | | |
| **Totals** | **2,345,249,362.09** | **100.00%** | **20,116** | **100.00%** |

The section corresponding to Loans with personal guarantees includes endorsement guarantees. For its part, the section on Loans with in rem guarantees includes, inter alia, Loans secured by cash deposits, pledges of interests in Investment Funds and other securities, and pledges of government grants, such guarantees being duly registered with the competent registries of movable property and book-entries (if such registration is required).

c) Highest, lowest and average values of the principal of the Loans

The following table shows the distribution of the outstanding principal of the Loans included in the preliminary portfolio at 20 August 2007.

| | | Outstanding principal | | Loans | |
|---|---|---|---|---|---|
| Interval | | Euros | % | Number | % |
| 0.00 | 500,000.00 | 816,987,311.95 | 34.84% | 19,431 | 96.59% |
| 500,000.00 | 1,000,000.00 | 216,590,655.19 | 9.24% | 322 | 1.60% |
| 1,000,000.00 | 1,500,000.00 | 131,995,890.03 | 5.63% | 111 | 0.55% |
| 1,500,000.00 | 2,000,000.00 | 95,736,395.04 | 4.08% | 57 | 0.28% |
| 2,000,000.00 | 2,500,000.00 | 89,446,612.47 | 3.81% | 41 | 0.20% |
| 2,500,000.00 | 3,000,000.00 | 83,790,812.27 | 3.57% | 31 | 0.15% |
| 3,000,000.00 | 3,500,000.00 | 53,102,721.30 | 2.26% | 17 | 0.08% |
| 3,500,000.00 | 4,000,000.00 | 46,948,421.94 | 2.00% | 13 | 0.06% |
| 4,000,000.00 | 4,500,000.00 | 45,962,947.78 | 1.96% | 11 | 0.05% |
| 4,500,000.00 | 5,000,000.00 | 27,980,123.34 | 1.19% | 6 | 0.03% |
| 5,000,000.00 | 5,500,000.00 | 72,159,907.50 | 3.08% | 14 | 0.07% |
| 5,500,000.00 | 6,000,000.00 | 22,823,215.16 | 0.97% | 4 | 0.02% |
| 6,000,000.00 | 6,500,000.00 | 24,987,547.84 | 1.07% | 4 | 0.02% |
| 6,500,000.00 | 7,000,000.00 | 6,684,829.97 | 0.29% | 1 | 0.00% |
| 7,000,000.00 | 7,500,000.00 | 28,510,000.00 | 1.22% | 4 | 0.02% |
| 7,500,000.00 | 8,000,000.00 | 37,868,100.74 | 1.61% | 5 | 0.02% |
| 8,000,000.00 | 8,500,000.00 | 32,322,019.05 | 1.38% | 4 | 0.02% |
| 8,500,000.00 | 9,000,000.00 | 17,531,580.98 | 0.75% | 2 | 0.01% |
| 9,000,000.00 | 9,500,000.00 | 63,678,529.04 | 2.72% | 7 | 0.03% |
| 9,500,000.00 | 10,000,000.00 | 9,908,388.00 | 0.42% | 1 | 0.00% |
| 10,000,000.00 | 10,500,000.00 | 60,851,987.00 | 2.59% | 6 | 0.03% |
| 10,500,000.00 | 11,000,000.00 | 10,820,000.00 | 0.46% | 1 | 0.00% |
| 11,000,000.00 | 11,500,000.00 | 33,704,615.00 | 1.44% | 3 | 0.01% |
| 12,000,000.00 | 12,500,000.00 | 12,000,000.00 | 0.51% | 1 | 0.00% |
| 12,500,000.00 | 13,000,000.00 | 25,482,528.27 | 1.09% | 2 | 0.01% |
| 14,000,000.00 | 14,500,000.00 | 84,747,222.23 | 3.61% | 6 | 0.03% |
| 14,500,000.00 | 15,000,000.00 | 14,700,000.00 | 0.63% | 1 | 0.00% |
| 15,000,000.00 | 15,500,000.00 | 45,450,000.00 | 1.94% | 3 | 0.01% |
| 16,000,000.00 | 16,500,000.00 | 16,200,000.00 | 0.69% | 1 | 0.00% |
| 17,500,000.00 | 18,000,000.00 | 17,696,000.00 | 0.75% | 1 | 0.00% |
| 18,000,000.00 | 18,500,000.00 | 36,030,000.00 | 1.54% | 2 | 0.01% |
| 19,500,000.00 | 20,000,000.00 | 19,650,000.00 | 0.84% | 1 | 0.00% |
| 20,500,000.00 | 21,000,000.00 | 20,901,000.00 | 0.89% | 1 | 0.00% |
| 22,000,000.00 | 22,500,000.00 | 22,000,000.00 | 0.94% | 1 | 0.00% |
| | | | | | |
| | **Totals** | **2,345,249,362.09** | **100.00%** | **20,116** | **100.00%** |

| |
|---|
| Maximum outstanding principal: 22,000,000.00 Euros |
| Minimum outstanding principal: 91.60 Euros |
| Average outstanding principal (weighted by outstanding principal): 116,586.27 Euros |

d) Maximum, minimum and average initial Loan amounts

The following table shows the initial amounts of the Loans included in the preliminary portfolio at 20 August 2007.

| | | Outstanding principal | | Loans | |
|---|---|---|---|---|---|
| Interval | | Euros | % | Number | % |
| 0.00 | 500,000.00 | 1,085,328,306.02 | 35.98% | 19,241 | 95.65% |
| 500,000.00 | 1,000,000.00 | 270,606,828.73 | 8.97% | 419 | 2.08% |
| 1,000,000.00 | 1,500,000.00 | 154,640,699.13 | 5.13% | 139 | 0.69% |
| 1,500,000.00 | 2,000,000.00 | 137,393,535.37 | 4.55% | 86 | 0.43% |
| 2,000,000.00 | 2,500,000.00 | 108,248,418.48 | 3.59% | 52 | 0.26% |
| 2,500,000.00 | 3,000,000.00 | 65,668,129.44 | 2.18% | 25 | 0.12% |
| 3,000,000.00 | 3,500,000.00 | 85,115,400.00 | 2.82% | 28 | 0.14% |
| 3,500,000.00 | 4,000,000.00 | 40,150,855.00 | 1.33% | 11 | 0.05% |
| 4,000,000.00 | 4,500,000.00 | 81,853,694.48 | 2.71% | 20 | 0.10% |
| 4,500,000.00 | 5,000,000.00 | 13,694,725.50 | 0.45% | 3 | 0.01% |
| 5,000,000.00 | 5,500,000.00 | 92,425,877.00 | 3.06% | 18 | 0.09% |
| 5,500,000.00 | 6,000,000.00 | 17,240,422.29 | 0.57% | 3 | 0.01% |
| 6,000,000.00 | 6,500,000.00 | 43,083,159.80 | 1.43% | 7 | 0.03% |
| 6,500,000.00 | 7,000,000.00 | 19,500,000.00 | 0.65% | 3 | 0.01% |
| 7,000,000.00 | 7,500,000.00 | 63,710,000.00 | 2.11% | 9 | 0.04% |
| 7,500,000.00 | 8,000,000.00 | 7,813,157.35 | 0.26% | 1 | 0.00% |
| 8,000,000.00 | 8,500,000.00 | 24,162,000.00 | 0.80% | 3 | 0.01% |
| 8,500,000.00 | 9,000,000.00 | 8,600,000.00 | 0.29% | 1 | 0.00% |
| 9,000,000.00 | 9,500,000.00 | 72,286,496.00 | 2.40% | 8 | 0.04% |
| 9,500,000.00 | 10,000,000.00 | 9,908,388.00 | 0.33% | 1 | 0.00% |
| 10,000,000.00 | 10,500,000.00 | 101,009,092.00 | 3.35% | 10 | 0.05% |
| 10,500,000.00 | 11,000,000.00 | 10,820,000.00 | 0.36% | 1 | 0.00% |
| 11,000,000.00 | 11,500,000.00 | 22,420,000.00 | 0.74% | 2 | 0.01% |
| 12,000,000.00 | 12,500,000.00 | 12,000,000.00 | 0.40% | 1 | 0.00% |
| 12,500,000.00 | 13,000,000.00 | 56,488,049.50 | 1.87% | 4 | 0.02% |
| 14,000,000.00 | 14,500,000.00 | 29,200,000.00 | 0.97% | 2 | 0.01% |
| 14,500,000.00 | 15,000,000.00 | 105,500,000.00 | 3.50% | 7 | 0.03% |
| 15,000,000.00 | 15,500,000.00 | 16,300,000.00 | 0.54% | 1 | 0.00% |
| 16,000,000.00 | 16,500,000.00 | 17,696,000.00 | 0.59% | 1 | 0.00% |
| 17,500,000.00 | 18,000,000.00 | 54,030,000.00 | 1.79% | 3 | 0.01% |
| 18,000,000.00 | 18,500,000.00 | 20,901,000.00 | 0.69% | 1 | 0.00% |
| 19,500,000.00 | 20,000,000.00 | 22,000,000.00 | 0.73% | 1 | 0.00% |
| 20,500,000.00 | 21,000,000.00 | 23,000,000.00 | 0.76% | 1 | 0.00% |
| 22,000,000.00 | 22,500,000.00 | 124,000,000.00 | 4.11% | 3 | 0.01% |
| | | | | | |
| | **Totals** | **3,016,794,234.09** | **100.00%** | **20,116** | **100.00%** |

| | |
|---|---|
| Maximum | 65,000,000.00 |
| Minimum | 2,163.64 |
| Average | 149,969.89 |

e) Effective interest rate or finance charge applicable at the present time: maximum, minimum and average rates on the Loans

The average weighted overall interest rate on the Loans included in the preliminary portfolio at 20 August 2007 is four point six six percent (4.66%), and the average weighted margin thereof is fifty-eight basis points (0.58%) (that is, the interest rate differential applied to each Asset in addition to the reference rate thereof).

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

| | Euros | % | Number | % |
|---|---|---|---|---|
| FIXED | 263,352,148.24 | 11.23% | 12149 | 60.39% |
| EURIB MORT. 1 YEAR | 138,166,291.83 | 5.89% | 573 | 2.85% |
| EURIBOR 1 MONTH | 57,812.02 | 0.00% | 1 | 0.00% |
| EURIBOR 2 MONTH | 572,782.72 | 0.02% | 4 | 0.02% |
| EURIBOR 3 MONTH | 784,142,024.78 | 33.44% | 362 | 1.80% |
| EURIBOR 6 MONTH | 379,130,196.07 | 16.17% | 2564 | 12.75% |
| EURIBOR 1 YEAR | 603,133,223.69 | 25.72% | 2529 | 12.57% |
| Other Variables | 176,694,882.74 | 7.53% | 1934 | 9.61% |
| | | | | |
| **Totals** | **2,345,249,362.09** | **100.00%** | **20,116** | **100.00%** |

The section on Loans with personal guarantees includes reference rates other than those indicated above, such as the 1-year Mortgage MIBOR, 1-year MIBOR, 3-year Average MIBOR or ICO Loans to Small and Medium Enterprises 2007.

The following table shows the distribution of the Loans in intervals of zero point five per cent (0.5%) of the present nominal interest rate.

| | | **Outstanding principal** | | **Loans** | |
|---|---|---|---|---|---|
| **Interval** | | **Euros** | **%** | **Number** | **%** |
| 0.00 | 0.50 | 18,168,590.73 | 0.77% | 222 | 1.10% |
| 1.50 | 2.00 | 4,592,695.80 | 0.20% | 173 | 0.86% |
| 2.00 | 2.50 | 3,520,809.68 | 0.15% | 211 | 1.05% |
| 2.50 | 3.00 | 25,673,248.96 | 1.09% | 1,465 | 7.28% |
| 3.00 | 3.50 | 18,435,284.67 | 0.79% | 170 | 0.85% |
| 3.50 | 4.00 | 48,941,846.19 | 2.09% | 415 | 2.06% |
| 4.00 | 4.50 | 654,147,618.75 | 27.89% | 2,101 | 10.44% |
| 4.50 | 5.00 | 1,100,744,046.50 | 46.94% | 3,861 | 19.19% |
| 5.00 | 5.50 | 304,359,005.18 | 12.98% | 3,865 | 19.21% |
| 5.50 | 6.00 | 86,979,260.27 | 3.71% | 918 | 4.56% |
| 6.00 | 6.50 | 40,317,017.89 | 1.72% | 3,832 | 19.05% |
| 6.50 | 7.00 | 11,130,936.40 | 0.47% | 507 | 2.52% |
| 7.00 | 7.50 | 10,654,259.13 | 0.45% | 492 | 2.45% |
| 7.50 | 8.00 | 14,192,698.58 | 0.61% | 1,650 | 8.20% |
| 8.00 | 8.50 | 1,608,482.26 | 0.07% | 99 | 0.49% |
| 8.50 | 9.00 | 942,955.46 | 0.04% | 56 | 0.28% |
| 9.00 | 9.50 | 507,031.56 | 0.02% | 36 | 0.18% |
| 9.50 | 10.00 | 140,402.84 | 0.01% | 7 | 0.03% |
| 10.00 | 10.50 | 109,428.58 | 0.00% | 10 | 0.05% |
| 10.50 | 11.00 | 18,955.80 | 0.00% | 2 | 0.01% |
| 11.00 | 11.50 | 64,786.86 | 0.00% | 4 | 0.02% |
| | | | | | |
| | | | | | |
| | **Totals** | **2,345,249,362.09** | **100.00%** | **20,116** | **100.00%** |

| | |
|---|---|
| Maximum | 11.25% |
| Minimum | 0.00% |
| Weighted average interest rate | 4.66% |
| Average interest rate | 5.18% |

f) Years Loans were contracted

| | Outstanding principal | | Loans | |
|---|---|---|---|---|
| | Euros | % | Number | % |
| 1992 | 8,383.63 | 0.00% | 1 | 0.01% |
| 1994 | 25,377.81 | 0.00% | 1 | 0.01% |
| 1995 | 77,208.77 | 0.01% | 1 | 0.01% |
| 1996 | 256,199.15 | 0.02% | 8 | 0.09% |
| 1997 | 1,335,811.24 | 0.12% | 6 | 0.07% |
| 1998 | 1,138,311.93 | 0.10% | 18 | 0.21% |
| 1999 | 5,025,486.77 | 0.45% | 26 | 0.30% |
| 2000 | 2,567,141.25 | 0.23% | 27 | 0.31% |
| 2001 | 8,099,982.18 | 0.72% | 115 | 1.33% |
| 2002 | 28,949,183.70 | 2.58% | 231 | 2.67% |
| 2003 | 133,999,037.06 | 11.95% | 920 | 10.65% |
| 2004 | 187,159,312.58 | 16.69% | 1,313 | 15.20% |
| 2005 | 371,969,702.27 | 33.17% | 6,662 | 77.13% |
| 2006 | 1,121,254,166.39 | 100.00% | 8,637 | 100.00% |
| 2007 | 483,384,057.36 | 43.11% | 2,150 | 24.89% |
| **Totals** | **2,345,249,362.09** | **209.16%** | **20,116** | **232.90%** |
| | | | | |
| | | | | |
| **Maximum** | **25-May-92** | | | |
| **Minimum** | **30-Apr-07** | | | |

g) Year of final maturity.

The Loans are repaid over their entire remaining life until they have been repaid in full, during which period the Debtors must pay instalments composed of principal and interest payments.

The following table shows the distribution of the Loans in the preliminary portfolio according to the final due date in biannual intervals:

| | Outstanding principal | | Loans | |
|---|---|---|---|---|
| | Euros | % | Number | % |
| 2007 | 7,625,091.60 | 0.33% | 2 | 0.01% |
| 2008 | 452,826,824.00 | 19.31% | 6196 | 30.80% |
| 2009 | 326,033,276.52 | 13.90% | 4695 | 23.34% |
| 2010 | 248,889,969.72 | 10.61% | 3118 | 15.50% |
| 2011 | 353,478,109.74 | 15.07% | 2369 | 11.78% |
| 2012 | 246,415,875.52 | 10.51% | 1316 | 6.54% |
| 2013 | 217,985,845.62 | 9.29% | 591 | 2.94% |
| 2014 | 91,769,608.02 | 3.91% | 366 | 1.82% |
| 2015 | 36,725,275.80 | 1.57% | 146 | 0.73% |
| 2016 | 64,301,493.92 | 2.74% | 177 | 0.88% |
| 2017 | 24,647,555.97 | 1.05% | 120 | 0.60% |
| 2018 | 30,849,417.72 | 1.32% | 146 | 0.73% |
| 2019 | 43,598,267.64 | 1.86% | 163 | 0.81% |
| 2020 | 27,260,252.89 | 1.16% | 123 | 0.61% |
| 2021 | 66,554,374.47 | 2.84% | 239 | 1.19% |
| 2022 | 41,489,276.62 | 1.77% | 152 | 0.76% |
| 2023 | 6,319,335.73 | 0.27% | 17 | 0.08% |
| 2024 | 4,993,179.01 | 0.21% | 23 | 0.11% |
| 2025 | 6,450,835.80 | 0.28% | 26 | 0.13% |
| 2026 | 24,469,092.92 | 1.04% | 57 | 0.28% |
| 2027 | 14,941,391.96 | 0.64% | 48 | 0.24% |
| 2028 | 611,800.30 | 0.03% | 3 | 0.01% |
| 2029 | 1,350,748.00 | 0.06% | 6 | 0.03% |
| 2030 | 870,899.93 | 0.04% | 5 | 0.02% |
| 2031 | 2,228,117.46 | 0.10% | 4 | 0.02% |
| 2032 | 418,442.99 | 0.02% | 1 | 0.00% |
| 2033 | 181,267.00 | 0.01% | 1 | 0.00% |
| 2034 | 477,070.25 | 0.02% | 2 | 0.01% |
| 2035 | 684,239.71 | 0.03% | 1 | 0.00% |
| 2036 | 190,425.26 | 0.01% | 2 | 0.01% |
| 2037 | 612,000.00 | 0.03% | 1 | 0.00% |
| | | | | |
| **Totals** | **2,345,249,362.09** | **100.00%** | **20,116** | **100.00%** |
| | | | | |
| | | | | |
| **Latest year of maturity** | **1-Feb-37** | | | |

h) Distribution by sector of Loans assigned by BANESTO.

The following tables show the sector distribution of the Loans in the preliminary portfolio according to the sectors in which the Debtors operate:

| | Outstanding principal | | Loans | |
|---|---|---|---|---|
| Description | Euros | % | Number | % |
| Mining of uranium ore and ... | 22,653,790.45 | 0.97% | 369 | 1.83% |
| Activities related to transportation; Activities of travel agencies | 31,781,492.71 | 1.36% | 253 | 1.26% |
| Associative activities | 20,421,705.06 | 0.87% | 249 | 1.24% |
| Activities related to financial intermediation | 5,867,320.47 | 0.25% | 139 | 0.69% |
| Household activities as employers of | 81,117.56 | 0.00% | 10 | 0.05% |
| Public health activities | 1,113,928.49 | 0.05% | 37 | 0.18% |
| Miscellaneous personal services activities | 23,674,154.74 | 1.01% | 414 | 2.06% |
| Computer activities | 8,326,405.32 | 0.36% | 303 | 1.51% |
| Real estate activities | 678,597,094.70 | 28.93% | 1025 | 5.10% |
| Recreation, culture and sports activities | 14,557,959.68 | 0.62% | 197 | 0.98% |
| Health and veterinary activities, social services | 21,502,643.09 | 0.92% | 401 | 1.99% |
| security | 12,038,125.90 | 0.51% | 7 | 0.03% |
| Lease of machinery and home appliances | 8,880,912.96 | 0.38% | 106 | 0.53% |
| Collection, purification and distribution of water | 16,050,382.71 | 0.68% | 9 | 0.04% |
| Wholesaling | 107,574,166.07 | 4.59% | 1675 | 8.33% |
| Retailing | 91,059,840.11 | 3.88% | 1592 | 7.91% |
| Construction | 144,974,073.97 | 6.18% | 1975 | 9.82% |
| Coke plants, oil refining and treatment of nuclear fuel | 1,046,889.19 | 0.04% | 16 | 0.08% |
| Postal services and telecommunications | 3,102,892.34 | 0.13% | 142 | 0.71% |
| Publishing, graphic arts and reproduction of recorded materials | 21,573,902.83 | 0.92% | 548 | 2.72% |
| Education | 12,575,025.57 | 0.54% | 262 | 1.30% |
| Extraction of crude oil and natural gas; | 26,106,790.25 | 1.11% | 432 | 2.15% |
| Extraction of metal ores | 6,588,842.44 | 0.28% | 135 | 0.67% |
| Extraction of non-metallic, non-energy-related minerals | 35,421,361.71 | 1.51% | 328 | 1.63% |
| Extraction and refining of anthracite, coal, lignite and peat | 894,570.17 | 0.04% | 4 | 0.02% |
| Manufacture of medical-surgical, precision optical and watch making equipment and instruments | 9,694,530.73 | 0.41% | 31 | 0.15% |
| Manufacture of electrical machinery and material | 27,615,771.99 | 1.18% | 231 | 1.15% |
| equipment | 4,730,143.46 | 0.20% | 172 | 0.86% |
| Manufacture of electronic material | 3,157,481.12 | 0.13% | 89 | 0.44% |
| Manufacture of furniture; other manufacturing industries | 18,366,571.04 | 0.78% | 283 | 1.41% |
| Manufacture of other transportation materials | 1,932,268.02 | 0.08% | 23 | 0.11% |
| Manufacture of other non-metallic mineral products | 65,898,335.36 | 2.81% | 253 | 1.26% |
| Manufacture of rubber and plastic material products | 17,297,921.03 | 0.74% | 151 | 0.75% |
| Manufacture of metallic products, except for machinery and equipment | 67,240,644.16 | 2.87% | 583 | 2.90% |
| Manufacture of motor vehicles, trailers and semi trailers | 35,860,423.33 | 1.53% | 35 | 0.17% |
| Hotels and restaurants | 153,547,860.08 | 6.55% | 1002 | 4.98% |
| Clothing and fur industry | 26,018,129.46 | 1.11% | 99 | 0.49% |
| industry | 19,131,437.12 | 0.82% | 328 | 1.63% |
| Wood and cork industry, except for furniture, basketry and straw products | 28,300,143.76 | 1.21% | 492 | 2.45% |
| Food and beverage products industry | 179,346,179.31 | 7.65% | 774 | 3.85% |
| Paper industry | 7,320,098.51 | 0.31% | 69 | 0.34% |
| Chemicals industry | 28,602,206.75 | 1.22% | 224 | 1.11% |
| Textile industry | 8,273,823.63 | 0.35% | 163 | 0.81% |
| Financial intermediation, except for insurance and pension plans | 5,352,818.25 | 0.23% | 24 | 0.12% |
| Research and development | 119,944.63 | 0.01% | 11 | 0.05% |
| Metallurgy | 53,190,038.90 | 2.27% | 184 | 0.91% |
| Other business activities | 136,435,618.05 | 5.82% | 2508 | 12.47% |
| Preparation, cutting and finishing of leather | 4,351,965.57 | 0.19% | 106 | 0.53% |
| Production and distribution of electricity, natural gas, steam and hot water | 10,942,572.33 | 0.47% | 111 | 0.55% |
| Recycling | 2,481,732.33 | 0.11% | 21 | 0.10% |
| Insurance and pension plans, except for mandatory social security | 1,392,186.33 | 0.06% | 38 | 0.19% |
| Air and space transportation | 10,415,075.23 | 0.44% | 10 | 0.05% |
| Maritime transportation, the coasting trade and other means of internal navigation | 4,134,233.83 | 0.18% | 17 | 0.08% |
| Land transportation; pipeline transportation | 36,387,022.47 | 1.55% | 606 | 3.01% |
| Sale, maintenance and repair of motor vehicles | 61,246,796.82 | 2.61% | 850 | 4.23% |

None of the Loans included under the "Real Estate Business" and "Construction" headings are loans extended to finance the real estate development business of construction or restoration of homes and/or commercial or industrial properties intended for sale.

i) Indication of geographical distribution by region.

The following table shows, at 20 August 2007, the geographical distribution of the Loans in the preliminary portfolio, according to the region in which the registered office of the Debtor is located.

| | Outstanding principal | | Loans | |
|---|---|---|---|---|
| | Euros | % | Number | % |
| ANDALUSIA | 250,588,389.9 | 10.68% | 2311 | 11.49% |
| ARAGON | 90,005,186.4 | 3.84% | 647 | 3.22% |
| ASTURIAS | 31,803,324.7 | 1.36% | 440 | 2.19% |
| BALEARIC ISLES | 35,527,654.5 | 1.51% | 287 | 1.43% |
| CANARY ISLANDS | 77,589,470.9 | 3.31% | 663 | 3.30% |
| CANTABRIA | 37,077,513.2 | 1.58% | 498 | 2.48% |
| CASTILLA-LA MANCHA | 126,457,315.6 | 5.39% | 1286 | 6.39% |
| CASTILLA-LEON | 91,041,349.7 | 3.88% | 1146 | 5.70% |
| CATALONIA | 359,687,833.3 | 15.34% | 2539 | 12.62% |
| CEUTA | 7,750.0 | 0.00% | 1 | 0.00% |
| COMUNIDAD VALENCIANA | 294,074,165.0 | 12.54% | 3387 | 16.84% |
| EXTREMADURA | 66,761,741.7 | 2.85% | 585 | 2.91% |
| GALICIA | 132,138,734.0 | 5.63% | 1669 | 8.30% |
| LA RIOJA | 19,193,758.6 | 0.82% | 238 | 1.18% |
| MADRID | 524,661,055.7 | 22.37% | 2739 | 13.62% |
| MELILLA | 898,552.6 | 0.04% | 12 | 0.06% |
| MURCIA | 57,557,964.4 | 2.45% | 456 | 2.27% |
| NAVARRE | 32,107,729.2 | 1.37% | 228 | 1.13% |
| BASQUE COUNTRY | 118,069,872.9 | 5.03% | 984 | 4.89% |
| **Totals** | **2,345,249,362.09** | **100.00%** | **20,116** | **100.00%** |

j) Non-performing loan rates for the portfolio of Loans assigned by BANESTO.

None of the Loans that will be assigned to the Fund will have outstanding payments more than 30 days past due at the respective date of assignment.

| | Outstanding principal | | Loans | |
|---|---|---|---|---|
| | Euros | % | Number | % |
| NOT OVERDUE | 2,293,658,986.42 | 97.80% | 18,976 | 94.33% |
| PAST DUE (1 - 30 days) | 16,338,207.52 | 0.70% | 222 | 1.10% |
| PAST DUE ( >30 days to 90 days) | 35,252,168.15 | 1.50% | 918 | 4.56% |
| | | | | |
| **Totals** | **2,345,249,362.09** | **100.00%** | **20,116** | **100.00%** |

k) Timing of instalment payments

| | Outstanding principal | | Loans | |
|---|---|---|---|---|
| | Euros | % | Number | % |
| MONTHLY | 1,953,477,387.98 | 83.30% | 15,508 | 77.09% |
| QUARTERLY | 48,085,943.53 | 2.05% | 241 | 1.20% |
| HALF YEARLY | 329,066,919.34 | 14.03% | 3,998 | 19.87% |
| ANNUAL | 14,619,111.24 | 0.62% | 369 | 1.83% |
| | | | | |
| **Totals** | **2,345,249,362.09** | **100.00%** | **20,116** | **100.00%** |

l) Loan to value ratio or level of collateralisation.

The selected loans secured by mortgages at 20 August 2007 numbered 1,749, with unmatured principal at that date of 797,488,756.95 Euros.

The ratio, expressed as a fraction of one, between the amount of principal outstanding at 20 August 2007 and the appraisal value of the assets mortgaged pursuant to the mortgage loans was between 0.21% and 347%, the average ratio weighted by the outstanding principal of each mortgage loan being 61%.

The following table shows distribution of the Mortgage Loans by 10% intervals of that ratio.

| Ratio intervals | | Euros | % | Number | % |
|---|---|---|---|---|---|
| 0.00 | 0.10 | 3,334,629.43 | 370514381.11% | 42 | 0.00% |
| 0.10 | 0.20 | 14,973,662.15 | 1663740238.89% | 115 | 0.00% |
| 0.20 | 0.30 | 41,232,556.92 | 4581395213.33% | 191 | 0.00% |
| 0.30 | 0.40 | 55,105,816.71 | 6122868523.33% | 298 | 0.01% |
| 0.40 | 0.50 | 95,916,636.04 | 10657404004.44% | 365 | 0.01% |
| 0.50 | 0.60 | 141,643,849.84 | 15738205537.78% | 338 | 0.01% |
| 0.60 | 0.70 | 144,165,672.64 | 16018408071.11% | 249 | 0.01% |
| 0.70 | 0.80 | 203,754,380.08 | 22639375564.44% | 109 | 0.00% |
| 0.80 | 0.90 | 81,809,454.78 | 9089939420.00% | 23 | 0.00% |
| 0.90 | 1.00 | 4,620,046.03 | 513338447.78% | 6 | 0.00% |
| >1 | | 10,932,052.33 | 1214672481.11% | 13 | 0.00% |
| | | | | | |
| | **Totals** | **797,488,756.95** | **88609861883.33%** | **1,749** | **0.04%** |
| | | | | | |
| | **Weighted aver** | **0.61%** | | | |

m) Original and remaining term of the Loan portfolio assigned by BANESTO.

The following table shows the distribution of the Loans by the term originally granted.

| | | Outstanding Principal | | Loans | |
|---|---|---|---|---|---|
| Interval (months) | | Euros | % | Number | % |
| 12 | 24 | 197,582,268.46 | 14887.67% | 179 | 5966.67% |
| 24 | 36 | 248,823,298.02 | 18748.64% | 1686 | 56200.00% |
| 36 | 48 | 262,746,728.27 | 19797.76% | 7793 | 259766.67% |
| 48 | 60 | 85,441,316.32 | 6437.94% | 504 | 16800.00% |
| 60 | 72 | 595,184,603.92 | 44846.70% | 6607 | 220233.33% |
| 72 | 84 | 73,186,077.87 | 5514.51% | 194 | 6466.67% |
| 84 | 96 | 357,265,901.15 | 26919.71% | 1162 | 38733.33% |
| 96 | 108 | 63,080,122.70 | 4753.04% | 250 | 8333.33% |
| 108 | 120 | 19,927,342.95 | 1501.51% | 18 | 600.00% |
| 120 | 132 | 130,507,850.52 | 9833.67% | 475 | 15833.33% |
| 132 | 144 | 5,043,727.09 | 380.04% | 14 | 466.67% |
| 144 | 156 | 38,429,733.30 | 2895.65% | 204 | 6800.00% |
| 156 | 168 | 22,085,418.40 | 1664.12% | 29 | 966.67% |
| 168 | 180 | 4,369,224.47 | 329.22% | 15 | 500.00% |
| 180 | 192 | 160,334,967.48 | 12081.12% | 730 | 24333.33% |
| 192 | 204 | 6,475,061.12 | 487.89% | 18 | 600.00% |
| 204 | 216 | 6,634,288.84 | 499.89% | 20 | 666.67% |
| 216 | 228 | 7,109,110.60 | 535.67% | 19 | 633.33% |
| 228 | 240 | 1,775,948.10 | 133.82% | 7 | 233.33% |
| 240 | 252 | 47,943,396.25 | 3612.50% | 154 | 5133.33% |
| 252 | 264 | 1,195,637.81 | 90.09% | 5 | 166.67% |
| 264 | 276 | 662,962.44 | 49.95% | 3 | 100.00% |
| 288 | 300 | 1,327,153.67 | 100.00% | 3 | 100.00% |
| 300 | 312 | 5,553,777.13 | 418.47% | 19 | 633.33% |
| 312 | 324 | 418,442.99 | 31.53% | 1 | 33.33% |
| 348 | 360 | 190,425.26 | 14.35% | 2 | 66.67% |
| 360 | 372 | 1,954,576.96 | 147.28% | 5 | 166.67% |
| | | | | | |
| | **Totals** | **2,345,249,362.09** | **176712.72%** | **20,116** | **670533.33%** |

The following table shows the distribution of the Loans by the remaining term to maturity.

| | | Outstanding Principal | | Loans | |
|---|---|---|---|---|---|
| Interval (months) | | Euros | % | Number | % |
| - | 12 | 311,300,336.29 | 13.27% | 4,988 | 24.80% |
| 12 | 24 | 360,813,819.16 | 15.38% | 4,069 | 20.23% |
| 24 | 36 | 253,456,746.90 | 10.81% | 4,519 | 22.46% |
| 36 | 48 | 319,269,496.67 | 13.61% | 2,020 | 10.04% |
| 48 | 60 | 346,766,053.06 | 14.79% | 1,976 | 9.82% |
| 60 | 72 | 146,037,163.74 | 6.23% | 525 | 2.61% |
| 72 | 84 | 184,969,670.61 | 7.89% | 459 | 2.28% |
| 84 | 96 | 49,745,670.89 | 2.12% | 199 | 0.99% |
| 96 | 108 | 56,433,832.40 | 2.41% | 131 | 0.65% |
| 108 | 120 | 38,226,659.60 | 1.63% | 188 | 0.93% |
| 120 | 132 | 18,919,037.98 | 0.81% | 94 | 0.47% |
| 132 | 144 | 30,484,462.39 | 1.30% | 168 | 0.84% |
| 144 | 156 | 45,636,133.95 | 1.95% | 151 | 0.75% |
| 156 | 168 | 44,577,330.38 | 1.90% | 164 | 0.82% |
| 168 | 180 | 72,677,717.54 | 3.10% | 262 | 1.30% |
| 180 | 192 | 4,233,219.14 | 0.18% | 16 | 0.08% |
| 192 | 204 | 6,294,376.46 | 0.27% | 21 | 0.10% |
| 204 | 216 | 6,734,843.72 | 0.29% | 27 | 0.13% |
| 216 | 228 | 9,291,742.08 | 0.40% | 28 | 0.14% |
| 228 | 240 | 31,441,369.15 | 1.34% | 83 | 0.41% |
| 240 | 252 | 397,690.12 | 0.02% | 3 | 0.01% |
| 252 | 264 | 1,741,352.17 | 0.07% | 7 | 0.03% |
| 264 | 276 | 807,730.81 | 0.03% | 5 | 0.02% |
| 276 | 288 | 2,429,461.67 | 0.10% | 5 | 0.02% |
| 288 | 300 | 418,442.99 | 0.02% | 1 | 0.00% |
| 300 | 312 | 181,267.00 | 0.01% | 1 | 0.00% |
| 312 | 324 | 137,223.76 | 0.01% | 1 | 0.00% |
| 324 | 336 | 1,024,086.20 | 0.04% | 2 | 0.01% |
| 336 | 348 | 190,425.26 | 0.01% | 2 | 0.01% |
| 348 | 360 | 612,000.00 | 0.03% | 1 | 0.00% |
| | | | | | |
| | **Totals** | **2,345,249,362.09** | **100.00%** | **20,116** | **100.00%** |

The average life of the Loan portfolio is 2.42 years.

### 2.2.3 Legal nature of the Assets.

The Assets subject to securitisation by means of their assignment to the Fund upon its establishment are credit rights arising under Loans granted by BANESTO.

The Assets are classified, according to the security, into Assets derived from Mortgage Loans (that is, secured by a real estate mortgage) and Assets derived from Non-Mortgage Loans (that is, guaranteed by third parties or secured by a personal guarantee or by a non-property security interest).

The assignment of the Assets arising from Non-Mortgage Loans is governed by current Spanish non-criminal legislation, that is, by articles 1526 et seq. of the Civil Code.

As regards assignment of Assets arising from Mortgage Loans, Spanish non-criminal legislation is the law naturally applicable to the assignment, which is executed by means of issuance by BANESTO of mortgage transfer certificates (MTCs) (each of which represents a one hundred percent (100%) interest in the outstanding principal of the Assets arising from the related Mortgage Loans) for purposes of their complete subscription by the Fund, in accordance with the Fifth Additional Provision of Act 3/1994, in the version given by article 18 of Act 44/2002; Mortgage Market Regulatory Act 2/1981 of 25 March 1981 (Ley de Regulación del Mercado Hipotecario); Royal Decree 685/1982 of 17 March 1982; and the rest of the regulations prevailing from time to time that apply to the transferability and acquisition of mortgage market securities. The issuance, representation, transferability and registration of the MTCs are described in detail in section 3.3.1.(b) of this Additional Building Block to the Securities Note.

2.2.4 Expiration or maturity date(s) of the Assets.

All of the Assets have a maturity date prior to 1 February 2037.

2.2.5 Amount of the Assets.

The Fund will be established with the Assets BANESTO will assign to the Fund on the Date of Establishment, the total principal of which will be equal to or slightly higher than TWO BILLION (2,000,000,000) euros, the aggregate face value of the Bond issue.

The principal of the Mortgage Loans assigned to the Fund at the time of its establishment will not be less than one hundred percent 100% of the face value of the Bond issue.

2.2.6 Ratio of outstanding principal balance to the appraisal value or level of overcollateralisation.

There is no overcollateralisation in the Fund, given that the principal of the Loans BANESTO will assign to the Fund upon its establishment will be equal to or slightly higher than TWO BILLION (2,000,000,000) euros, the aggregate face value of the issue.

2.2.7 Description of the procedures established by BANESTO for making loans and credit agreements in the COMPANIES segment.

The risk policy followed by the BANESTO Commercial Banking division for extending loans and credits to the COMPANIES segment is as described below:

1) Process and Criteria for Making Loans

*Model Used for making Loans to COMPANIES*

BANESTO has a system of analysis specific to each kind of customer, based on its size and/or business: the Small Business Analysis System (SAPYME), the one for the Agrarian Sector (SAGRA), the one for Agrarian Cooperatives (SACOOP), the one for Medium-Sized Businesses (SAME), the one for Developers (SAPROMO) and the one for Cooperatives (SABAMA).

In all of these cases the risk analysts evaluate customers from qualitative and quantitative points of view.

- Qualitative analysis: it rates the customer in respect of the business process and competitive environment, evaluating the risk areas of shareholders/management, commitment of the partners to the business and product/demand/market.

- Quantitative analysis: it rates the customer regarding its economic/financial situation, evaluating the risk areas of solvency, yield/profits and capacity to pay debt.

- In the special case of developers the projects also are analysed based on their status, experience, price, level of marketing, financial plan, sales plan, etc.

In each of these areas a rating is assigned, associated with a numerical score, the weighting of which gives the customer's rating. The weighting and specific areas of analysis depend on the kind of customer.

The organisational model is Point in Time (PIT), since the ratings are revised periodically (at least once per year), and when market conditions make it advisable to do so, or in cases of specific customers or transactions that may imply greater risk.

The rating system is based on a functional scheme taking into account the hierarchy of the work centre of the analyst that is to undertake the rating, the final rating to be assigned and timing factors.

The analysis is undertaken at various levels:

- Acceptance at office level: The process of becoming familiar with the customer begins at the office level. The customer is asked for the documentation necessary for prior study of the customer risk, and of the transaction, in order to determine whether the transaction in fact will be processed. If the risk and reward of the transaction are found to be appropriate, it is entered into the corresponding customer analysis system or, if applicable, updated therein, a first rating is established and the proposal is made.

- Analysis of risk: At this level, the customer's risk profile is finally evaluated based on the information reflected in the Analysis System. In the case of large and medium-sized businesses this task is assigned by customer portfolio to a Risk Manager, since the proximity criterion is predominant. In the case of small and medium-sized businesses and developers the analysis is undertaken by centralised analysis units, since the specialisation criterion is predominant.

During this phase there is a review of the client rating, taking into account current and medium term capacity of the client to meet its obligations. Also, the transaction is analysed, taking into account the customer profile, purpose of the transaction, terms, security, etc. Finally there is a joint analysis of the customer and transaction taking into account the consistency and suitability of the transaction and the customer risk profile.

Based on the results of all of the analysis undertaken, a rating is granted and entered into the valuation application. The decision is made by issuing a viability report regarding the transaction.

If by reason of the characteristics of transactions the authority level of a lower-level office is exceeded, the decision is reviewed and made by various committees that also have a fixed hierarchy, in accordance with their various levels of authority.

Regarding the final decision on customers/transactions, two fundamental matters are taken into account: risk and reward. BANESTO as a general policy establishes a minimum level of points in order to accept a transaction. Regarding establishment of prices what is being applied in this segment is a recommended price by reference to tables of yield and security that are periodically sent to the business area.

2) Monitoring

BANESTO keeps its loan portfolio at the highest quality levels thanks to actively managed monitoring of its lending business, which allows it to anticipate possible default situations. This work is approached proactively, not defensively. Therefore within BANESTO all risks are actively monitored.

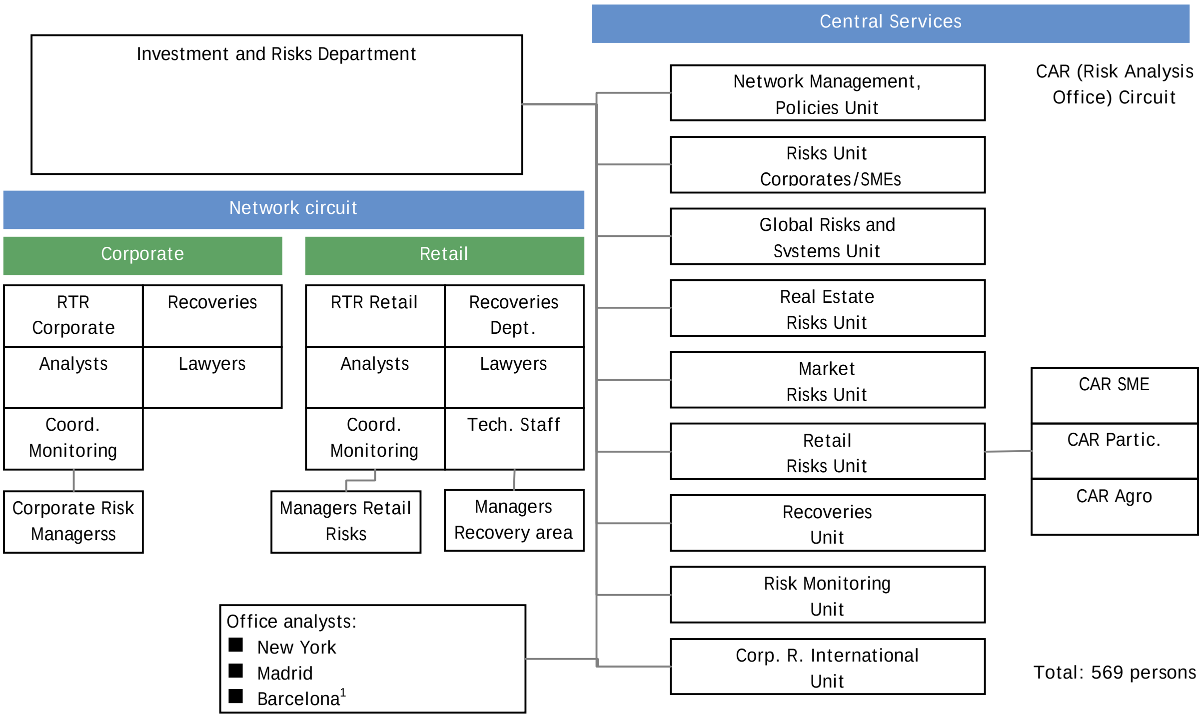
Within its procedures BANESTO by internal rule has defined the entire monitoring process, assigning monitoring tasks and functions at all levels of the organisation.

Within this definition there are series of mechanisms that ensure the review process for all customers and their risks, regardless of the segment or amount thereof. This allows anticipating possible irregularities and defaults of our customers.

In addition, BANESTO maintains a system of alarms. It is based either on BANESTO's relationship with the customer itself or on alert signals arising from behaviour (analysis of the customer and checking thereof) through which customers with risks are identified. Once an alarm has been evaluated, it is decided whether to continue the normal monitoring system or subject the customer to stricter monitoring, establishing a monitoring policy and considering the customer to be on special watch.

BANESTO's investment and risk area has functional responsibility for the bank's risk network. It develops and implements risk policies. It accepts the credit risks it receives as proposals from territorial units, passes on to the executive committee, together with its recommendation, such risks as require such treatment. It manages and monitors all risks undertaken by the bank with its customers. And it sees to it that the bank centres responsible for risk management function rapidly and efficiently.

Below is the organisation chart of this department, which fundamentally is divided into two large groups: central services and the network.




3) Recovery Management

After identification of customers with payment problems, breach of contractual conditions, etc., under special watch during the monitoring process, and after nonpayment of a mature debt (irregular positions), the process of Recovery and Recuperation begins.

Recovery management begins from the very outset of the operations, with the initial preference being given to amicable solutions before recourse to the courts, which serves as the final avenue for recovery and is therefore the responsibility of the recovery department.

Direct responsibility for managing collection of irregular positions rests with the branch office where the situation arises. The recovery process is monitored at the corresponding level (head of asset monitoring, regional units and central services) depending on the outstanding balance of the risk, with the branch maintaining the primary management responsibility in all cases. Periodic meetings are held by each of the monitoring levels. Their committees evaluate and decide on the policies to be pursued to recover default positions.

A customer is characterised as being in an irregular position when there is a nonpayment. Generally Gescoban, an outside company 100% owned by BANESTO that supports recovery and recuperation actions undertaken in BANESTO offices, enters the picture. In respect of certain transactions, such as those in small amounts, it does not do so.

A customer is characterised as doubtful by decision of a committee, when it has at least one contract characterised as doubtful or very doubtful using the criteria in the Bank of Spain regulations: debt unpaid for more than three months, judicial claim by BANESTO, insolvency, by reason of BANESTO policy and other subjective criteria. By reason of characterisation as doubtful, the customer passes from the recovery to the recuperation phase, triggering more specialised management. The attempt is to establish a specific management policy and a recuperation strategy (judicial, extrajudicial or both), which is decided upon by a committee. For purposes of clarification, it is expressly noted that this characterisation has no relationship to the definitions of "Non-Performing Loan" and "Defaulted Loan" as used in this Prospectus.

Extrajudicial management is undertaken internally and externally, the latter through collection agencies specialised in recuperation or foreclosure on real estate.

Judicial and extrajudicial management is undertaken by a procedural management centre supported by companies specialised in monitoring procedures, the complaint centre and outside attorneys.

2.2.8 Representations and other warranties given to the Issuer relating to the Assets.

In this section the Management Company reproduces the representations and warranties that BANESTO, as owner of the Assets until their assignment to the Fund upon its establishment and as issuer of the Mortgage Transfer Certificates, has given and which it will also give on the Date of Establishment to the Management Company as representative of the Fund:

(a) In respect of BANESTO:

(1) That BANESTO is a credit institution duly incorporated and existing under the prevailing Spanish laws and is registered in the Companies Registry of Madrid.

(2) That the corporate bodies of BANESTO have validly adopted all company resolutions required for the assignment of the Assets to the Fund and for execution of its Deed of Formation and the Contracts.

(3) That BANESTO is authorised to operate in the mortgage market. BANESTO is likewise authorised to grant all of the Loans assigned under the Deed of Establishment.

(4) That neither at the date of this Prospectus nor at any time since its incorporation has BANESTO been in a situation of insolvency, creditors' arrangements, suspension of payments or bankruptcy.

(5) That it has financial statements for the last three closed fiscal years, duly audited, and the audit report for the last such year, 2006, contains no qualifications.

(b) In respect of all of the Assets:

(1) That the Assets exist, are valid and enforceable in accordance with the applicable legislation, and that all current legal provisions were observed in their establishment.

(2) That the data included in the Deed of Establishment, in the Prospectus in respect of the Assets will accurately reflect their status at the date of their assignment.

(3) That since the time of their grant or subrogation, as the case may be, the Assets have been and are being administrated by BANESTO according to the customary procedures it has established.

(4) That BANESTO has faithfully followed the lending policy described in section 2.2.7 of this Additional Building Block to the Securities Note when granting each and every one of the Loans.

(5) That the Assets derive from bilateral loans granted by BANESTO to all kinds of companies domiciled in Spain, for purposes of financing their respective businesses or the acquisition of real properties used in their businesses.

(6) That the Assets are denominated and are payable in euros and are secured, in the case of Assets derived from Mortgage Loans, by a real estate mortgage and, in the case of Assets derived from Non-Mortgage Loans, are guaranteed by third parties or are secured by a personal guarantee or by a non-real estate in rem security interest.

(7) That the Assets accrue interest at a fixed rate and/or a floating rate (referenced to a market index in no case providing for an upper or a lower limit on the applicable interest rate).

(8) That all of the Assets have a maturity date on or before 1 February 2037.

(9) The payments of principal and interest on the financing transaction to which each loan relates are monthly, quarterly, semi-annual or annual.

(10) That the Assets have been originated in the ordinary course of BANESTO's business.

(11) That BANESTO holds title to the Assets, free and clear of liens and claims, and BANESTO has not received notice of any claim or setoff prior to their assignment to the Fund.

(12) That the Debtor's payments under the Loans are not subject to any tax deduction or withholding.

(13) That there is no impediment whatsoever to their free assignment to the Fund upon its establishment or, if the consent of the Debtor is needed, such consent has been obtained.

(14) That it constitutes a valid payment obligation binding upon the Debtor and is enforceable in accordance with its terms.

(15) That the payment of principal and interest instalments on the Assets is accomplished by automatic direct bank debits authorised by the respective Debtor at the time of entering into the transaction.

(16) That the Assets are governed by Spanish law.

(17) That the Assets are documented in a public instrument or deed attested by a certifying public officer, and BANESTO, as applicable, retains the first copy of the public deed or a counterpart of the attested instrument.

(18) That the Loans have been fully drawn and the initial repayment period is not less than one (1) year after the execution of the corresponding Loan.

(19) That no person has rights in respect of the Assets with preference over the rights of the Fund.

(20) That at the time of their assignment, the Assets will not have any payments more than thirty (30) days past due.

(21) That no loans are included that are extended to finance the real estate development business of construction or restoration of homes and/or commercial or industrial properties intended for sale.

(22) That it has no knowledge of any of the Debtors holding a credit right against BANESTO that gives it a right of setoff that could adversely affect the Assets, without prejudice to the rights of Debtors that hold demand deposits or accounts with BANESTO.

(23) That none of the Assets relates to credit rights derived from a finance lease operation.

(24) That the respective Debtor has paid at least one instalment of principal or interest on the respective Loan.

(25) That none of the Loans has provisions that allow deferral of the periodic payment of interest or the repayment of principal after the assignment date.

(26) That it has no knowledge of the existence of disputes of any kind in respect of the Loans that could prejudice the validity and enforceability thereof.

(27) That none of the Debtors that is a legal person is a part of the same group of companies as BANESTO.

(28) That on the Date of Establishment of the Fund the Outstanding Balance of the Mortgage Loans will not be greater than 40% of the total of the Outstanding Balance of the Loans, nor will it be less than 30% of the total of the Outstanding Balance of the Loans.

(29) That on the Date of Establishment of the Fund the Outstanding Balance of the Non-Mortgage Loans will not be greater than 70% of the total of the Outstanding Balance of the Loans, nor will it be less than 60% of the total of the Outstanding Balance of the Loans.

(30) That the security for the Loans is valid and enforceable in accordance with applicable legislation, and BANESTO has no knowledge of the existence of any circumstance preventing enforcement thereof.

(31) That the Loans are clearly identified in BANESTO's computer system from the time they are granted or subrogated in favour of BANESTO, and have been and are subject to administration, analysis and monitoring by BANESTO in accordance with the usual procedures it has established.

(32) That, on the Date of Establishment of the Fund, the sum of the Outstanding Balance of the Loans of a single Debtor will not be greater than 1% of the Outstanding Balance of the Loans.

(c) In respect of the Mortgage Loans:

(1) That each of the Mortgage Loans is secured by a real estate mortgage, and the mortgaged properties are subject to no prohibitions on disposition, conditions subsequent or other limitations on ownership.

(2) That all of the Mortgage Loans are formally documented in public deeds and all of the mortgages are duly established and registered with the competent Property Registers. The registration of the mortgaged properties is validly in effect and contains no contradiction.

(3) That the Mortgage Loans are not instrumented in transferable securities, whether registered, to order or in bearer form.

(4) That the Mortgage Loans are not subject to any issue of mortgage bonds or mortgage participation units.

(5) That the properties mortgaged under the Mortgage Loans are not affected by any of the circumstances that would disqualify them as collateral under article 31.1.d) of Royal Decree 685/1982 of 17 March 1982 implementing certain aspects of Mortgage Market Regulatory Act 2/1981 of 25 March 1981.

(6) That the Mortgage Loans are not included in the credit rights excluded by article 32 of Royal Decree 685/1982.

(7) That the copies of the mortgage deeds referred to by the Mortgage Loans are duly deposited in the files of BANESTO, adequate for such purpose, at the disposal of the Management Company, for and on behalf of the Fund, and all of the Mortgage Loans are clearly identified in computer records and in their related deeds.

(8) That it is not aware of the existence of lawsuits of any kind in respect of the Mortgage Loans that could impair their validity or which could give rise to application of article 1535 of the Civil Code, or of the existence of circumstances that could make the agreement for acquisition of the property mortgaged as security for the Mortgage Loans unenforceable.

(9) That it is not aware of the existence of any circumstance that could prevent enforcement of the mortgage guarantee.

(10) That no person has a right better than that of the Fund's right to the Mortgage Loans as owner of the Mortgage Transfer Certificates.

(11) That the mortgages are established on real properties (and, if buildings are included, they have been built and finished) fully owned by the respective mortgagor, being first mortgages on full ownership of the mortgaged property (or if applicable having lower rank, with the assignor having documentation regarding cancellation of the debts arising from prior mortgages, although processing of the registration thereof is pending), with BANESTO having no knowledge of the existence of litigation regarding title to those properties that could be detrimental to the mortgages.

(12) That all of the mortgaged properties have been appraised by appraisal companies duly registered with the Bank of Spain, such appraisals being supported by the corresponding certificate. The appraisals fulfil all requirements of mortgage market legislation.

(13) That BANESTO has no knowledge of the occurrence of a decrease in the value of any mortgaged property by more than 20% of the appraisal value.

(d) In respect of the Mortgage Transfer Certificates (MTCs):

(1) That the MTCs are issued according to the terms of (i) Act 2/1981, (ii) Royal Decree 685/1982, (iii) Royal Decree 1289/1991, (iv) the Fifth Additional Provision of Act 3/1994 of 14 April 1991, in the version given by article 18 of Act 44/2002 of 22 November 2002 whereby the laws

applicable to mortgage participation units (participaciones hipotecarias) are applied to the MTCs, insofar as applicable, and (v) the rest of the applicable laws and regulations.

(2) That the MTCs are issued for the same term as remains until maturity and at the same interest rate as for each of their underlying Mortgage Loans.

(3) That, at the issue date, the outstanding principal of each of the Mortgage Loans is equal to the principal of the related MTC.

2.2.9 Replacement of the Assets.

If any of the Assets is affected by a hidden defect because at the Date of Establishment it does not meet the requirements that those Assets must meet to be eligible for assignment to the Fund and the representations made to that effect by Assignor to the Management Company and reproduced in section 2.2.8 of this Additional Building Block to the Securities Note, or does not at that date conform to the characteristics communicated by BANESTO to the Management Company, the party that learns of that circumstance will given written notice thereof to the other, and both parties must within the following ten (10) Business Days proceed to remedy the hidden defect or, if the hidden defect is not capable of remedy, to replace the affected Asset with another or others with an outstanding balance equal to or slightly less than the replaced Asset, which must comply with the representations of the Assignor to the Management Company reproduced in section 2.2.8 above and be uniform as to residual maturity, interest rate, value of outstanding principal and quality of the security, and, if applicable, rank of the mortgages and relationship of the outstanding principal and the appraisal value of the mortgaged property or properties for the Mortgage Loans, such that the financial balance of the Fund and the rating of the Bonds are not affected by the replacement.

The replacement will be done by means of simultaneous cancellation of the assignment of the Asset affected by the hidden defect and assignment to the Fund upon its establishment of the Asset(s) that will replace it. In the case of Assets derived from Mortgage Loans it will be done by means of termination of the affected MTCs and issuance and subscription of the replacement MTCs by the Fund (with issue by the Assignor of a new multiple certificate covering the number of MTCs existing at that date, which will be exchanged for the certificate delivered on the Date of Establishment or on the previous date of assignment and/or replacement). BANESTO must reimburse the Fund for all amounts unpaid in respect of the replaced Asset by means of payment thereof into the Cash Account. Also, if the Outstanding Balance of the replacement Asset is slightly lower than that of the replaced Asset, BANESTO must reimburse the fund for the difference, taking into account the nominal value, interest accrued and not due thereon and any sums unpaid in respect of that Asset, by means of payment thereof into the Cash Account on the corresponding date.

In particular, modification by the Assignor during the life of the Loans of their conditions without complying with the limits established in the special legislation applicable thereto and with the terms agreed by the Fund and the Assignor in the Deed of Establishment of the Fund and in this Prospectus, in section 3.7.1 of the Additional Building Block, would constitute a breach by the Assignor of its obligations for which the Fund is not liable. In the event of such breach, the Fund, through the Management Company, may (i) demand the corresponding indemnification for damages and (ii) require replacement or reimbursement of the affected Assets, in accordance with the provisions of this section. This does not imply that the Assignor guarantees the successful outcome of the transaction, but rather the required repair of the effects produced by breach of its obligations, in accordance with article 1124 of the Civil Code. The Management Company will immediately notify the CNMV of replacements or redemptions of Assets undertaken as a result of the Assignor's breach. The expenses originating from actions to remedy the non-compliance of the Assignor will be borne by the latter and may not be charged to the Issuer.

If the said replacement cannot be done or cannot be done within ten (10) Business Days, the Management Company will cancel the assignment of the Asset affected by the hidden defect or redeem the affected MTC early, in which case BANESTO must reimburse the Fund for the Outstanding Balance thereof, together with the interest accrued and not due thereon, as well as any sums unpaid in respect of that Asset, by means of payment thereof into the Cash Account.

2.2.10 Significant insurance policies relating to the Loans.

In accordance with internal BANESTO policy the mortgaged properties must be insured against the risk of fire and other damage during the term of the corresponding Mortgage Loan. Nevertheless, it is noted that the existence of insurance policies regarding the mortgaged properties has not been audited.

2.2.11 Information on the Debtors in those cases where the Assets comprise obligations of five (5) or fewer Debtors which are legal persons, or if a single Debtor accounts for 20% or more of the Assets, or if a single Debtor accounts for a material portion of the Assets.

Not applicable.

2.2.12 Details of the relationship between the issuer, the guarantor and the Debtor if it is material to the issue.

For purposes of the Bond issue there is no relationship between the Fund, the Assignor, the Management Company and the other parties involved other than as set forth in section 5.2 of the Registration Document and 3.2 of this Additional Building Block to the Securities Note.

2.2.13 If the Assets comprise fixed-income securities, a description of the principal terms and conditions

Not applicable.

2.2.14 Where the Assets comprise equity securities, description of the principal conditions.

Not applicable.

2.2.15 Where more than ten per cent (10%) of the Assets comprise equity securities not traded on a regulated or equivalent market, description of the principal conditions.

Not applicable.

2.2.16 Where a material portion of the Assets are secured or backed by real property, a valuation report relating to the property setting out both the valuation of the property and cash flow/income streams.

The appraised values of the collateral securing the Mortgage Loans are the valuations made by appraisal entities for the purpose of granting and formally extending the Mortgage Loans.

2.3 Actively managed pool of assets backing the issue.

Not applicable.

2.4 Where an issuer proposes to issue further securities backed by the same Assets, a prominent statement to that effect and description of how the holders of that class will be informed.

Not applicable.

## 3. STRUCTURE AND CASH FLOW.

### 3.1 Description of the structure of the transaction.

Through this securitisation transaction, BANESTO will transfer the Assets to the Fund. The Fund will acquire the Assets and issue the Bonds. This transaction will be formally executed by means of the Deed of Establishment to be executed by the Management Company, for and on behalf of the Fund, and by BANESTO. Thus, by virtue of the Deed of Establishment of the Fund, the following will be effected:

a) assignment to the Fund upon its establishment of the Assets derived from Mortgage Loans and of the Assets derived from Non-Mortgage Loans; and

b) issue of TWENTY THOUSAND (20,000) Bonds, distributed in the five (5) Series A1, A2, B, C and D Bonds.

A copy of the Deed of Establishment will be submitted to the CNMV and to Iberclear prior to the opening of the Subscription Period for the Bonds.

Also, in order to strengthen its financial structure and procure the greatest possible protection against the risks inherent in the issue, the Management Company, as representative of the Fund, will proceed to enter into, among others, the agreements listed below, with the right, for purposes of having the Fund’s operation comply with the terms of the laws and regulations prevailing from time to time, to extend or amend those agreements, replace each of the providers of services to the Fund thereunder and, if necessary, enter into additional agreements, after notice to the CNMV and Standard & Poor’s, obtaining, if applicable, the corresponding authorisation, provided that such actions do not harm the rights of the Bondholders and, in particular, provided that they do not entail a downgrade in the rating of the Bonds.

The Management Company will enter into the following agreements, among others, with BANESTO:

(i) a Paying Agency Agreement whereby BANESTO will take charge of the financial servicing of the Bond issue;

(ii) a Subordinated Loan Agreement for Establishment and Issue Expenses that will be used to finance the expenses of setting up the Fund and issuing the Bonds and to finance part of the acquisition of the Assets;

(iii) a Subordinated Loan Agreement for the Reserve Fund that will be used to set aside the Reserve Fund;

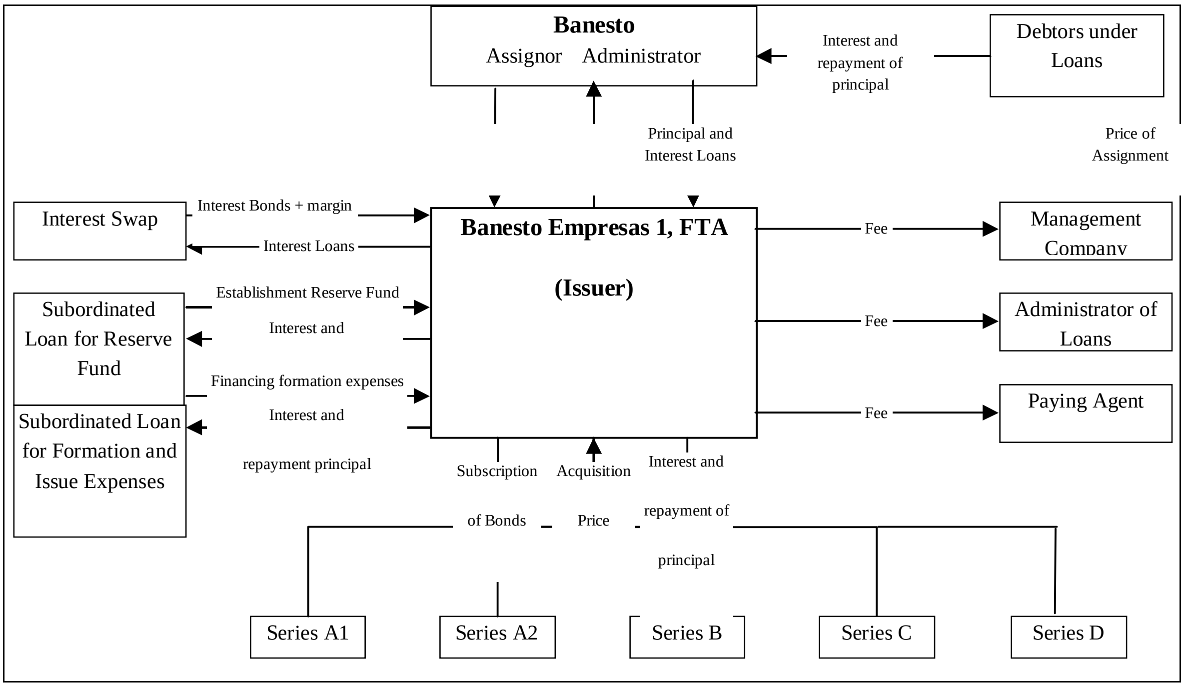
(iv) a Swap Agreement, in accordance with the Financial Transactions Master Agreement (Contrato Marco de Operaciones Financieras - CMOF) form;

(v) a Cash Account Guaranteed Yield Reinvestment Agreement whereby BANESTO will guarantee a variable yield on the amounts deposited by the Fund through its Management Company in the Cash Account;

For and on behalf of the Fund, the Management Company will also enter into the Issue Management, Underwriting and Distribution Agreement with the Underwriters.

The description of the agreements included in this section and in sections 4.1.2 and 5.2 of the Securities Note, and 3.4.3.1, 3.4.3.2 and 3.4.4.1 of this Additional Building Block to the Securities Note faithfully reflect the most significant information contained in those agreements, omitting no data or information that could prove to be significant to the investor.

Below is a diagram explaining the transaction:



*Initial Balance Sheet of the Fund*

The Fund's Balance Sheet as at the close of the Disbursement Date will be as follows:

| LENDING | | LIABILITIES | |
|---|---|---|---|
| *FIXED ASSETS* | 2,001,800,000 | *BOND ISSUE* | 2,000,000,000 |
| Assets | 2,000,000,000 | Series A1 Bonds | 1,060,000,000 |
| | | Series A2 Bonds | 800,000,000 |
| Establishment and Issue Expenses | 1,950,000 | Series B Bonds | 70,000,000 |
| | | Series C Bonds | 35,000,000 |
| | | Series D Bonds | 35,000,000 |
| *CURRENT ASSETS* | 38,000,000 | *OTHER L/T DEBTS* | |
| Cash Account | 38,000,000 | Subordinated Loan for Establishment Expenses | 1,950,000 |
| | | Reserve Fund Subordinated Loan | 38,000,000 |
| TOTAL: | €2,039,950,000 | TOTAL: | €2,039,950,000 |

3.2 <u>Description of the entities participating in the issue and description of the functions to be performed by them.</u>

The description of the entities participating in the issue and their functions are given in section 5.2 of the Registration Document and section 3.1 of the Securities Note.

3.3 <u>Description of the method and date of sale, transfer, novation or assignment of the Assets.</u>

BANESTO on the Date of Establishment will assign to the Fund the Assets the total principal of which will be equal to or slightly higher than TWO BILLION EUROS (€2,000,000,000).

3.3.1 Assignment of the Assets

The assignment of the Assets will be carried out by BANESTO at the time the Fund is established, will be executed in the Deed of Establishment and will be done as provided below, differentiating between Assets derived from Mortgage Loans and Assets derived from Non-Mortgage Loans.

a) Assignment of the Assets derived from Non-Mortgage Loans:

Assignment of the Assets derived from Non-Mortgage Loans will be carried out by virtue of the Deed of Establishment, which will contain the terms needed for effecting that assignment.

b) Assignment of the Assets derived from Mortgage Loans:

Assignment of the Assets derived from Mortgage Loans will be carried out by virtue of the Deed of Establishment, which will contain the terms needed for

BANESTO to issue Mortgage Transfer Certificates, in accordance with the Fifth Additional Provision of Act 3/1994 of 14 April 1994 on Banking Coordination, in the version given by article 18 of Act 44/2002 of 22 November 2002 on Measures to Reform the Financial System, whereby the laws that govern mortgage participating units are applied to MTCs, insofar as applicable, for purposes of the subscription of the MTCs by the Management Company, as representative of the Fund, Mortgage Market Regulatory Act 2/1981 of 25 March 1981; Royal Decree 685/1982 of 17 March 1982; and the other regulations in effect from time to time that apply to the transferability and acquisition of mortgage market securities.

The issue of Mortgage Transfer Certificates (MTCs) by the Assignor will be carried out in the Deed of Establishment and be governed by the following rules:

(i) Each MTC will represent a one hundred percent (100%) interest in the outstanding principal of the Assets arising from the related Mortgage Loans.

(ii) The MTCs will be represented in a multiple registered certificate that will meet the minimum information requirements set forth in article 64 of Royal Decree 685/1982, as amended by Royal Decree 1289/1991 of 2 August 1991.

Both in the event that a MTC has to be replaced and in the event that the Management Company, for and on behalf of the Fund, or BANESTO forecloses on a Mortgage Loan in respect of which a given MTC has been issued, and in the event that the said MTCs must be sold due to Early Liquidation of the Fund in the events and conditions provided in section 4.4.3 of the Registration Document, the Assignor undertakes to divide, if applicable, the multiple certificate into as many individual or global certificates as necessary to replace it or to exchange it in order to achieve the above purposes.

(iii) As established in Royal Decree 685/1982, the MTCs will be transferable by means of a written declaration on the certificate itself and, in general, by any of the means admitted in law. The transfer of the MTC and domicile of the new holder must be identified by the acquirer to the Assignor.

The transferor will not be liable for the creditworthiness of the Assignor or of the Debtor of the Mortgage Loan, nor for the sufficiency of the mortgage that secures it.

(iv) The Assignor, as issuer of the MTCs, will keep a special book in which it will record the MTCs issued in respect of each Mortgage Loan, as well as the transfers thereof notified to it, and the MTCs will be subject to what is stipulated for registered certificates in article 53 of Royal Decree 685/1982. The changes of domicile notified by the holders of the MTCs will also be recorded in the book.

The book will also contain the following information:

- Date of opening and maturity of the Mortgage Loan, initial amount and manner of settlement; and

- Register particulars of the mortgage.

(v) Given the status of the Fund as an institutional investor and its subscription of the MTCs, for purposes of the second paragraph of article 64.1 of Royal Decree 685/1982, the issue of the MTCs will not be subject to marginal notation on each registration of the mortgage corresponding to each of the Mortgage Loans with the Property Register.

3.3.2 Terms and conditions of the assignment of Assets.

The assignment of the Assets to the Fund upon its establishment will be done on the following conditions:

(i) The assignment of the Assets will cover the entire outstanding principal, as well as ordinary and default interest accrued from the Date of Establishment of the Fund. Thus, the assignment of the Assets will not include the interest accrued and not due from the last date of settlement of interest on each of the Loans until the date of assignment, that is, the Date of Establishment of the Fund, such interest corresponding to the Assignor.

(ii) The assignment of the Assets to the Fund upon its establishment will be full and unconditional and for the whole of remaining term until their maturity.

(iii) The price of assignment of the Assets will be at par, that is, the outstanding principal of the Assets pooled in the Fund at the Date of Establishment.

The sale price must be fully paid before 3:00 p.m. (CET time) on the Disbursement Date, with value on that date, after payment for the subscription of the Bonds. The payment will be made by means of an order issued by the Management Company to BANESTO to debit the acquisition price of the Assets to the Cash Account held in BANESTO in the name of the Fund. BANESTO will not receive interest for deferred payment of the price of the Assets until the Disbursement Date.

If establishment of the Fund and, therefore, sale of the Assets as provided in section 4.4.3 of the Registration Document is terminated, (i) the Fund's obligation to pay the total price for sale of the Assets will be extinguished, and (ii) the Management Company will be required to restore to BANESTO any rights that have accrued in favour the Fund by reason of sale of the Assets.

(iv) The assignment of the Assets will likewise include any security interests or personal guarantees established to secure each Asset and the rights accessory thereto, such as the rights or indemnities to which the Assignor may be entitled under any insurance contract relating to properties mortgaged as security for the Mortgage Loans.

(v) Until the respective Debtor is notified of the assignment of one of the Assets, BANESTO will pursue in its name and for the account of the Fund any court actions (including, if applicable, those relating to enforcement of guarantees) available against that Debtor by reason of the Asset in question. Once such notice is given, exercise of these rights will correspond to the Management Company (or those representatives holding powers of attorney from it for this purpose), for and on behalf of the Fund (except as regards Mortgage Transfer Certificates, which will be governed by the provisions of article 66 of Royal Decree 685/1982 of 17 March 1982, as described in section 3.4.5 of this Additional Building Block to the Securities Note).

(vi) The Assignor will bear no liability for the creditworthiness of the Debtors or for the sufficiency of the security for the Assets.

The Assignor will only be liable for the existence and lawfulness of the Assets at the time of assignment on the terms and conditions determined in the Prospectus, as well as for the legal status based upon which the assignment is made and the representations reproduced in section 2.2.8 of this Additional Building Block to the Securities Note.

(vii) In the exceptional event that a Debtor objects and declares a right of setoff against BANESTO in respect of one of the Assets, BANESTO will be liable to the Fund for any damages and losses caused to the latter as a result of exercise of the right of setoff by any of the Debtors, with the obligation to pay to the Fund a sum equal to the amount of any setoff made by the Debtor in question plus, if applicable, the interest accrued on that sum from the date the setoff took place (inclusive) until the date of its payment by BANESTO to the Fund (exclusive), calculated at the rate established for the Asset in question.

(viii) Without prejudice to the provisions of section 2.2.9 of this Additional Building Block to the Securities Note, BANESTO will assume no repurchase obligation in respect of the Assets.

(ix) The assignment of the Assets is subject to Spanish non-criminal legislation. According to that legislation, the validity of the Seller's assignment of the Assets to the Fund is subject to the absence of any impediment whatsoever to their free assignment to the Fund upon its establishment or, if the consent of the Debtor is necessary, to obtaining such consent.

There are no plans to notify the Debtors of the assignment at the time of the assignment. By virtue of article 1527 of the Civil Code, a Debtor who prior to learning of the assignment pays the creditor will be released from the obligation. For these purposes the Assignor must give notice (directly or via notary public) of the assignment, where necessary or required under the terms of the corresponding Asset, to the respective Debtors if so requested by the Management Company and, in all events, if the Assignor is subject to insolvency proceedings. Once the assignment has been notified to the Debtors, the latter will only be released from their obligations by means of payment to the Fund. Under article 1198 of the Civil Code, a Debtor who has given consent to the assignment cannot apply against the Fund a right of setoff held by the Debtor against the Assignor.

Notwithstanding the foregoing, in the event of insolvency or signs thereof, liquidation or replacement of the Administrator or because the Management Company deems it to be reasonably justified, it may require the Administrator to notify the Debtors (or, if applicable, third party guarantors and the underwriters) of transfer to the Fund of the Assets pending repayment, and that the payments deriving therefrom will only discharge the debt if they are made to the Cash Account opened in the name of the Fund. Nevertheless, if the Administrator has not given notice to the Debtors and, if applicable, to the third party guarantors and underwriters, within the five (5) Business Days after receipt of the requirement, and in the event of insolvency or liquidation of the Administrator, it will be the Management Company itself, directly or through a new Administrator that has been appointed, that gives notice to the Debtors and, if applicable, to the third party guarantors.

In the same manner and under the same circumstances the Management Company may require the Administrator to undertake such acts and comply with such formalities as may be necessary, including notices to third parties and entries in the pertinent accounting records, in order to assure maximum effectiveness of the sale of Assets and accessory guarantees as against third parties.

Also, the Assignor will grant powers as broad as legally necessary to the Management Company so that the latter on behalf of the Fund can give the Debtors notice of the assignment at the time it deems to be appropriate.

The Assignor will assume the expenses involved in notifying the Debtors even when notice is given by the Management Company.

### 3.3.3 Description of the rights over the Loans backing the Assets conferred by the Assets on their owners.

The Fund, as owner of the Assets, will hold the rights recognised to the assignee in article 1528 of the Civil Code.

Specifically, the Assets confer the following rights:

a) the whole of the amounts accrued in respect of repayment of the principal of the Assets;

b) the whole of the amounts accrued in respect of ordinary interest on the Assets;

c) the whole of the amounts accrued in respect of default interest on the Assets;

d) any amounts or assets received through judicial or notarial enforcement of the guarantees or, in the case of Mortgage Loans, through judicial or notarial enforcement of the security, from sale or operation of property awarded to the Fund upon foreclosure of the mortgages, or temporary administration and possession of the property (subject to the foreclosure proceedings) up to the amount of the sums owed by the respective Debtor, acquisition at the auction price or the amount determined by court order; and

e) all possible rights or indemnities which may arise for the benefit of BANESTO, including not just those arising from the insurance contracts, if any, assigned by BANESTO to the Fund, but also those arising from any right ancillary to the Assets.

   Until the Deed of Establishment is executed, BANESTO will be the beneficiary of the insurance contracts entered into by the Debtors in relation to the properties mortgaged as collateral for the Mortgage Loans, up to the amount insured.

   The Assignor at the same time as execution of the Deed of Establishment will execute the assignment associated with the issue of the Mortgage Transfer Certificates of its rights as beneficiary of said damage insurance policies subscribed by the Mortgagors, or any other insurance policy providing equivalent cover. Therefore the Issuer, as holder of the Mortgage Transfer Certificates, will receive all amounts which the Assignor would have received in this respect.

The assignment of the Assets will cover the entire outstanding principal, as well as ordinary and default interest accrued from the Date of Establishment.

The fees arising from the assigned Assets are not subject to assignment to the Fund.

All of the aforementioned rights will be held by the Fund after the Date of Establishment.

The Fund's rights arising from the Assets are tied to the payments made by the Debtors against the Loans and, therefore, are directly affected by the evolution, delays, prepayments and any other incident relating to the Loans.

## 3.4 Explanation of the flow of funds, including:

### 3.4.1 How the cash flows from the Assets will meet the issuer's obligations to the holders of the securities.

The amounts received by the Fund deriving from Assets will be deposited by the Administrator into the Cash Account immediately, in any event not more than forty-eight (48) hours after the day they are received. Therefore, the Fund shall practically be receiving daily revenues into the Cash Account.

The weighted average interest rate of the selected loans at 20 August 2007, as specified in section 2.2.2.1.e) above, is four point six six percent (4.66%), lower than the four point nine nine seven percent (4.997%) of the weighted average nominal interest rate of the Bonds, which have been assumed in the table included in 4.10 of the Securities Note. This situation will gradually correct itself as the Loans (annual, half-yearly and quarterly review periods) revise their respective interest rates and incorporate the increments being seen in the Euribor rate in recent months.

Every quarter, on each Payment Date, the interest accrued will be paid to the Bondholders and the principal of the Bonds of each Series will be repaid according to the conditions established for each and in accordance with the Order of Priority of Payments set forth in section 3.4.6.2.1 (b) of this Additional Building Block to the Securities Note.

If BANESTO's credit quality could result in a downgrade of the ratings given by Standard & Poor's to each of the Series of Bonds, the Management Company, by written notice to BANESTO, will give instructions so that such amounts as may be paid by the Debtors will be deposited in the Cash Account as quickly as possible (being authorised even to require that they be deposited on the day immediately after the day they were received by BANESTO).

### 3.4.2 Information on all credit enhancements.

#### 3.4.2.1 Description of the credit enhancements

With the aim of strengthening the Fund's financial structure, enhancing the certainty or regularity of the bond payments, covering temporary timing gaps between the principal and interest payment schedule of the Loans and that of the Bonds and, in general, transforming the financial characteristics of the Bonds issued, and to complement the administration of the Fund, the Management Company, as representative of the Fund, will proceed in the act of execution of the Deed of Establishment to enter into the agreements and transactions indicated below in accordance with the applicable laws and regulations:

- Guaranteed rate account: the account opened in the name of the Fund by the Management Company (Cash Account) is compensated at agreed rates in such manner that a minimum yield on the balances thereof is guaranteed. In this manner the reduction of the yield on Fund liquidity by reason of the timing gap between the daily revenues received on the Loans until payment of interest and repayment of principal on the Bonds on the immediately following Payment Date is partially mitigated.

- Reserve Fund: established against the Subordinated Loan for the Reserve Fund, it will allow payment by the Fund in the face of losses due to Defaulted Loans.
- Interest Rate Swap: The interest rate swap seeks to hedge: (i) the interest rate risk to which the Fund is exposed because the Loans are subject to floating interest rates with different references indices and different revision schedules than those established for the Bonds and (ii) the risk implied by the possibility of renegotiations of the Loans that reduce the agreed interest rate. Likewise, through the Swap Agreement the Fund receives the result of applying, to the Outstanding Balance of the Loans that are current in payment, the annual nominal interest rate resulting from adding (i) the Reference Interest Rate of the Bonds plus (ii) a margin of 0.60% (in any event being greater than the weighted average interest rate of the Bonds).
- Subordination and postponement of payment of interest and repayment of principal among the Bonds of the various Series.

3.4.2.2 The Reserve Fund

The Management Company, for and on behalf of the Fund, will set up a Reserve Fund with the following characteristics:

(i) Amount:

a) Initially funded with THIRTY-EIGHT MILLION EUROS (€38,000,000), an amount equal to one point nine percent (1.9%) of the Outstanding Principal Balance of the Bonds at the Disbursement Date (the "Initial Reserve Amount").

b) After the Date of Establishment, on each Payment Date the Reserve Fund will be allocated funds, if applicable, against the Available Funds in accordance with the Order of Priority of Payments until it reaches an amount equal (the "Required Reserve Amount"), to the lesser of the following sums:

(i) the Initial Reserve Amount; and

(ii) the higher of the following amounts:

(1) 3.80% of the Outstanding Principal Balance of the Bonds at that preceding Determination Payment Date; and

(2) 1.00% of the Outstanding Principal Balance of the Bonds at the Closing Date.

c) Notwithstanding the foregoing, the Required Reserve Amount will not be reduced on the Payment Date in question and will remain at the Required Reserve Amount on the preceding Payment Date, if any of the following circumstances exists:

(i) if on the prior Payment Date the Reserve Fund did not contain an amount equal to the Required Reserve Amount; or

(ii) if on the Determination Date immediately before the relevant Payment Date, the Outstanding Balance of Non-performing Loans is higher than 1.50% of the Outstanding Balance at that Payment Date of all the Loans that are not Defaulted Loans; or

(iii) if two (2) years have not elapsed since the Date of Establishment of the Fund.

(ii) Use:

The Reserve Fund will be applied to satisfaction of the payment obligations contained in the Order of Priority of Payments set forth in section 3.4.6.2.1.(b) below or, if applicable, in the Order of Priority of Liquidation Payments set forth in section 3.4.6.3 below.

### 3.4.3 Details of any subordinated debt finance.

#### 3.4.3.1 Subordinated Loan Agreement for Establishment and Issue Expenses.

The Management Company, for and on behalf of the Fund, will enter into the Subordinated Loan Agreement for Establishment and Issue Expenses with BANESTO, a commercial loan of ONE MILLION NINE HUNDRED FIFTY THOUSAND EUROS (€1,950,000) that will be used to pay the Fund establishment and Bond issuance expenses, and to partially finance the acquisition of the Assets.

The amount of the Subordinated Loan for Establishment and Issue Expenses will be disbursed to the Cash Account on the Disbursement Date.

The Subordinated Loan for Establishment and Issue Expenses will earn a nominal interest rate per annum, calculated quarterly for each Interest Accrual Period, which will be equal to the sum of: (i) the Reference Interest Rate determined for the Bonds, and (ii) a margin of one percent (1%), which will be paid only if the Fund has sufficient liquidity in accordance with the Order of Priority of Payments set forth in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note or, if applicable, in accordance with the Order of Priority of Liquidation Payments set forth in section 3.4.6.3 of this Additional Building Block to the Securities Note. The accrued interest payable on a given Payment Date will be calculated on the basis of: (i) the actual number of days contained in each Interest Accrual Period and (ii) a year composed of three hundred sixty (360) days

Interest accrued and not paid on a Payment Date will be accumulated and bear interest at the same rate as the nominal interest rate of the Subordinated Loan for Establishment and Issue Expenses and will be paid, provided the Fund has sufficient liquidity and in accordance with the order of priority of payments set forth in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note, on the next following Payment Date or, if applicable, on the date of application of the Order of Priority of Liquidation Payments set forth in section 3.4.6.3 of this Additional Building Block to the Securities Note.

The part of the Subordinated Loan for Establishment and Issue Expenses used to pay for the establishment expenses of the Fund and the part used to pay the Bond issuance expenses will be repaid quarterly, as those expenses are amortised, during the first three (3) years after the establishment of the Fund and issuance of the Bonds. The part of the Subordinated Loan for Establishment and Issue Expenses used to partially finance acquisition of the Assets and the part of the Subordinated Loan for Establishment and Issue Expenses in excess of the funds used for the foregoing purposes (including the part of the Subordinated Loan for Establishment And Issue Expenses used to pay for the distribution fees to the extent the Bonds have not been effectively placed with investors) will be prepaid on the first Payment Date. All of the above will hold provided the Fund has sufficient liquidity in accordance with the Order of Priority of Payments established in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note or, if applicable, in accordance with the Order of Priority of Liquidation Payments established in section 3.4.6.3 of this Additional Building Block to the Securities Note.

The Subordinated Loan for Establishment and Issue Expenses, given its subordinated status, will be junior to the rest of the Fund's creditors (including, but not limited to, the Bondholders) on the terms provided in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note or, if applicable, in the Order of Priority of Liquidation Payments established in section 3.4.6.3 of this Additional Building Block to the Securities Note.

If, prior to the start of the Subscription Period, Standard & Poor's does not confirm as final any of the provisional ratings assigned, this will result in termination of the Subordinated Loan Agreement for Establishment and Issue Expenses except as regards the expenses of establishing the Fund and issuing the Bonds.

3.4.3.2 Subordinated Loan Agreement for the Reserve Fund.

The Management Company, for and on behalf of the Fund, will enter into the Subordinated Loan Agreement for the Reserve Fund with BANESTO for a commercial loan of THIRTY-EIGHT MILLION EUROS (€38,000,000) that will be used to set up the Reserve Fund.

The amount of the Subordinated Loan for the Reserve Fund will be disbursed to the Cash Account on the Disbursement Date.

The Subordinated Loan for the Reserve Fund will earn a nominal interest rate per annum, determined quarterly for each Interest Accrual Period, which will be equal to the sum of: (i) the Reference Interest Rate determined for the Bonds, and (ii) a margin of one percent (1%), which will be paid only if the Fund has sufficient liquidity in accordance with the order of priority of payments set forth in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note or, if applicable, in accordance with the Order of Priority of Liquidation Payments set forth in section 3.4.6.3 of this Additional Building Block to the Securities Note. The accrued interest payable on a given Payment Date will be calculated on the basis of: (i) the actual number of days contained in each Interest Accrual Period and (ii) a year composed of three hundred sixty (360) days

Interest accrued and not paid on a Payment Date will be accumulated and bear interest at the same rate as the nominal interest rate of the Subordinated Loan and will be paid, provided the Fund has sufficient liquidity and in accordance with the Order of Priority of Payments set forth in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note, on the next following Payment Date or, if applicable, on the date of application of the Order of Priority of Liquidation Payments set forth in section 3.4.6.3 of this Additional Building Block to the Securities Note.

The Subordinated Loan for the Reserve Fund will be repaid on each of the Payment Dates in an amount equal to the difference between the amounts of the required balances of the Reserve Fund on the two (2) Determination Dates immediately preceding the Payment Date in question. All of the above will hold provided the Fund has sufficient liquidity in accordance with the Order of Priority of Payments established in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note or, if applicable, in accordance with the Order of Priority of Liquidation Payments established in section 3.4.6.3 of this Additional Building Block to the Securities Note.

This loan, given its subordinated status, will be junior to the rest of the Fund's creditors (including, but not limited to, the Bondholders, and excluding the creditor under the Subordinated Loan for Establishment and Issue Expenses) on the terms provided in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note or, if applicable, in the Order of Priority of Liquidation Payments established in section 3.4.6.3 of this Additional Building Block to the Securities Note.

If, prior to the start of the Subscription Period, Standard & Poor's does not confirm as final any of the provisional ratings assigned, this will result in termination of the Subordinated Loan Agreement for the Reserve Fund.

3.4.3.3 Rules of subordination among the Bonds.

(i) Payment of interest:

- Payment of interest accrued on Series A1 and A2 Bonds ranks (i) fourth (4th) in the Order of Priority of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, and (ii) fourth (4th) in the Order of Priority of Liquidation Payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note.
- Payment of the interest accrued on Series B Bonds is ranked (i) fifth (5th) in the Order of Priority of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, and is therefore ranked below the payment of interest accrued on Series A1 and A2 Bonds, unless the situation provided for in number 5th of section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note occurs, in which case it will be ranked ninth (9th) in the Order of Priority of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note; and (ii) sixth (6th) in the Order of Priority of Liquidation Payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note, and is therefore ranked below the payment of interest accrued on Series A1 and A2 Bonds and below the Withholding of Principal.
- Payment of the interest accrued on Series C Bonds is ranked (i) sixth (6th) in the order of priority of payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, and is therefore ranked below the payment of interest accrued on Series A1, A2 and B Bonds, unless the situation provided for in number 6th of section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note occurs, in which case it will be ranked tenth (10th) in the Order of Priority of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note; and (ii) eighth (8th) in the Order of Priority of Liquidation Payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note, and is therefore ranked below the payment of interest accrued on Series A1, A2 and B Bonds and below the Withholding of Principal.
- Payment of the interest accrued on Series D Bonds is ranked (i) seventh (7th) in the order of priority of payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, and is therefore ranked below the payment of interest accrued on Series A1, A2, B and C Bonds, unless the situation provided for in number 7th of section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note occurs, in which case it will be ranked eleventh (11th) in the Order of Priority of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note; and (ii) tenth (10th) in the Order of Priority of Liquidation Payments described in section 3.4.6.3 of the Additional Building Block to the Securities

Note, and is therefore ranked below the payment of interest accrued on Series A1, A2, B and C Bonds and below the Withholding of Principal.

(ii) Repayment of principal:

The amount of the Withholding of Principal used for redemption of the Bonds ranks eighth (8th) in the order of priority of payments set forth in section 3.4.6.2.1 (b) of the Additional Building Block to the Securities Note.

In respect of the payment of principal the Series A2 Bonds are ranked below Series A1 Bonds in accordance with the Order of Priority of Payments, except as provided in section 4.9.3.6 of the Securities Note regarding the conditions for Pro Rata Redemption of Series A1 and A2. Notwithstanding the foregoing, in respect of the payment of principal the Series A2 Bonds are not ranked below Series A1 Bonds in accordance with the Order of Priority of Liquidation Payments.

As regards the payment of principal, the Series B Bonds are ranked below the Series A1 and A2 Bonds, the Series C Bonds are ranked below the Series A1, A2 and B Bonds, and the Series D Bonds are ranked below the Series A1, A2, B and C Bonds, in accordance with the Order of Priority of Payments (except as provided in section 4.9.3.6 of the Securities Note regarding the Conditions for Pro Rata Redemption) and in accordance with the Order of Priority of Liquidation Payments

### 3.4.4 An indication of any investment parameters for the investment of temporary liquidity surpluses and description of the parties responsible for such investment.

#### 3.4.4.1 Cash Account

The Management Company, for and on behalf of the Fund, and BANESTO will enter into the Guaranteed Yield Reinvestment Agreement whereunder BANESTO will guarantee a return on the amounts deposited by the Fund through its Management Company in the Cash Account. Specifically, the Guaranteed Yield Reinvestment Agreement will stipulate that the sums received by the Fund in respect of:

(i) principal of and interest on the Assets;

(ii) any other amounts received for any reason other than payment of principal or ordinary and default interest on the Assets;

(iii) the sums contained from time to time in the Reserve Fund;

(iv) the sums paid, where such is the case, to the Fund under the Swap; and

(v) the returns obtained on the balance of the Cash Account;

will be deposited in the Cash Account.

All of the collections and payments during the entire term of the Fund will be centralised in the Cash Account.

On the Disbursement Date the Cash Account will receive the cash amount of the payment for subscription of the Bond issue and the initial amount of the Subordinated Loan for Establishment and Issue Expenses and the Subordinated Loan for the Reserve Fund and will pay the price of acquiring the Assets assigned by BANESTO in their initial amount and the expenses of establishment of the Fund.

BANESTO guarantees to the Fund, through its Management Company, an annual return on the sums deposited in the Cash Account equal to the Reference Interest Rate on the Bonds, during the Interest Accrual Period immediately preceding each Payment Date as taken on the corresponding Rate Fixing Date. The reference rate for the First Interest Accrual Period will the three (3) month EURIBOR existing at 11:00 a.m. (CET) on the Date of Establishment.

The calculation of the return on the balance of the Cash Account will be done by reference to the actual number of days and on the basis of a year of three hundred sixty-five (365) days. Interest will be settled monthly, with value on the 15th day of each month. The first settlement date will be 15 October 2007.

If the rating of the short-term debt of BANESTO is at any time during the life of the Bond issue downgraded to below A-1 on the Standard & Poor's rating scale or that rating is for any reason withdrawn by Standard & Poor's, the Management Company will have a maximum of sixty (60) Business Days after the time of the downgrade within which to, for and on behalf of the Fund, and after notice to Standard & Poor's, adopt one of the required options from those described below that allow an adequate level of security to be maintained in respect of the commitments deriving from the functions contained in the Paying Agency agreement and no impairment to be suffered in the rating granted to the Bonds by Standard & Poor's:

(i) Obtain guarantees or similar commitments from a credit institution or institutions whose short-term debt has a rating not lower than A-1 on the Standard & Poor's rating scale, that guarantee the commitments assumed by the Paying Agent; or

(ii) Replace the Paying Agent with an entity whose short-term debt has a rating not lower than A-1 on the Standard & Poor's rating scale, in order for it to assume the functions of Paying Agent under the same conditions, with all costs and expenses arising from the replacement process being for the account of the replaced Paying Agent.

(iii) If the foregoing options are not possible, invest the balances in short term fixed income euro assets issued by entities having at least an A-1 Standard & Poor's rating of short-term debt, for periods of less than 60 Business Days (always with maturities prior to the following Payment Date on the Bonds). Investment for terms greater than 60 Business Days and less than the term ending on the following Payment Date on the Bonds will be allowed, provided that a clause is included whereby the investment may be cancelled within a maximum term of 60 Business Days after the downgrade of the rating. Any replacement, guarantee or investment will be subject to confirmation of the rating of the bonds by Standard & Poor's. All costs deriving from any of the aforesaid actions will be the responsibility of the ineligible counterparty.

Through the Guaranteed Rate Reinvestment Agreement the risk of temporary shortfall between the Fund's income from principal and interest having a varied frequency and the redemption and payment of interest on the Bonds, having a quarterly frequency, is mitigated.

### 3.4.5 How payments are collected in respect of the Assets.

BANESTO, as collections manager, on behalf of the Fund will receive all sums paid by the Debtors in respect of the Assets, whether for principal or interest, and any other sum assigned to the Fund, and will proceed to deposit the amounts that belong to the Fund in the Cash Account immediately, in any event within a period of no more than forty-eight (48) hours.

BANESTO will likewise credit any sums received from the Debtors as Prepayment on the Assets to the Cash Account within the time limit mentioned above.

If BANESTO's credit quality could result in a downgrade of the ratings given by Standard & Poor's to each of the Series of Bonds, the Management Company, by written notice to BANESTO, will give instructions so that such amounts as may be paid by the Debtors will be deposited in the Cash Account as quickly as possible (being authorised even to require that they be deposited on the day immediately after the day they were received by BANESTO).

<u>Powers of the owner of the Assets in the event of non-performance of the obligations of the Debtor or of the Administrator.</u>

BANESTO, as Administrator of the Assets, will apply the same diligence and procedure for claiming amounts owed and not paid on the Assets as for the other loans in its portfolio.

a) Enforcement action against the Debtors of the Assets.

The Fund, as owner of the Assets, will enjoy all legal actions arising from ownership of the Assets under the applicable laws and regulations. Such action will be exercised using the corresponding judicial proceedings under the terms of articles 517 et seq. of the Civil Procedure Act (Ley de Enjuiciamiento Civil).

For the above purposes, in the same act in which the Fund Deed of Establishment is executed, the Management Company will grant a power of attorney as broad and sufficient as required by law to BANESTO so that the latter, acting through any of its attorneys in fact with sufficient powers for such purpose, can, for and on behalf of the Management Company, demand from the Debtors of any of the Assets payment of the their debt and exercise judicial actions against them, as well as the other powers needed to perform its functions as Administrator. These powers also can be granted in a document separate from the Deed of Establishment or expanded if necessary for the performance of those functions.

b) Action against the Administrator.

The Management Company, for and on behalf of the Fund, will be entitled to bring executory actions against the Administrator to enforce payment of principal and interest at the maturities of the Assets, if the default of the payment obligation in respect thereof is not the result of lack of payment by the Debtors of the Assets.

Also, if BANESTO fails to perform the obligations described in section 3.7.1 of this Additional Building Block to the Securities Note, the Fund, through the Management Company, will be entitled to bring a declaratory action against BANESTO for non-performance of those obligations in respect of the Loans, all in accordance with the procedures contemplated for such proceedings in the Civil Procedure Act.

After the Assets have been cancelled, the Fund, through its Management Company, will reserve a right of action against the Administrator until its obligations have been discharged.

c) Actions in the event of non-payment of the Mortgage Loans.

The Fund, either through the Management Company or through the Administrator, will have a right of action against Debtors who default on their payment obligations under the Mortgage Loans. Such action must be exercised using the corresponding judicial enforcement proceedings as provided in articles 517 et seq. of the Civil Procedure Act.

In the event of non-payment of the principal or interest of an MTC due to non-payment of the Mortgage Loan by the Debtor, the Management Company, acting for and on behalf of the Fund, will have the following powers contemplated in article 66 of Royal Decree 1289/1991:

(i) Compel the Administrator to commence foreclosure of the mortgage;

(ii) Participate with the same rights as the Assignor, as issuer of the MTCs, in the foreclosure the latter pursues against the Debtor, appearing for this purpose in any foreclosure proceedings commenced by the former;

(iii) If the Administrator does not commence the proceedings within sixty (60) calendar days from the notarial notice demanding payment of the debt, the Management Company, for and on behalf of the Fund, will have subsidiary standing to commence foreclosure proceedings in respect of the Mortgage Loan for both principal and interest, and the Assignor will be required to issue a certificate of the existing balance of the Mortgage Loan;

(iv) If the proceedings pursued by the Assignor are halted, the Fund, duly represented by the Management Company, as holder of the corresponding MTC, may be subrogated to the position of the former and continue the foreclosure proceedings without the need to wait for the indicated time limit to expire.

In the events contemplated in subparagraphs (iii) and (iv), the Management Company, as representative of the Fund, may apply to the competent Judge to initiate or continue the corresponding mortgage foreclosure proceedings, submitting with the application the original certificate of the detached MTC, including the notarial demand contemplated in subparagraph (iii) above and the register certificate of registration and existence of the mortgage, for those cases involving MTCs, and the document evidencing the balance claimed.

If legally required, for purposes of articles 581.2 and 686.2 of the Civil Procedure Act, the Administrator, in the Deed of Establishment, will grant an irrevocable power of attorney, as broad and sufficient as required by law, so that the Management Company can, acting for and on behalf of the Administrator, serve a notary demand on the Debtor under any of the Mortgage Loans for payment of the Debtor's debt

The Fund, as owner of the MTCs, may likewise participate, through the Management Company, with the same rights as the Administrator, in the enforcement proceedings and may, on the terms of article 691 et seq. of the Civil Procedure Act, ask to be awarded the mortgaged property in payment of its credit. The Management Company will sell the properties thus awarded as soon as possible on market conditions.

The corresponding costs and advances of funds, if any, in respect of the enforcement proceedings indicated in this section will be for the account of the Fund.

3.4.6 Source and Application of Funds.

3.4.6.1 Source and use of funds on the Disbursement Date for the Bonds and until the first Payment Date, not included.

The source of the amounts available to the Fund on the Disbursement Date and their use until the first Payment Date, not included, are as follows:

1. Source: the Fund will have funds from the following sources:
   a) Payment for subscription of the Bonds.
   b) Draw against the principal amount of the Subordinated Loan for Establishment and Issue Expenses.
   c) Draw against the principal amount of the Subordinated Loan for the Reserve Fund.
2. Application: the Fund, in turn, will apply the funds described above to the following payments:
   a) Payment of the part of the price of acquisition of the Non-Mortgage Loans and subscription of the Mortgage Transfer Certificates at their nominal value.
   b) Payment of the expenses of establishment of the Fund and issue and listing of the Bonds.
   c) Establishment of the Reserve Fund.

3.4.6.2 Source and use of funds from the first Payment Date, included, until the final Payment Date or liquidation of the Fund, not included. Order of Priority of Payments

On each Payment Date that is not the Statutory Maturity Date when Early Liquidation of the Fund is not to occur on the terms established in section 4.4.3.(1) of the Registration Document, the Management Company will successively apply the Available Funds and the Available Principal Funds in accordance with the order of priority of payments established below for each of them (the "Order of Priority of Payments").

3.4.6.2.1 Available Funds: source and use

(a) Source: The Available Funds on each specific Payment Date will be as follows:

1. The sums received in respect of principal of the Assets in each preceding Determination Period.
2. The interest collected by the Fund on the Assets during each preceding Determination Period (including, where applicable, default interest).
3. The returns obtained during each preceding Determination Period from reinvestment of the Reserve Fund and from the rest of the sums deposited in the Cash Account.
4. The Reserve Fund, on the terms of section 3.4.2.2 of this Additional Building Block to the Securities Note.

5. The net amount received according to the terms of the Swap Agreement, as described in section 3.4.7 of this Additional Building Block to the Securities Note.

6. All other sums that the Fund may receive, including those arising from enforcing the guarantees of the Loans, if any, during the prior Determination Period.

(b) Application: The Management Company, on behalf of the Fund, will on each Payment Date proceed to apply the amount of Available Funds to the following payments and withholdings, in accordance with the order of priority described below:

1. Payment of the ordinary and extraordinary expenses of the Issuer (whether or not funded by the Management Company), duly evidenced, and the administration fee if the Assignor is replaced as administrator.

2. Payment to the Management Company of the periodic administration fee.

3. Payment to BANESTO of the net amount of the Swap and, solely in the case of termination of this Agreement by reason of breach by the Fund or its being the party affected by any Grounds for Acceleration, payment of the amounts to be paid by the Fund corresponding to the settlement payment.

4. Payment of interest accrued on Series A1 and A2 Bonds.

5. Payment of the interest accrued on Series B Bonds, except when this payment is downgraded to the 9th position in the Order of Priority of Payments.

   Such downgrading in the ranking will take place if, on the Determination Date prior to the corresponding Payment Date, the Principal Deficit is greater than the sum of (i) 75% of the Outstanding Principal Balance of Series B, and (ii) the Outstanding Principal Balance of Series C and D, and complete redemption of the Series A1 and A2 Bonds has not occurred and will not occur on the corresponding Payment Date.

6. Payment of the interest accrued on Series C Bonds, except when this payment is downgraded to the 10th position in the Order of Priority of Payments.

   Such downgrading in the ranking will take place if, on the Determination Date prior to the corresponding Payment Date, the Principal Deficit is greater than the sum of (i) 75% of the Outstanding Principal Balance of Series C, and (ii) the Outstanding Principal Balance of Series D, and complete redemption of the Series A1, A2 and B Bonds has not occurred and will not occur on the corresponding Payment Date.

7. Payment of the interest accrued on Series D Bonds, except when this payment is downgraded to the 11th position in the Order of Priority of Payments.

   Such downgrading in the ranking will take place if, on the Determination Date prior to the corresponding Payment Date, the Principal Deficit is greater than 75% of the Outstanding Principal Balance of Series D, and complete redemption of the Series A1, A2, B and C Bonds has not occurred and will not occur on the corresponding Payment Date.

8. Allocation to the Withholding of Principal, which will be used for redemption of the Bonds of all of the Series in the order described in section 4.9 of the Securities Note.

9. Payment of the interest accrued on Series B Bonds, if such payment has been downgraded in ranking from the 5th place in the Order of Priority of Payments.

10. Payment of the interest accrued on Series C Bonds, if such payment has been downgraded in ranking from the 6th place in the Order of Priority of Payments.

11. Payment of the interest accrued on the Series D Bonds, if such payment has been downgraded in ranking from the 7th place in the Order of Priority of Payments.

12. Withholding of the amount needed to keep the Reserve Fund at the Required Reserve Amount.

13. Payment of any amounts to be paid by the Fund corresponding to the settlement payment on the Swap Agreement, except in the circumstances contemplated in ranking 3 above (that is, in the event of termination of the Interest Rate Swap Agreement by reason of breach by the Fund's counterparty or because it is the party affected by any Grounds for Acceleration).

14. Repayment of principal and payment of interest accrued under the Subordinated Loan for the Reserve Fund.

15. Repayment of principal and payment of interest accrued under the Subordinated Loan for Establishment and Issue Expenses.

16. Payment to BANESTO of the administration fee.

    If the Assignor is replaced as Administrator of the Assets by another entity, the payment of the administration fee, which will accrue for the benefit of the new third party administrator, will be ranked 1st in the above ranking, together with the rest of the payments included in this position.

17. Payment to BANESTO of the Financial Intermediation Income.

The expenses set forth in the first position of the above ranking are broken down as follows:

The following are considered Ordinary Expenses:

- Expenses deriving from the annual audits of the Fund’s financial statements.
- Expenses arising from maintenance of the ratings of the five (5) Series of Bonds.
- Expenses that may arise from mandatory administrative examinations, registrations and authorisations.
- Expenses deriving from the redemption of the Bonds.
- Expenses related to any notices that, in accordance with the provisions of this Prospectus, must be given to the holders of outstanding Bonds.
- Fee of the Paying Agent (if any).

- Expenses related to maintaining the accounting records of the Bonds needed for their representation by book entries, for their admission to trading on AIAF and for maintaining all of the above.
- In general, any other expenses borne by the Management Company, and arising out of its work involving representation and management of the Fund.

The following are considered Extraordinary Expenses:

- Expenses, if any, derived from preparation and formalisation of amendments to the Deed of Establishment and the agreements, and the execution of additional agreements.
- The expenses needed to foreclose the loans underlying the Assets.
- In general all other extraordinary expenses borne by the Fund or by the Management Company for and on its behalf.

If in a single ranking number there are amounts due for different items on a Payment Date and the Available Funds are insufficient to cover all amounts due for those items, the remaining Available Funds will be allocated in the order of maturity of the amounts due and, if applicable, pro rata over the amounts due on the same date.

3.4.6.2.2 Available Principal Funds: source and use.

The composition of the Available Principal Funds and their use pursuant to the rules for Distribution of the Available Principal Funds are set forth in section 4.9.3.6 of the Securities Note.

3.4.6.3 Order of Priority of Liquidation Payments of the Fund.

The Management Company will proceed to liquidation of the Fund, when it is to be liquidated on the Statutory Maturity Date or when Early Liquidation applies under section 4.4.3.(1) of the Registration Document, by applying the following available funds (the "Available Liquidation Funds"): (i) the Available Funds; and (ii) the amounts obtained by the Fund through sale of the Loans and remaining assets (the "Order of Priority of Liquidation Payments"):

1st. Reserve to cover final expenses of dissolution and liquidation of a tax, administrative or publicity nature, and the management fee if the Assignor is replaced as administrator.

2nd. Payment of the ordinary and extraordinary expenses of the Issuer, whether or not funded by the Management Company, duly evidenced, including the administration fee due to the latter and the remaining expenses and fees for services, including those deriving from the Paying Agency Agreement (if any). Within this ranking payments will only be made to BANESTO in its capacity as Administrator and in respect of the Paying Agency Agreement, for expenses it has advanced or funded on behalf of the Issuer and for the amounts to be reimbursed to it in respect of the Loans, all duly evidenced.

3rd. Payment of the amounts, if any, owed by reason of termination of the of the Swap Agreement and, solely in the case of termination of this Agreement by reason of breach by the Fund or its being the party affected by any Grounds for Acceleration, payment of the amounts to be paid by the Fund corresponding to the settlement payment.

4th. Payment of interest accrued on Series A1 and A2 Bonds.

5th. Repayment of principal on Series A1 and A2 Bonds.

6th. Payment of interest accrued on Series B Bonds.

7. Repayment of principal on Series B Bonds.

8th. Payment of interest accrued on Series C Bonds.

9th. Repayment of principal on Series C Bonds.

10th. Payment of interest accrued on Series D Bonds.

11th. Repayment of principal on Series D Bonds.

12th. Payment of any amounts to be paid by the Fund corresponding to the settlement payment on the Swap Agreement, except in the circumstances contemplated in ranking 3 above (that is, in the event of termination of the Interest Rate Swap Agreement by reason of breach by the Fund's counterparty or because it is the party affected by any Grounds for Acceleration).

13th. Payment of interest accrued on the Subordinated Loan for the Reserve Fund.

14th. Repayment of principal on the Subordinated Loan for the Reserve Fund.

15th. Payment of interest accrued on the Subordinated Loan for Establishment and Issue Expenses.

16th. Repayment of principal on the Subordinated Loan for Establishment and Issue Expenses.

17th. Payment to BANESTO of the administration fee.

If the Assignor is replaced as Administrator of the Assets by another entity, the payment of the administration fee, which will accrue for the benefit of the new third party administrator, will be ranked 1st in the above ranking, together with the rest of the payments included in this position.

18th. Payment of the Financial Intermediation Income.

If in a single ranking number there are amounts due for different items on the Statutory Maturity Date or when Early Liquidation is to occur and the Available Liquidation Funds are insufficient to cover all amounts due for those items, the remaining Available Liquidation Funds will be allocated in the order of maturity of the amounts due and, if applicable, pro rata over the amounts due on the same date.

3.4.6.4 Financial Intermediation Income.

BANESTO will be entitled to receive variable and subordinated compensation (the "Financial Intermediation Income") from the Fund to compensate it for the financial intermediation undertaken that has allowed the financial transformation defining the activity of the Fund, the sale of the Loans to it and the rating given to each of the Bond Series. This compensation will be determined and accrue upon conclusion of each quarterly period which, except for the first period, will include the three calendar months immediately prior to each Payment Date, in an amount equal to the positive difference, if any, between the revenues and expenses, including the losses of prior periods, if any, incurred by the Fund in accordance with its accounting prior to the close of the months of February, May, August and November.

Payment of the Financial Intermediation Income at the ends of the months of February, May, August and November will be made on the Payment Date immediately following the last day of each of those months, provided that the Fund has sufficient liquidity in accordance with the Order of Priority of Payments set forth in section 3.4.6.2.1(b) of the Additional Module to the Securities Note or, if applicable, in accordance with the Order of Priority of Liquidation Payments for the Fund set forth in section 3.4.6.3 of the Additional Module to the Securities Note.

By way of exception, the first period for accrual of the Financial Intermediation Income will cover the period from the Date of Establishment of the Fund until 20 December 2007, both included, which corresponds to the last day of the month prior to the first Payment Date. The first date of payment of the Financial Intermediation Income will occur on the first Payment Date, 20 December 2007.

If the Fund, in accordance with the Order of Priority of Payments set forth in section 3.4.6.2.1(b) of the Additional Module to the Securities Note, on a Payment Date does not have sufficient liquidity to pay all of the Financial Intermediation Income, the unpaid amount will be added without any penalty to the Financial Intermediation Income, if any, accruing during the following quarterly period, and will be paid on the following Payment Dates when the Available Funds allow payment in accordance with the Order of Priority of Payments set forth in section 3.4.6.2.1(b) of the Additional Module to the Securities Note or, if applicable, in accordance with the Order of Priority of Liquidation Payments set forth in section 3.4.6.3 of the Additional Module to the Securities Note. The amounts of the Financial Intermediation Income not paid on prior Payment Dates will be paid with preference over the amount to be paid on the corresponding Payment Date.

### 3.4.7 Details of other agreements on which interest and principal payments to the Bondholders depend.

The Management Company, for and on behalf of the Fund, and BANESTO will enter into an Interest Rate Swap Agreement as per the model Financial Transactions Master Agreement, the key terms of which are described below.

The Interest Rate Swap is entered into due to the need to mitigate the interest rate risk to which the Fund is exposed because the Assets are subject to variable interest rates with different reference indices and different revision and payment schedules than those for the variable interest rates established for each of the Bond Series issued against the Fund.

Under the Interest Rate Swap, the Fund will make payments to BANESTO calculated on the interest rate of the Assets and, as counterparty, BANESTO will make payments to the Fund calculated on the Reference Interest Rate of the Bonds determined for the Interest Accrual Period in progress plus a margin of 0.60%.

*Party A:*

The Fund, represented by the Management Company.

*Party B:*

BANESTO.

*Calculation Agent:*

BANESTO will act as calculation agent for the Swap Agreement.

*Payment Dates*:

The Payment Dates will coincide with the Payment Dates of the Bonds. The first Payment Date will be 20 December 2007.

*Settlement Dates*:

The Settlement Dates will coincide with the Payment Dates. The first Settlement Date will be 20 December 2007.

*Settlement Periods:*

The Settlement Periods for Party A and for Party B are identical. The Settlement Period will be understood to be the days that effectively elapse between two consecutive Determination Dates, the first included and the last excluded. By way of exception, the first Settlement Period for each of the parties will have a duration equal to the actual number of days between 9 October 2007 (included) and the first Determination Date.

*Sum payable by Party A:*

On each Settlement Date, this will be a sum equal to the amount of all interest on the Assets received by the Fund during the corresponding Settlement Period.

*Sum payable by Party B:*

On each Settlement Date, this will be the result of applying the Party B Interest Rate to the Swap Notional according to the number of calendar days actually elapsed between two Payment Dates, on the basis of a 360-day year.

If the Administrator is replaced, this amount will be increased by the fee earned by the new administrator.

*Party B Interest Rate:*

For each Settlement Period this will be the nominal interest rate per annum calculated as the sum of (i) the Reference Interest Rate of the Bonds determined for the Interest Accrual Period in progress plus (ii) a margin of 0.60%.

*Swap Notional:*

The daily average Outstanding Balance of the Loans that are current in payments during the corresponding Settlement Period.

*Events of default of the Swap:*

If on a Payment Date the Fund does not have sufficient liquidity to pay the whole of the net amount (in the event the sum payable by the Fund to BANESTO is greater than the sum payable by BANESTO to the Fund) payable by the Fund to BANESTO, the part of the net amount not paid will be carried forward and accrue default interest at the Party A Interest Rate, and will be paid on the next Payment Date on which the Fund has sufficient liquidity in accordance with the order of priority of payments, so that the Swap is not terminated.

If on a Payment Date BANESTO does not pay the whole of the net amount it must pay to the Fund, the Management Company will terminate the Swap and, if applicable, BANESTO will assume the obligation of paying the settlement amount contemplated in the Swap. Also, in this event, if the settlement amount of the Swap is payable by the Fund, the payment will be made subject to the Order of Priority of Payments set forth in section 3.4.6.2.1.(b) above or, if applicable, to the Order of Priority of Liquidation Payments set forth in section 3.4.6.3 above.

The settlement amount will be calculated by BANESTO, as Swap calculation agent, according to the market value of the Swap.

*Procedure in event of change in Party B rating:*

If the short term unsubordinated and unsecured debt of Party B at any time during the term of the Bonds has its rating downgraded to A-2 by Standard & Poor’s, Party B may continue as an eligible counterparty, provided that it commits to collateralise, within a maximum term of 10 days, 100% of the market value of the Swap Agreement, calculated in accordance with Standard & Poor's criteria.

If it does not choose the foregoing option, Party B will become an ineligible counterparty in the transaction and, within a maximum term of 60 Business Days, must adopt one of the following measures:

i. Replace the ineligible counterparty with another lending institution the unsubordinated and unsecured short term debt of which has a minimum rating of A-1 from Standard & Poor's.

ii. Obtain from a lending institution acceptable to Standard & Poor's, the unsubordinated and unsecured short-term debt of which has a minimum rating of A-1 from Standard & Poor's, a first demand bank guarantee securing the obligations of the ineligible counterparty under the Swap Agreement.

If the short term unsubordinated and unsecured debt of Party B at any time during the term of the Bonds has its rating downgraded to A-3 by Standard & Poor’s, it will become an ineligible counterparty and, within a maximum term of 60 Business Days, must adopt one of the following measures:

i. Replace the ineligible counterparty with another lending institution the unsubordinated and unsecured short term debt of which has a minimum rating of A-1 from Standard & Poor's.

ii. Obtain from a lending institution acceptable to Standard & Poor's, the unsubordinated and unsecured short-term debt of which has a minimum rating of A-1 from Standard & Poor's, a first demand bank guarantee securing the obligations of the ineligible counterparty under the Swap Agreement.

Until one of the foregoing measures is implemented, on a mandatory basis, within a maximum term of 10 Business Days, the ineligible counterparty must increase the collateralisation already established by 25% of the market value of the Swap Agreement, in accordance with Standard & Poor's criteria.

Any replacement, guarantee or investment will be subject to confirmation of the rating of the Bonds by Standard & Poor’s.

All costs, taxes and expenses generated by Party B’s replacement as counterparty in the Swap Agreement will be for the account of Party B.

*Other arrangements:*

The Interest Rate Swap will be cancelled for all purposes if Standard & Poor’s does not confirm the ratings assigned on a provisional basis to each Series as final prior to the start of the Subscription Period.

The Management Company will employ all means within its reach that are necessary for a Swap Agreement to exist and be in effect at all times.

3.5 Name, address and significant business activities of the Assignor.

The Assignor of the Assets is Banco Español de Crédito, S.A.

The primary financial activities of BANESTO are those proper to all banks, according to the specific nature of such entities and to the applicable legal provisions. In this regard, the following activities should, basically, be highlighted:

- Raising funds (through passbook savings accounts, term deposits, investment funds, pension plans, insured plans, assignment of assets, issuance of securities, unit linked products and annuities, among others);
- Finance activities, mainly through personal loans, mortgage loans, credit accounts, discounting of bills, guarantees and lease, confirming and factoring transactions;
- Provision of services such as credit and debit cards, retail outlet payment systems, collections services, direct deposit and standing transfer and debit orders, wealth management, currency exchange, etc.

Shown below is selected financial information of the BANESTO Group for the second quarter of the years 2007 and 2006 and a comparison between the two.

The information at 30 June 2007 and 2006 in millions of euros has been prepared according to the International Financial Reporting Standards that apply under EC Regulation 1606/2002 and Bank of Spain Circular 4/2004.

GRUPO BANESTO. RELEVANT DATA
(In thousands of euros)

| BALANCE SHEET | 30/6/07 | 30/6/06 | Change |
|---|---|---|---|
| Total Assets | 102,966,960 | 93,789,268 | 9.8% |
| Assets weighted by risk | 67,982,151 | 58,486,320 | 16.2% |
| Capital and reserves | 4,694,079 | 3,523,871 | 33.2% |
| Loans and advances to customers (1) | 70,699,073 | 55,570,154 | 27.2% |
| Total funds managed | 90,099,722 | 75,692,486 | 19.0% |
| Delinquent / Risks (%) | 0.42% | 0.45% | - |
| Coverage (%) | 380.10% | 388.77% | - |

(*) Adjusted to securitisation of receivables

| INCOME STATEMENT | 30/6/07 | 30/6/06 | Change |
|---|---|---|---|
| Net Interest Income | 704,512 | 594,225 | 18.6% |
| Net fees and insurance business | 333,024 | 309,188 | 7.7% |
| Ordinary income | 1,108,399 | 969,021 | 14.4% |
| Net Operating Expenses | 404,617 | 388,006 | 4.3% |
| Net operating income | 638,104 | 522,849 | 22.0% |
| Profit before Tax | 550,155 | 451,553 | 21.8% |
| Consolidated Profit | 390,539 | 310,696 | 25.7% |
| Group results | 390,520 | 345,706 | 13.0% |
| Efficiency ratio (%)(*) | 37.48% | 39.71% | - |

(*) Calculated over the last 12 months

| RELEVANT RATIOS | 30/6/07 | 30/6/06 | |
|---|---|---|---|
| BIS Ratio | 10.69% | 10.67% | |
| Tier 1 | 7.09% | 6.68% | |
| ROE | 16.60% | 15.51% | |
| ROA | 0.69% | 0.67% | |
| RORWA (*) | 1.08% | 1.03% | |

(*) "Return on Risk Weighted Assets" calculated over the last 12 months

| PER SHARE DATA | 30/6/07 | 30/6/06 | Change |
|---|---|---|---|
| Period ending quote | 16.81 | 13.76 | 22.2% |
| Earnings per share for the period | 0.56 | 0.50 | 13.0% |
| Per share book value | 7.32 | 5.57 | 31.4% |
| PER (*) | 17.04 | 15.41 | - |
| Price over book value | 2.30 | 2.47 | - |

(*) Calculated over the last 12 months

| OTHER INFORMATION | 30/6/07 | 30/6/06 | Change |
|---|---|---|---|
| Employees | 10,110 | 9,534 | 576 |
| Offices | 1,945 | 1,732 | 213 |

The BANESTO office network on 30 June 2007 includes 1,945 offices distributed throughout Spain

3.6 Return and/or repayment of the securities linked to others that are not assets of the issuer.

Not applicable.

3.7 Administrator and functions of the Management Company as administrator.

3.7.1 Administrator.

BANESTO, whose name, address and significant activities are described in section 3.5 above, the Assignor of the Assets, in accordance with the terms of article 2.2 of Royal Decree 926/1998 undertakes to exercise custody and administration of the Assets, with the relations between BANESTO and the Fund being regulated by this Prospectus.

BANESTO will accept the mandate received from the Management Company and by virtue of that mandate undertakes:

(i) To perform the administration and management of the Assets acquired by the Fund on the terms of the rules and ordinary administration and management procedures established in this Prospectus;

(ii) To continue administering the Assets, dedicating the same time and attention and level of expertise, care and diligence in their administration as it would dedicate and apply to the administration of its own loans and, in any event, it will apply an appropriate level of expertise, care and diligence in providing the services referred to in this Additional Building Block to the Securities Note;

(iii) That the procedures it applies and will apply to the administration and management of the Assets conform and will continue to conform to the prevailing laws and legal provisions applicable thereto;

(iv) To abide by the instructions given to it by the Management Company, with due loyalty;

(v) To indemnify the Fund for such damages as may derive from the breach of the obligations so contracted.

A succinct description of the system and ordinary procedures for administration and custody of the Assets is given in the following sections.

(1) Term

The services will be provided by the Administrator until, all of the Assets acquired by the Fund having been repaid, all obligations assumed by the Administrator as Assignor thereof have been satisfied, or when liquidation of the Fund has been concluded after its dissolution, without prejudice to possible early revocation of the mandate.

In the event of insolvency of the Administrator, intervention by the Bank of Spain, breach by the Administrator of the obligations that this Additional Building Block imposes on it or a decrease in or loss of the credit rating of the Administrator or change in its financial status that results in prejudice to or risk for the financial structure of the Fund or the rights and interests of the Bondholders, the Management Company if legally possible will, inter alia, after notice to Standard & Poor's, proceed with any of the following actions so that the rating assigned to the Bonds by Standard & Poor's will not be prejudiced:

(i) require the Administrator to subcontract or delegate to another entity the performance of those obligations by another entity that, in the opinion of the Management Company, has the appropriate legal and technical capacity, provided this does not have a negative impact on the rating of the Bonds;

(ii) obtain the guarantee of a third party institution with sufficient credit rating and quality of all or a part of the Administrator's obligations; or

(iii) revoke the appointment of the Administrator, in which case the Management Company must first appoint a new Administrator that has sufficient credit quality and accepts the obligations set forth in this Additional Building Block. Any additional expense or cost deriving from such actions will be covered by the Administrator, in no event by the Fund or the Management Company.

In the event of insolvency of the Administrator, the only possible action will be (iii) above.

The Management Company will take into account the proposals that the Administrator makes to it both on the subcontracting, delegation or appointment of the replacement for performance of its obligations, as well as on the entity that could guarantee it in the performance thereof.

The Administrator, in turn, may voluntarily decline to carry on the administration and management of the Assets if this is possible under the laws prevailing from time to time and provided that (i) it is authorised to do so by the Management Company; (ii) the Management Company has appointed a new Administrator; (iii) the Administrator has indemnified the Fund for the such damages and losses as may be occasioned to it by the resignation and replacement, and any additional cost will be borne by it and cannot be passed on to the Fund; and (iv) there is no negative impact on the rating of the Bonds.

(2) Liability of BANESTO in the custody and administration.

BANESTO undertakes to carry on the custody and administration of the Assets with all due diligence and will be liable to the Fund, through its Management Company, for any harm that may arise from its negligence.

BANESTO will compensate the Fund, through its Management Company, for all damages, losses or expenses incurred due to breach of its custody and/or administration obligations in respect of the Assets.

(3) Liability of BANESTO in collections management.

BANESTO undertakes to carry on the collections management for the Loans with all due diligence and will be liable to the Fund, through its Management Company, for any harm which may arise from its negligence.

BANESTO will bear no liability for directly or indirectly warranting the successful outcome of the transaction, will grant no guarantees or endorsements or enter into repurchase agreements in respect of the Assets, except for such Assets as do not conform to the representations given by the Assignor and reproduced in section 2.2.8 of this Additional Building Block to the Securities Note.

(4) Custody of contracts, deeds, documents and files.

The Administrator will maintain all agreements, copies of deeds, documents and computer records relating to the Assets and the damage insurance policies, if applicable, in its safe custody and will not relinquish possession, custody or control thereof without the prior written consent of the Management Company to that effect, unless a document is required from it to initiate enforcement proceedings on an Asset.

The Administrator will provide reasonable access at all times to the said agreements, deeds, documents and records by the Management Company or the statutory auditor of the Fund, duly authorised by the latter. Also, if requested by the Management Company, it will provide, within five (5) Business Days following such request and free of expense, a copy or photocopy of the said agreements, deeds and documents. The Administrator will act in the same manner in the case of requests for information from the Fund’s auditor.

The Administrator in any event waives the privileges conferred upon it by law as collections manager of the Fund and custodian of the Loan agreements and, in particular, those provided in articles 1730 and 1780 of the Civil Code (regarding the retention of the deposited items as a pledge) and article 276 of the Commercial Code (guarantee similar to retention of the deposited item as a pledge).

(5) Collection management.

BANESTO, as collections manager, on behalf of the Fund will receive all amounts paid by the Debtors deriving from the Assets, in respect of principal or interest or any other item included in the insurance contracts assigned to the

Fund and will deposit the amounts that belong to the Fund in the Cash Account immediately, in any event within no more than forty-eight (48) hours.

BANESTO will likewise credit to the Cash Account, within the time limit mentioned above, any amounts received from the Debtors as Prepayment of the Assets.

If BANESTO's credit quality could result in a downgrade of the ratings given by Standard & Poor’s to each of the Series of Bonds, the Management Company, by written notice to BANESTO, will give instructions so that such amounts as may be paid by the Debtors will be deposited in the Cash Account as quickly as possible (being authorised even to require that they be deposited on the day immediately after the day they were received by BANESTO).

(6) Fixing the interest rate.

In the Loans subject to a floating interest rate, the Administrator will continue fixing the interest rates according to the terms of the corresponding Loans, giving the notices and communications established for such purpose in the respective agreements.

(7) Advance of funds.

BANESTO will in no event make an advance of any amount which has not been previously received from the Debtors as principal or an instalment pending maturity, interest or financial charges, prepayment or other items arising from the Assets.

(8) Information.

The Administrator must periodically inform the Management Company of the degree of fulfilment by the Debtors of their obligations in respect of the Assets, of the Administrator’s fulfilment of its obligation to deposit the amounts received from the Assets, and of the actions taken in the event of non-payment and auction of properties, and of the existence of hidden defects in the Assets.

The Administrator will prepare and submit to the Management Company such additional information as, in respect of the Loans or the rights deriving therefrom, may be reasonably requested by the Management Company.

(9) Subrogation of the Debtor of the Assets.

The Administrator will have authority to allow replacements into the position of the Debtor in the Loan agreements, solely in those cases in which the characteristics of the new Debtor are similar to those of the previous one and that they meet the lending policy requirements described in section 2.2.7 of this Additional Building Block to the Securities Note, and provided that all expenses arising from such change are for the account of the Debtors. The Management Company may totally restrict this power of the Administrator when such replacements could aversely affect the ratings assigned to the Bonds by Standard & Poor’s.

In any case, any subrogation made in accordance with the provisions of the above paragraph will be immediately reported by the Administrator to the Management Company.

As regards the Mortgage Loans, the Debtor may instruct the Administrator to carry out subrogation as regards the Mortgage Loans under Act 2/1994. The subrogation of a new creditor to a Mortgage Loan and related payment of the amount owed will result in prepayment of the Mortgage Loan and the related MTC.

(10) Powers and actions in respect of renegotiations of the Loans.

The Management Company authorises the Administrator on a general basis to carry out renegotiations, with or without prior consent, on the terms and conditions described below.

The Administrator cannot voluntarily cancel the guarantees of the Assets for any reason other than payment of the Asset, or waive or settle the Assets, condone the Assets in whole or in part or extend them, or in general carry out any act that diminishes the ranking, legal effectiveness or economic value of the guarantees of the Assets, without prejudice to its attending to the requests of the Debtors with the same diligence and procedures as with other loans.

In no event may the Administrator commence at its own initiative, without a request from the Debtor, renegotiations of the interest rate that could lead to a reduction of the interest rate applicable to an Asset or amendments of the final maturity date of a Loan from which an extension thereof could result.

The Management Company authorises the Administrator to renegotiate the interest rate applicable to the Loans at the Debtors' request, subject to the following requirements:

a) The Administrator will renegotiate the interest rate of the Loans at a rate considered to be a market rate and that does not differ from the one applied by the Administrator in the renegotiation of the credit facilities and loans it has granted. For these purposes, the market interest rate is considered to be the interest rate offered by credit institutions in the Spanish market for loans or credit facilities in amounts and conditions substantially similar to the Loan.

b) In no event will renegotiation of the applicable interest rate result in a modification of that rate to a variable interest rate or index different from that of the interest rates or indices used by the Administrator for the credit facilities and loans it has granted. Nevertheless, renegotiation will be possible if it results in a change from a variable to a fixed interest rate, taking into account the restriction set forth in subparagraph c) below.

In addition, the Administrator's renegotiation authority recognised in this section is subject to the following limits:

a) In no case may the Loan amount be increased.

b) The frequency of payment of Loan instalments may not be changed (except in the case of extension of the term, subject to the provisions of section (d) below).

c) The margin over the reference index cannot be renegotiated to below zero point four five percent (0.45%).

d) The maturity period of a specific Loan can be extended provided the following requirements are met:

- The amount of the sum of the initial capital or principal of the Loans assigned to the Fund in respect of which there is an extension of the term may not exceed 10% of the initial Outstanding Balance of the Loans on the Date of Establishment of the Fund.

- That, in all cases, the regularity of interest payments and repayment of principal on the Loan is maintained or Increased (that is, the payment dates occur more frequently), maintaining the same repayment system.
- The new final maturity date or last repayment on the Loan will, at latest, be 25 February 2037.

In any event, after any renegotiation takes place in accordance with the provisions of this section, the Administrator will immediately proceed to notify the Management Company of the conditions resulting from each renegotiation. That notice will be given by means of the logical or computer file contemplated for updating the conditions of the Loans.

The Management Company, as representative of the Fund, may in certain exceptional circumstances suspend or modify the renegotiation authority and requirements of the Administrator set forth in this section.

If the Administrator breaches the provisions of this section regarding renegotiation of any of the Loans, the replacement procedure described in section 2.2.9 of the Additional Building Block of the Securities Note will apply in respect of the Loan in question. The Administrator assumes the obligation of indemnifying the Fund for any damage, loss or expense incurred by the latter due to breach by the Administrator of the obligations described in this section.

(11) Fee for provision of services.

As consideration for custody, administration and management of the Loans and deposit of the documents representing the Mortgage Transfer Certificates, the Administrator will be entitled to receive at the ends of periods on each Payment Date an administration fee equal to 0.01% per annum, with VAT included if not exempted, which will be earned for the days effectively elapsed during each Determination Period prior to the Payment Date on the average daily Outstanding Balance of the Loans it administers during the Determination Period.

If BANESTO is replaced in the administration of the Assets by another entity that does not belong to the BANESTO consolidated group, the replacement entity will be entitled to receive an administration fee that will be ranked 1st in the Order of Priority of Payments set forth in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note or, if applicable, in the Order of Priority of Liquidation Payments set forth in section 3.4.6.3 of the Additional Building Block to the Securities Note (in both cases taking the ordinary expenses of the Fund into account).

If the Fund, through its Management Company, on a Payment Date does not pay the whole of the fee because it does not have sufficient liquidity in the Cash Account in accordance with the Order of Priority of Payments set forth in section 3.4.6.2.1.(b), the amounts not paid will be accumulated with no penalty whatsoever with the fee payable on the next Payment Date and be paid at that time.

For its part, BANESTO on each Payment Date will be entitled to be reimbursed for the exceptional expenses it has incurred in respect of the administration of the Assets, upon prior justification thereof to the Management Company. Those expenses will include, inter alia, those occasioned by reason of enforcement of guarantees and, if applicable, the sale of properties, and will be paid provided the Fund has sufficient liquidity in the Cash Account in accordance with the provisions of section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note on the order of priority of payments.

(12) Other expenses and remuneration.

BANESTO will be entitled on a quarterly basis to receive, as remuneration or compensation for the financial intermediation it undertakes, the Financial Intermediation Income on the terms contemplated in section 3.4.6.4 above.

BANESTO's right to receive this compensation is independent of its status as Administrator.

(13) Notices.

The Management Company and the Assignor have agreed not to notify the assignment to the respective Debtors. For these purposes, notice is not a requirement for validity of the assignment of the Assets or the issue of the Mortgage Transfer Certificates.

However, the Assignor will grant the broadest powers of attorney that in law are necessary to the Management Company so that it can, in the name of the Fund, notify the Debtors of the assignment at the time it considers appropriate.

In the event of insolvency or signs thereof, liquidation or replacement of the Administrator or because the Management Company deems it to be reasonably justified, it may require the Administrator to notify the Debtors (or, if applicable, third party guarantors and the underwriters) of transfer to the Fund of the Assets pending repayment, and that the payments deriving therefrom will only discharge the debt if they are made to the Cash Account opened in the name of the Fund. Nevertheless, if the Administrator has not given notice to the Debtors and, if applicable, to the third party guarantors and underwriters, within the five (5) Business Days after receipt of the requirement, and in the event of insolvency or liquidation of the Administrator, it will be the Management Company itself, directly or through a new Administrator that has been appointed, that gives notice to the Debtors and, if applicable, to the third party guarantors and underwriters.

In the same manner and under the same circumstances the Management Company may require the Administrator to undertake such acts and comply with such formalities as may be necessary, including notices to third parties and entries in the pertinent accounting records, in order to assure maximum effectiveness of the sale of Assets and accessory guarantees as against third parties.

The Assignor will assume the expenses involved in notifying the Debtors even when notice is given by the Management Company.

### 3.7.2 Management Company

The administration and legal representation of the Fund is vested in the Management Company, whose name, address and significant business activities are set forth in section

6 of the Registration Document on the terms provided by Royal Decree 926/1998, and other applicable regulations.

The Management Company, as manager of third-party businesses, is also responsible for the representation and defence of the interests of the Bondholders and of the remaining ordinary creditors of the Fund. Consequently, the Management Company will at all times safeguard the interests of the Bondholders, giving the defence of such interests priority and adhering to the provisions established in regulations for such purpose.

The actions the Management Company will take to perform its function of administration and legal representation of the Fund are as follows, merely by way of illustration and without prejudice to other actions provided for in this Additional Building Block to the Securities Note. The Management Company will:

(i) Open the Cash Account in the name of the Fund, initially with BANESTO, for so long as the short-term rating of BANESTO does not fall below A-1 on the Standard & Poor's scale.

(ii) Exercise the rights attaching to the Fund's ownership of the Assets and, in general, carry out all acts of administration and disposition that are needed for the proper performance of the administration and legal representation of the Fund;

(iii) Carry on the financial administration of the Assets with diligence and rigour, without prejudice to the management functions assumed by the Assignor in its capacity as Administrator according to the provisions of section 3.7.1 above;

(iv) If applicable, replace the Administrator as provided in section 3.7.1 above;

(v) Verify that the amount of income effectively received by the Fund corresponds to the amounts to be received by the Fund in accordance with the conditions of each Asset and the conditions of the various contracts;

(vi) Validate and monitor the information it receives from the Administrator regarding the Loans, both as regards collections of ordinary payments, prepayments of principal, payments received for unpaid instalments and status and monitoring of non-payments;

(vii) Calculate the available funds and movements of funds it will have to make once the application thereof has been carried out in accordance with the corresponding order of priority of payments, ordering transfers of funds between the various asset and liability accounts and the applicable payment instructions, including those assigned to meet the financial servicing of the Bonds;

(viii) Calculate and settle such amounts as, for interest and fees, must be received and paid by the various asset and liability financial accounts, as well as the fees to be paid for the various financial services arranged and the amounts that, for repayment of principal and interest, correspond to each of the Series of Bonds;

(ix) If the ratings assigned to BANESTO's debt by Standard & Poor's fall, at any time during the life of the Bonds, below the ratings established in the Guaranteed Yield Reinvestment, Swap, and Issue Management, Underwriting and Distribution Agreements, as regards BANESTO's position as Paying Agent, it will take the actions contemplated in respect of those agreements as described in sections 3.4.4 and 3.4.7 of this Additional Building Block to the Securities Note and section 5.2.1 of the Securities Note;

(x) Perform its calculation obligations as provided in this Additional Building Block to the Securities Note and in the Subordinated Loan Agreement for Establishment and Issue Expenses and Subordinated Loan Agreement for the Reserve Funds and in the Guaranteed Yield Reinvestment Agreement for the Cash Account described in sections 3.4.3 and 3.4.4 of this Additional Building Block to the Securities Note;

(xi) Closely monitor the actions of the Administrator to recover non-payments, giving instructions, when appropriate, to initiate enforcement proceedings and, where applicable, on the position to adopt in the auctions of properties. Pursue the corresponding remedies when the circumstances so require;

(xii) Maintain the accounting of the Fund duly separated from the Management Company's own accounting, rendering accounts and complying with the tax and other legal obligations of the Fund;

(xiii) Provide to the holders of the Bonds issued against the Fund, to the CNMV and to Standard & Poor's all such information and notices as are provided for in current legislation and, specifically, those contemplated in this Prospectus;

(xiv) In order to allow the Fund to operate as provided in the Prospectus and in the laws and regulations in effect from time to time, renew or amend the agreements it has signed in the name of the Fund, replace each of the providers of services to the Fund under those agreements and even, if necessary, enter into additional agreements, all subject to the legislation in force from time to time, to the prior authorisation, if necessary, of the CNMV or competent governmental agency and to notification thereof to Standard & Poor's, provided such actions do not lead to a downgrade of the rating of the Bonds and do not prejudice the interests of the Bondholders. Any amendment to the Deed of Establishment will be notified in advance to the CNMV, to obtain the requisite authorisation, and to Standard & Poor's.

(xv) Appoint and replace, if applicable, the auditor that audits the annual financial statements of the Fund;

(xvi) Prepare and file, with the CNMV and with the competent authorities, all documents and information that must be submitted under the applicable laws and regulations and this Prospectus, or that are requested of it, and prepare and submit to Standard & Poor's such information as it may reasonably request;

(xvii) Adopt the pertinent decisions in respect of the Fund's liquidation, including the decision to accelerate the Bond issue and liquidate of the fund, according to the terms of this Prospectus;

(xviii) Not carry out actions that could impair the rating of the Bonds and arrange for the adoption of the measures reasonably available to it so that the rating of the Bonds is not negatively affected at any time;

(xix) Manage the Fund in such manner that the net asset value thereof is always zero.

The Management Company will act with the diligence required thereof in accordance with Royal Decree 926/1998, representing the Fund and defending the interests of the Bondholders and the other creditors of the Fund as if dealing with its own interests, using the levels of diligence, reporting and defence of interests it uses for its own, and avoiding situations that involve conflicts of interest, giving priority to the interests of the Bondholders and the other creditors of the Fund rather than its own interests. The Management Company will be liable to the Bondholders and other creditors of the Fund for all damages caused thereto by the breach of its obligations. Furthermore, it will be liable as regards sanctions applicable thereto pursuant to the provisions of Act 19/1992.

The Management Company has the necessary means, including appropriate computer systems, to perform the duties of administration of the Fund attributed thereto by Royal Decree 926/1998.

The Management Company has established a set of Internal Regulations of Conduct in application of the provisions of Chapter II of Royal Decree 629/1993 of 3 May 1993 on rules for action on the securities markets and mandatory records, which have been reported to the CNMV.

The Management Company may act as Management Company of the Fund, as well as of any other securitisation fund, without the simultaneous management thereof in any way whatsoever constituting a violation of its obligations of diligence as Management Company of the Fund or other securitisation funds.

Replacement of the Management Company

The Management Company will be replaced in the administration and representation of the Fund in accordance with the provisions established by regulation for that purpose. Thus, in accordance with the provisions of articles 18 and 19 of Royal Decree 926/1998, the replacement of the Management Company will be accomplished by using the following procedure:

(i) The Management Company may resign from its duties when it deems it to be appropriate and voluntarily request its replacement, by letter addressed to the CNMV reflecting the appointment of the replacement management company. Included with such letter will be that of the new management company, duly authorised and registered as such with the special registers of the CNMV, in which the latter declares it is willing to accept such duties and is interested in the corresponding authorisation. The resignation of the Management Company and appointment of a new company as management company of the Fund must be approved by the CNMV. In no case may the Management Company resign from the exercise of its duties until all of the requisites and formalities for its replacement to be able to fully assume its duties in respect of the Fund have been fulfilled. Nor may the Management Company resign its functions if, by reason of the referenced replacement, the rating granted to any of the Series of Bonds issued against the Fund would decrease. All expenses arising as a result of such replacement will be paid by the Management Company itself, and in no event may be allocated to the Fund.

(ii) In the event of the occurrence in the Management Company of any of the causes for dissolution contemplated under number 1 of article 260 of the Corporations Act, the Management Company will be replaced. The occurrence of any of those causes will be communicated by the Management Company to the CNMV. In this case, the Management Company will be required to comply with the provisions of section (i) above prior to its dissolution.

(iii) If the Management Company is declared to be insolvent, or has its authorisation revoked, a management company must be appointed to replace it. The replacement must be made effective within four (4) months after the date of the event requiring replacement. If four (4) months pass after such event without the Management Company having appointed a new management company, the Fund will be liquidated early and the Bonds redeemed, for which purpose the actions contemplated in section 4.4.3.(3) of the Registration Document will be taken.

(iv) The replacement of the Management Company and appointment of a new company, approved by the CNMV as provided in the foregoing paragraphs, must be notified to Standard & Poor's and made public, within fifteen (15) days, by publishing a notice in two daily newspapers with nationwide circulation and in the AIAF bulletin.

The Management Company will make available all public and private documents that are necessary to proceed with its replacement by another management company in accordance with the procedure stipulated in the foregoing paragraphs of this section. The replacement management company must be subrogated to the rights and obligations of the Management Company under this Additional Building Block to the Securities Note. Furthermore, the Management Company will deliver to the new management company such documents and accounting and computer records relating to the Fund as are in its possession.

Scheme of remuneration in favour of the Management Company for performance of its duties

The Management Company will be entitled, on each Payment Date of the Bonds, to a periodic administration fee equal to zero point zero two percent (0.02%) per annum, which will accrue for the actual number of days in each Interest Accrual Period, will be paid quarterly on each of the Payment Dates and will be calculated on the basis of the aggregate Outstanding Principal Balance of the Bonds on the Determination Date corresponding to that Payment Date. The fee accrued from the Date of Establishment of the Fund to the first Payment Date of the Bonds will be adjusted in proportion to the days contained in the period between those two dates, calculated on the basis of the face value of the Bonds issued.

The calculation of the periodic administration fee, payable on a given Payment Date, will be made pursuant to the following formula:

$$A = B \times 0{,}02\% \times \frac{d}{365}$$

*Where:*

A = Fee payable on a given Payment Date.
B = Sum of the Unpaid Balances of the Bonds of all Series, on the Determination Date corresponding to that Payment Date.
d = Number of days in each Interest Accrual Period.

## 3.8 Name, address and brief description of any counterparty for swap operations and providers of credit, liquidity or accounts.

BANESTO is the counterparty of the Fund in the agreements described below. A brief description of BANESTO is included in section 3.5 of this Additional Building Block to the Securities Note

a) Cash Account Guaranteed Yield Reinvestment Agreement.

The Cash Account will be initially opened with BANESTO. Said account will be maintained at BANESTO for so long as the BANESTO short-term rating does not fall below A-1 on the Standard & Poor's scale.

A description of the agreement is given in section 3.4.4 of this Additional Building Block to the Securities Note.

b) Subordinated Loan Agreement for Establishment and Issue Expenses.

A description of the agreement is given in section 3.4.3.1 of this Additional Building Block to the Securities Note.

c) Subordinated Loan Agreement for the Reserve Fund.

A description of the agreement is given in section 3.4.3.2 of this Additional Building Block to the Securities Note.

d) Interest Rate Swap Agreement (Swap).

A description of the agreement is given in section 3.4.7 of this Additional Building Block to the Securities Note.

## 4. POST ISSUANCE REPORTING.

a) Obligations and deadlines contemplated for the preparation, auditing and approval of the annual financial statements and management report.

The Management Company will file the annual financial statements of the Fund, together with the audit report thereon, with the CNMV within four (4) months following the close of the Fund's fiscal year, which will be coterminous with the calendar year (that is, prior to 30 April of each year).

b) Obligations and terms contemplated for making periodic information on the economic and financial status of the Fund available to the public and remitting it to the CNMV and **Standard & Poor's**.

b.1.- Ordinary periodic notices.

The Management Company, in its management and administration of the Fund, undertakes to report to the CNMV and to Standard & Poor's, with the utmost possible diligence, quarterly or with such other timing as they may request, the information described below or any other type of information requested of it, in respect of the Bonds of the five (5) Series, the performance of the Assets, prepayments and the economic and financial status of the Fund, as well as providing them with all additional information requested of it.

*(b.1´)* Within the time period between the Rate Fixing Date and a maximum of three (3) Business Days following each Payment Date, it will notify the Bondholders as to the nominal interest rates determined for each Series of Bonds for the following Interest Accrual Period.

*(b.1'')* With advance notice of at least one (1) calendar day preceding each Payment Date, it will notify the Bondholders of the following:

i. The resulting interest on the Bonds together with the redemption thereof;

ii. The Average Prepayment Rates of the Assets at the Determination Date;

iii. The average residual life of the Bonds calculated pursuant to the hypothesis of maintenance of said actual prepayment rate.

iv. The Outstanding Principal Balance (after the redemption to be made on each Payment Date) of each Bond, and the percentage that such

Outstanding Principal Balance represents of the total initial face amount of each Bond.

v. Outstanding Balance of the Assets, interest accrued thereon, including interest collected and not collected, and the amount past due of the Assets.

vi. Report on the source and subsequent application of the Available Funds in accordance with the order of priority of payments set forth in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note.

If applicable, it will likewise proceed to inform the Bondholders of the interest accrued on the Bonds and not paid and/or the Principal Gap due to insufficiency of Available Funds.

The notices indicated in paragraphs b.1') and b.1") will be given according to the provisions of section b.3 below and will also be sent to Iberclear and AIAF within a maximum of two (2) Business Days before each Payment Date.

b.2- Extraordinary notices.

The Fund, through its Management Company, will also notify the Bondholders of all significant events that may occur in respect of the Assets, the Bonds, the Fund and the Management Company itself that are capable of having a material influence on the trading in the Bonds and, in general, of any material change in the Fund assets or liabilities, and also of any possible decision to redeem the Bonds early for any of the reasons provided in the Prospectus, submitting to the CNMV in such event the notary certificate of liquidation and procedure referred to by section 4.4.3(3) of the Registration Document.

By way of exception the final margins applicable for determination of the Nominal Interest Rate for each of the Series, and the Nominal Interest Rate determined for the Bonds of each Series for the first Interest Accrual Period, will be notified by the Management Company to the Underwriters prior to commencement of the Subscription Period, so that the latter may provide it to the investors interested in subscription of the Bonds. The Management Company will likewise notify those margins to the CNMV and to AIAF.

b.3 Procedure

The notices to the Bondholders that, in light of the foregoing, must be given by the Fund, through its Management Company, will be given as follows:

1. Ordinary periodic notices referred to in section b.1) above, by publication either in the AIAF daily bulletin or any other that may replace it in the future or another having similar characteristics, or by publication in a newspaper widely-circulated in Spain.

2. Extraordinary notices referred to in section b.2) above, by publication in a newspaper widely circulated in Spain.

In addition, the above notices may be given by publication in other generally-disseminated media.

These notices will be deemed to be given on the date they are published. Any day of the calendar, whether a Business Day or Non-Business Day, will be suitable for this purpose (for purposes of this Prospectus).

(c) Reporting to the CNMV.

The Management Company will advise the CNMV of any information contemplated in the foregoing sections, as well as any information that, independently of the foregoing, is requested of it.

(d) Information to be provided by BANESTO to the Management Company.

In addition, BANESTO undertakes to inform the Management Company, as representative of the Fund, on a quarterly basis and, in any event, upon request of the Management Company, of payment defaults, prepayments and changes of interest rates and, on a timely basis, of demands for payment, court actions and any other circumstances affecting the Assets. BANESTO will likewise provide the Management Company with all documents the latter may request in respect of those Loans and, in particular, the documentation required for the Management Company to initiate, where applicable, court actions.

Ignacio Ortega Gavara, for and on behalf of SANTANDER DE TITULIZACIÓN, S.G.F.T., and in his capacity as General Manager signs this Prospectus in Madrid on 4 October 2007

## GLOSSARY OF DEFINITIONS

For appropriate interpretation of this Prospectus, capitalised terms will be construed in accordance with the definition given to each such term below, unless any other meaning is expressly attributed thereto. Any terms not expressly defined will be construed in their natural and obvious sense according to the general usage thereof. Furthermore, it is noted that terms in the singular will include the plural and vice versa, whenever the context so requires.

The capitalised terms listed below will have the following meanings:

"Assets" means the credit rights arising under the Loans granted by BANESTO that are included in the assignment to the Fund upon its establishment.

"Administrator" means Banco Español de Crédito, S.A. (or such entity as may replace it as Administrator).

"Paying Agent" means Banco Español de Crédito, S.A. (or such entity as may replace it as Paying Agent)

"Early Redemption" means redemption of the Bonds on a date prior to the Statutory Maturity Date under the circumstances of Early Liquidation of the Fund in accordance with the requirements established in section 4.4.33(1) of the Registration Document.

"AIAF" means AIAF, Mercado de Renta Fija (AIAF Fixed Income Securities Market).

"BANESTO" means Banco Español de Crédito, S.A.

"Bonds" means the securitisation bonds issued against the Fund.

"Assignor" means Banco Español de Crédito, S.A.

"Mortgage Transfer Certificates" or "MTCs" means the mortgage transfer certificates to be issued by BANESTO in accordance with the provisions of section 3.3 of the Additional Building Block to the Securities Note.

"CET" means "Central European Time".

"CNMV" means the Comisión Nacional del Mercado de Valores (Spanish Securities Market Commission).

"Paying Agency Agreement" means the paying agency agreement to be entered into by the Management Company, for and on behalf of the Fund, and BANESTO.

"Issue Management, Underwriting and Distribution Agreement" means the agreement for management, underwriting and distribution of the Bonds to be entered into by the Management Company, for and on behalf of the Fund, and the Underwriters.

"Subordinated Loan Agreement for the Reserve Fund" means the agreement for a subordinated loan of THIRTY-EIGHT MILLION EUROS (€38,000,000) to be entered into by the Management Company, for and on behalf of the Fund, and BANESTO, to be used to set up the Reserve Fund.

"Subordinated Loan Agreement for Establishment and Issue Expenses" means the agreement for a subordinated loan of ONE MILLION NINE HUNDRED FIFTY THOUSAND EUROS (€1,950,000) to be entered into by the Management Company, for and on behalf of the Fund, and BANESTO, to be used to pay for the expenses of setting up the Fund and issuing the Bonds and to partially finance acquisition of the Assets.

"Cash Account Guaranteed Yield Reinvestment Agreement" means the agreement for reinvestment of the Cash Account at a guaranteed interest rate to be entered into by the Management Company, acting for and on behalf of the Fund, and BANESTO, whereunder

BANESTO will guarantee a variable yield on the amounts deposited by the Fund (through its Management Company) in the Cash Account.

"Swap Agreement"; "Swap" or "Interest Rate Swap" means the interest rate swap agreement, according to the model Financial Transactions Master Agreement (Contrato Marco de Operaciones Financieras), to be entered into by the Management Company, acting for and on behalf of the Fund, and BANESTO.

"Cash Account" means the account to be opened with BANESTO on behalf of the Fund by the Management Company, the operation of which will be the subject matter of the Guaranteed Yield Reinvestment Agreement.

"Principal Gap" means the difference, if any, between the Withholding of Principal and the Available Principal Funds.

“Debtors” means all kinds of businesses having their domiciles in Spain, to which BANESTO has granted the Loans from which the Assets subject to securitisation derive.

"Business Day" means any day except:

(i) Saturday;

(ii) Sunday;

(iii) a holiday as per the TARGET calendar (for the sole purpose of determining the Nominal Interest Rate applicable for each Interest Accrual Period). It includes, in addition to the days recognised in sections (i) and (ii) above, January 1, Good Friday, Easter Monday, May 1, December 25 and December 26; and

(iv) a holiday in Madrid (for the purpose of determining the Nominal Interest Rate applicable for each Interest Accrual Period and for the remaining conditions of the issue).

"Registration Document" means the registration document consisting of Annex VII approved by the CNMV on 4 October 2007, a part of this prospectus.

"Underwriters" means Banco Español de Crédito, S.A. and such other entities as may later be added to the Management, Underwriting and Distribution Agreement, in accordance with the underwriting commitment assignment procedure contemplated in that Agreement.

"Lead Managers" means, collectively, Banco Español de Crédito, S.A. and Calyon.

"Deed of Establishment" means the Deed of Establishment of EMPRESAS BANESTO 1, Fondo de Titulización de Activos, Cesión de Activos y Emisión de Bonos de Titulización.

"Assignment Date", as regards the Assets, means the Date of Establishment.

"Date of Establishment" means the date on which the Deed of Establishment is executed. It is expected that the Date of Establishment will be 5 October 2007.

"Disbursement Date" means the second Business Day following the execution of the Deed of Establishment, initially being contemplated to take place on 9 October 2007.

"Determination Dates" means the dates falling on the fifth (5th) Business Day before each Payment Date.

"Rate Fixing Dates" means the second Business Day on the TARGET (Transeuropean Automated Real-Time Gross Settlement Express Transfer System) calendar before each Payment Date.

"Payment Dates" means 20 March, 20 June, 20 September and 20 December of each year or, if any of these dates is not a Business Day, the next following Business Day. The first Payment Date will be 20 December 2007.

"Statutory Maturity Date" means 20 September 2040.

"Prospectus" means, collectively, the table of contents, the document describing the risk factors, the Registration Document, the Securities Note, the Additional Building Block to the Securities Note and the document containing the definitions.

"Fund" or "Issuer" means EMPRESAS BANESTO 1, Fondo de Titulización de Activos.

"Reserve Fund" means the reserve fund to be set aside by the Management Company, for and on behalf of the Fund, according to the provisions of section 3.4.2.2 of the Additional Building Block to the Securities Note.

"Available Funds" means, in respect of the Order of Priority of Payments contemplated in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, and on each Payment Date, the amounts that will be used to meet the payment or withholding obligations of the Fund, previously deposited in the Cash Account, in accordance with the terms of section 3.4.6.2.1.(a) of the Additional Building Block.

"Available Liquidation Funds" means, in respect of the Order of Priority of Payments contemplated in section 3.4.6.3 of the Additional Building Block to the Securities Note, on the Statutory Maturity Date or when Early Liquidation of the Fund is to take place in accordance with the provisions of section 4.4.3 of the Registration Document, the amounts that will be used to meet the payment or withholding obligations of the Fund corresponding to the following Items: (i) the Available Funds, and (ii) the amounts obtained by the Fund from disposition of the Loans and the remaining assets

"Available Principal Funds" means the amount available on each Payment Date that will be used for redemption of the Bonds. The Available Principal Funds will be determined according to the provisions of section 4.9.3.5 of the Securities Note.

"Iberclear" means Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., a registration, clearing and settlement services company.

"Initial Reserve Amount" means the amount initially set aside in the Reserve Fund, that is THIRTY-EIGHT MILLION EUROS (€38,000,000]), equivalent to one point nine percent (1.9%) of the Outstanding Principal Balance of the Bonds at the time of issue thereof

"Required Reserve Amount" means the amount which must be set aside in the Reserve Fund on each Payment Date, which is equal to the lesser of the following amounts: (i) the Initial Reserve Amount, and (ii) the greater of the following: (a) 2.60%) of the Outstanding Principal Balance of the Bonds; and (2) 0.65%) of the Outstanding Principal Balance of the Bonds on the Disbursement Date.

"VAT" means Valued Added Tax.

"Act 19/1992" means Act 19/1992 of 7 July 1992 governing Real Estate Investment Companies and Funds and Mortgage Securitisation Funds (Ley sobre Régimen de Sociedades y Fondos de Inversión Inmobiliaria y sobre Fondos de Titulización Hipotecaria).

"Act 37/1992" means Act 37/1992 of 28 December 1992 on the Value Added Tax.

"Act 3/94" means Act 3/1994 of 14 April 1994 on Adaptation to the Second Directive on Banking Coordination.

"Civil Procedure Act" means Civil Procedure Act 1/2000 of 7 January 2000 (Ley de Enjuiciamiento Civil).

"Securities Market Act" or "Act 24/1988" means Act 24/1988 of 28 July 1988 regulating the Securities Market (Ley reguladora del Mercado de Valores) as amended by Act 37/1998 of 16



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November 1998, by Act 44/2002 of 22 November 2002 and by Royal Decree Law 5/2005 of 11 March 2005 on urgent reforms to promote productivity and improve public sector procurement.

"Early Liquidation" means the early liquidation of the Fund prior to 20 September 2040, and thereby Early Redemption on a Payment Date of the total Bond issue under the circumstances and in the form established in section 4.4.3 of the Registration Document.

"Financial Intermediation Income" means the variable and subordinated remuneration that will be determined and accrue quarterly in arrears, which except for the first period will cover the three calendar months immediately prior to each Payment Date, in an amount equal to the positive difference, if any, between the revenues and expenses, including the losses for prior periods, if any, incurred by the Fund in accordance with its accounting prior to the close of the months of February, May, August and November.

"Additional Building Block to the Securities Note" means the additional building block to the securities note on the Bond issue prepared according to Annex VIII of Regulation (EC) 809/2004, approved by the CNMV on 4 October 2007, a part of this Prospectus.

"Securities Note" means the securities note on the Bond issue prepared according to Annex XIII of Regulation (EC) 809/2004, approved by the CNMV on 4 October 2007, a part of this Prospectus.

"Order of Priority of Payments" means the order of priority for application of payment or withholding obligations of the Fund, both for application of Available Funds and for distribution of Available Principal Funds starting on the first Payment Date and lasting until the last Payment Date or liquidation of the Fund, not included.

"Order of Priority of Liquidation Payments" means the order of priority of the payment or withholding obligations of the Fund for application of the Available Liquidation Funds on the Statutory Maturity Date or when Early Liquidation of the Fund is to take place.

"Determination Period" means the period between two consecutive Determination Dates, excluding the initial Determination Date and including the final Determination Date.

“Subscription Period” means the one hour period from 2:00 p.m. to 3:00 p.m. Madrid time on the first Business Day after the Date of Establishment (which will take place on 5 October 2007), during which subscription applications must be submitted in the offices of the Underwriters. It is contemplated that the Subscription Period will occur on 8 October 2007.

"Interest Accrual Periods" means each of the periods into which the Bond issue is divided, including the days actually elapsed between each Payment Date, with each Interest Accrual Period including the initial Payment Date and not including the final Payment Date. The first Interest Accrual Period will have a term of greater than one quarter, equal to the period from the Disbursement Date (9 October 2007) to the first Payment Date (20 December 2007).

"Loans" means the loans, both Mortgage Loans and Non-Mortgage Loans, granted by BANESTO to a Debtor with domicile in Spain, for the purpose of financing its business or the acquisition of the real property used in its business, from which the Assets assigned to the Fund upon its establishment derive.

"Defaulted Loans" means the Loans that at a given date are twelve (12) or more months past due on payment of their debts or which are classified as defaulted by the Management Company because they present reasonable doubts as to their full repayment according to the indications or information obtained from the Administrator.

"Non-Defaulted Loans" means Loans that on a given date are not considered to be Defaulted Loans.

"Mortgage Loans" means Loans secured by means of a property mortgage.

"Non-Performing Loans" means the Loans that at a given date are more than ninety (90) days past due on the payment of their debts, not including the Defaulted Loans.

"Performing Loans" means the Loans that on a given date are not considered to be Non-Performing Loans, also excluding Defaulted Loans.

"Non-Mortgage Loans" means loans without real estate mortgage security, that is, guaranteed by third parties or with non-mortgage personal or in rem security.

"Royal Decree 1310/2005" means Royal Decree 1310/2005 of 4 November 2005 partially implementing Securities Market Act 24/1988 of 28 July 1988 on matters of admission of securities to trading on official secondary markets, public sale and subscription offerings and the requisite prospectus for such transactions.

"Royal Decree 926/1998" means Royal Decree 926/1998 of 14 May 1998 regulating Asset Securitisation Funds and management companies of securitisation funds.

"Royal Decree 1777/2004" means Royal Decree 1777/2004 of 30 July 2004 approving the Corporations Tax Regulations (Reglamento del Impuesto sobre Sociedades).

"Royal Legislative Decree 4/2004" means Royal Legislative Decree 4/2004 of 5 March 2004 approving the consolidated text of the Corporations Tax Act (Ley del Impuesto sobre Sociedades).

"Royal Legislative Decree 1/1993" means Royal Legislative Decree 1/1993 of 24 September 1993 approving the consolidated text of the Transfer Tax and Stamp Duty Act (Ley del Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados).

"Regulation (EC) 809/2004" means Commission Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

“Withholding of Principal” means the difference (if positive) between (i) the Outstanding Principal Balance of the Bonds and, (ii) the sum of the Outstanding Balance of the Assets that are not Defaulted Loans.

"Outstanding Principal Balance of the Bonds" means the aggregate outstanding balances of the Bonds of all Series (that is, the amount of principal of the Bonds pending redemption).

"Outstanding Principal Balance of the Series" means the aggregate outstanding balances of the Bonds in the Series (that is, the amount of principal of the Bonds in that Series pending redemption).

"Outstanding Balance" of any Asset means the amount of principal due and not collected by the Fund together with the amount of principal not yet due pending maturity of that Asset.

"Series" means each one of the five (5) series into which the total amount of the Bond issue is broken down.

"Series A1" means the Series with a total face value of ONE BILLION SIXTY MILLION EUROS (€1,060,000,000), comprised of TEN THOUSAND SIX HUNDRED (10,600) Bonds of ONE HUNDRED THOUSAND EUROS (€100,000) face value each

"Series A2" means the Series with a total face value of EIGHT HUNDRED MILLION EUROS (€800,000,000), comprised of EIGHT THOUSAND (8,000) Bonds of ONE HUNDRED THOUSAND EUROS (€100,000) face value each.

"Series B" means the Series with a total face value of SEVENTY MILLION EUROS (€70,000,000), comprised of SEVEN HUNDRED (700) Bonds of ONE HUNDRED THOUSAND EUROS (€100,000) face value each.

"Series C" means the Series with a total face value of THIRTY-FIVE MILLION EUROS (€35,000,000), comprised of THREE HUNDRED FIFTY (350) Bonds of ONE HUNDRED THOUSAND EUROS (€100,000) face value each.

"Series D" means the Series with a total face value of THIRTY-FIVE MILLION EUROS (€35,000,000), comprised of THREE HUNDRED FIFTY (350) Bonds of ONE HUNDRED THOUSAND EUROS (€100,000) face value each.

"Management Company" means Santander de Titulización, S.G.F.T., S.A.

"Standard & Poor's" means Standard & Poor's España, S.A.

"CAPR" means the constant annual prepayment rate used to estimate the average life and duration of the Bonds in this Prospectus.

"Nominal Interest Rate" means the nominal interest rate per annum, variable quarterly, at which the Bonds will accrue interest according to section 4.8.2 of the Securities Note and related provisions.

"Reference Interest Rate" means the reference rate used to calculate the Nominal Interest Rate, which will be the three (3) month EURIBOR, or its replacement if necessary, determined as described in section 4.8.3 of the Securities Note. EURIBOR is the reference rate for the euro money market.

"IRR" means the Internal Rate of Return for the Bondholders of each Series.