

ASSETS SECURITISATION FUND
SANTANDER HIPOTECARIO 1

SECURITISATION NOTES

1,875,000,000 Euros

CLASS A:	1,718,400,000 Euros	EURIBOR 3M + 0.18%
CLASS B:	53,400,000 Euros	EURIBOR 3M + 0.30%
CLASS C:	46,900,000 Euros	EURIBOR 3M + 0.50%
CLASS D:	56,300,000 Euros	EURIBOR 3M + 0.95%

BACKED BY CREDIT RIGHTS ASSIGNED BY

 **Santander Central Hispano**

MANAGERS

 **Santander Central Hispano**

 **Merrill Lynch**

UNDERWRITER
DOMESTIC TRANCHE

 **Santander Central Hispano**

UNDERWRITERS
INTERNATIONAL TRANCHE

 **Santander Central Hispano**
 **Merrill Lynch**

FINANCIAL AGENT

 **Santander Central Hispano**

Fund designed, promoted and managed by:

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

This Prospectus is a non-official and non-binding translation into English of the original "Folleto Informativo" drafted in Spanish language and registered with the "Comisión Nacional del Mercado de Valores" (the Spanish Securities Market Commission, "CNMV") on June 8, 2004. The "Folleto Informativo" drafted in Spanish language is the only official document.

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SUMMARY OF GENERAL CONDITIONS

INCORPORATION OF THE ASSET SECURITIZATION FUND SANTANDER HIPOTECARIO 1 AND ISSUANCE OF NOTES OVER ITS ASSETS

1. THE FUND

1.1 Name, Incorporation and Legal Status

The Fund is called FONDO DE TITULIZACIÓN DE ACTIVOS SANTANDER HIPOTECARIO 1 and will be incorporated by means of a notarial deed (the "Incorporation Deed"), in accordance with Royal Decree 926/1998 of May 14, on Asset Securitization Funds and Managing Companies of Securitization Funds, and subsidiarily in accordance with Law 19/1992 of July 7, on the Regime applicable to Companies and Funds of Real Estate Investment and on Mortgage Securitization Funds and other applicable regulations.

The incorporation of the Fund will take place after registration of the Prospectus with the CNMV.

1.2. The Managing Company

Santander de Titulización, Sociedad Gestora de Fondos de Titulización, S.A., is the promoter of the Fund. The promoter also represents the Fund.

1.3. Term of the Fund

The Fund will be liquidated on July 15, 2042, or should that day not be a Business Day (as defined in Section II.10.1.d) of the Prospectus), on the first Business Day following said date.

2. ASSETS OF THE FUND

2.1 Credit Rights incorporated to the assets of the Fund

The assets of the Fund comprise the credit rights (the "Credit Rights") assigned by Banco Santander Central Hispano, S.A., as assignor (the "Assignor"), which are in its balance sheet and derive from financing transactions with its clients granted as mortgage loans, which do not comply with all the requirements set forth by Law 2/1981, of March 25, on the Mortgage Market, and its regulations (the "Mortgage Loans") and which the Assignor intends to write them off the balance sheet through their assignment to the Fund. Such assignment will be carried out by means of the issue of mortgage transfer certificates (indistinctly the "Mortgage Transfer Certificates" or "CTH"), for an amount equal to the amount of the issue of Notes, and which will be subscribed by the Fund, through its Managing Company, by means of the Incorporation Deed.

All the Credit Rights have a principal balance exceeding 80% (but not 100%) of the appraisal valuation of the mortgaged property as security of the relevant mortgage loan, on the date of issue of the CTH.

Detailed information regarding such Credit Rights and their assignment to the Fund is set forth in Chapter IV of the Prospectus.

2.2. Closed Fund.

The Fund is a closed and separate estate that lacks legal personality. Accordingly, the assets and liabilities of the Fund shall not be altered as from its incorporation. This notwithstanding, rules for the substitution and rectification of assets, in accordance with the terms of Article 3.2 of Royal Decree 926/1998, may be established.

3. LIABILITIES OF THE FUND

The liabilities of the Fund are composed of the Notes issued by the Fund and a Subordinated Loan.

3.1. Notes

3.1.1. Characteristics:

- *Issued Amount and Number of Notes:* one billion, eight hundred and seventy five million (1,875,000,000) euro, made up of eighteen thousand, seven hundred and fifty (18,750) Notes divided into four Classes:
- *Class A:* made up of seventeen thousand, one hundred and eighty four (17,184) Notes and with a total nominal amount of one billion, seven hundred and eighteen million, four hundred thousand (1,718,400,000) euro.

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- *Class B*: made up of five hundred and thirty four (534) Notes and with a total nominal amount of fifty three million, four hundred thousand (53,400,000) euro.
- *Class C*: made up of four hundred and sixty nine (469) Notes and with a total nominal amount of forty six million, nine hundred thousand (46,900,000) euro.
- *Class D*: made up of five hundred and sixty three (563) Notes and with a total nominal amount of fifty six million, three hundred thousand (56,300,000) euro.
- *Face Value*: one hundred thousand (100,000) euro per Note.
- *Price of issue*: one hundred thousand (100,000) euro per Note free of taxes and subscription expenses for the subscriber.
- *Reimbursement price*: one hundred thousand (100,000) euro per Note, free of expenses for the noteholder.
- *Interest rate*: 3 month EURIBOR plus a spread of + 0.18% for Class A Notes, 3 month EURIBOR plus a spread of + 0.30% for Class B Notes, 3 month EURIBOR plus a spread of + 0.50% for Class C Notes and 3 month EURIBOR plus a spread of + 0.95% for Class D Notes, floating quarterly for all Classes in accordance with Section II.10.1 of the Prospectus.

The interest rate for all Classes of Notes during the First Interest Accrual Period will be calculated on the basis of the 2 month EURIBOR.

- *Frequency of payment of interest and Principal*: quarterly, on the 15th of January, April, July and October.
- *First Payment of Interest*: July 15, 2004.
- *Final Maturity Date*: July 15, 2042.
- *Subscription Date*: June 15, 2004.
- *Disbursement Date*: June 16, 2004.

3.1.2. Credit Risk Rating ("ratings"):

- *Class A*: AAA (S&P España) / Aaa (Moody's España)
- *Class B*: AA (S&P España) / Aa3 (Moody's España)
- *Class C*: A+ (S&P España) / A2 (Moody's España)
- *Class D*: BBB+ (S&P España) / Baa3 (Moody's España)

3.1.3. Organized Official Secondary Market to which listing of the Notes will be applied for: AIAF, Mercado de Renta Fija.

3.1.4. Accounting Record of the Notes: the entity that will be in charge of the accounting record of the Notes will be the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear), which will clear and settle the transactions conducted over the Notes.

3.1.5. Redemption of the Notes

- *Redemption of Class A Notes*: Redemption of Class A Notes will be carried out pro rata between them by reducing the nominal value, on each Payment Date, until redemption is completed, for an amount equal to the Available Funds for Repayment on each Payment Date.
- *Redemption of Class B Notes*: Once the redemption of Class A Notes is completed, redemption of Class B Notes will begin by means of reducing the nominal value pro rata among them, on each Payment Date for an amount equal to the Available Funds for Repayment on such Payment Date, until their redemption is completed.
- *Redemption of Class C Notes*: Once the redemption of Class A Notes and Class B Notes is completed, redemption of Class C Notes will begin by means of reducing the nominal value pro rata among them, on each Payment Date for an amount equal to the Available Funds for Repayment on such Payment Date, until their redemption is completed.

SUMMARY OF GENERAL CONDITIONS

- **Redemption of Class D Notes:** Once the redemption of Class A Notes, Class B Notes and Class C Notes is completed, redemption of Class D Notes will begin by means of reducing the nominal value pro rata among them, on each Payment Date for an amount equal to the Available Funds for Repayment on such Payment Date, until their redemption is completed.

3.2. Subordinated Loan

The Fund will be financed by a credit institution. To this extent, it is foreseen that the Managing Company, on behalf of the Fund, enters into a Subordinated Loan Agreement with Banco Santander Central Hispano, S.A. The Subordinated Loan Agreement, amounting to twenty nine million euros (29,000,000 euros), will be applied by the Managing Company to pay the incorporation expenses of the Fund and issue of the Notes, to partially finance the purchase of the Credit Rights by the Fund, and to fund a Reserve Fund.

The net value of the Fund shall be ZERO at all times.

4. OTHER AGREEMENTS ENTERED INTO ON BEHALF OF THE FUND

In addition to the Subordinated Loan Agreement mentioned in Section 3.2 above, the Managing Company will enter into the following agreements on behalf of the Fund:

4.1. Guaranteed Rate Reinvestment Agreement

Banco Santander Central Hispano, S.A., and the Managing Company, on behalf of the Fund, will enter into a Guaranteed Rate Reinvestment Agreement, under which Banco Santander Central Hispano, S.A. will guarantee a return for the amounts deposited by the Fund, in the bank account opened by the Managing Company in the name of the Fund, in Banco Santander Central Hispano, S.A.

4.2. Notes Subscription Agreements

Two Subscription Agreements under which the Underwriters, in their own Tranches (Domestic and International), shall freely allocate the Notes, up to the foreseen amounts and, once the Subscription Period is closed, shall subscribe the unsubscribed Notes, if any.

4.3 Swap Agreement

The Managing Company, on behalf of the Fund, will enter into an Interest Swap Agreement with Banco Santander Central Hispano, S.A., mainly due to the need to reduce the existing interest rate risk which is based on the fact that part of the portfolio of mortgage loans underlying the Credit Rights is subject to a floating interest rate different than the floating interest rate of the Notes.

5. OPERATION OF THE FUND**5.1. Representation and administration of the Fund**

The administration and representation of the Fund is conducted by the Managing Company which, in its capacity as "manager of the business of third parties" ("*gestora de negocios ajenos*"), is entrusted with the representation and defence of the interests of noteholders and any other creditors of the Fund.

5.2. Non-payment and prepayment of the Credit Rights

The risk of non-payment and prepayment of the Credit Rights shall be borne by the noteholders. The payment priority order set forth in Section V.5.1.b), 2, is the following:

- a) In the first place, the Managing Company, on behalf of the Fund, shall apply the *Available Funds* to the following payments and withholdings, as provided in the payment priority order set out below:
 1. Payment to the Managing Company of ordinary and extraordinary expenses (including the Management Periodic Fee), payment to the Bank of extraordinary expenses and payment of the management fee to a third party other than the Bank, in the event that the latter is replaced as administrator of the Mortgage Loans (in accordance with Section V.5.2).
 2. Payment of the Net Amount of the Swap to the Bank.
 3. Payment of accrued interest on the Class A.
 4. Payment of accrued interest on the Class B.
 5. Payment of accrued interest on the Class C.

SUMMARY OF GENERAL CONDITIONS

6. Payment of accrued interest on the Class D.
7. Withholding of an amount equal to the Principal Due for Repayment.
8. Withholding of an amount sufficient to maintain the Reserve Fund at the required amount.
9. Payment of the amount on early termination of the Swap, in case of termination of the Swap Agreement due to a breach by the Bank.
10. Payment of accrued interest on the Subordinated Loan.
11. Repayment of the principal of the Subordinated Loan in accordance with the expenses derived from the incorporation of the Fund and the issue of the Notes.
12. Repayment of the principal of the Subordinated Loan in proportion to the Reserve Fund.
13. Payment to the Bank of the fixed Management Fee for the administration of the Mortgage Loans.
14. Quarterly payment to the Bank of a floating amount as consideration or compensation for the financial intermediation services.

The *Available Funds for Repayment* arising from the withholding described in point 7 above of the payment priority order, will be applied to such redemption in accordance with the rules provided in Section II.11.3.b), 6 of the Prospectus, which are the following:

The Available Funds for Repayment will be allocated to redemption of Class A Notes, that will be carried out pro rata between them by reducing the nominal value, on each Payment Date, until redemption is completed.

Once the redemption of Class A Notes is completed, redemption of Class B Notes will begin by means of reducing the nominal value pro rata among them, on each Payment Date for an amount equal to the Available Funds for Repayment on such Payment Date, until their redemption is completed.

Once the redemption of Class A Notes and Class B Notes is completed, redemption of Class C Notes will begin by means of reducing the nominal value pro rata among them, on each Payment Date for an amount equal to the Available Funds for Repayment on such Payment Date, until their redemption is completed.

Once the redemption of Class A Notes, Class B Notes and Class C Notes is completed, redemption of Class D Notes will begin by means of reducing the nominal value pro rata among them, on each Payment Date for an amount equal to the Available Funds for Repayment on such Payment Date, until their redemption is completed.

Exceptional payment priority rules of the Fund

In connection with the funding of the Reserve Fund, even if all the above requirements are met, the above referred rules shall be altered, if any of the circumstances included in Section V.5.2 of the Prospectus occurs.

Additionally, in connection with the payment of interest and repayment of Class B, C and D Notes, even if all the above requirements are met, part of the payment of interest on Class B, C and D Notes will be deferred in favour of repayment of their principal amount, if any of the circumstances included in Section V.5.2 of the Prospectus occurs.

In addition, in connection with the Fixed Management Fee in favour of the Bank, in the event that a new administrator is appointed, payment of the management fee to the new administrator will rank 1st instead of 13th in the payment priority order, in accordance with the terms of Section V.5.2 of the Prospectus.

6. RISKS OF THE FUND, THE NOTES AND THE CREDIT RIGHTS

6.1 Prepayment of the Notes and early liquidation of the Fund

Without prejudice to the Final Maturity Date of the Notes (July 15, 2042), the Managing Company may proceed to early liquidate the Fund and, consequently, to repay all the Notes on a Payment Date before they are due, if and when the Unpaid Principal Balance of the Credit Rights is lower than 10% of the initial amount, as provided in Section II.11.3.c) and V.5 of the Prospectus.

6.2 Non-payment of the Credit Rights

The noteholders shall bear the risk of non-payment of the Credit Rights.

SUMMARY OF GENERAL CONDITIONS

The Assignor and the Managing Company do not undertake any liability for the debtors' default in payment, do not undertake any liability to guarantee the success of the transaction, shall not grant any guarantees, and shall not enter into any buy back agreements, except for what is set forth in Section IV.1, a) of the Prospectus.

6.3 Prepayment of the Credit Rights

The Credit Rights may be repaid early if debtors reimburse early the unpaid principal balance. This risk will be transferred, on each Payment Date, to the noteholders by following the rules of repayment provided in Section II.11 of the Prospectus.

6.4 Liquidity

There is no guarantee that the Notes will benefit from a negotiation in the market with a minimum frequency or for a minimum amount. In addition, in no event will the Fund buy back the Notes from the noteholders. The Fund may early repay them as provided in 6.1 above.

6.5 Profitability

The prepayment rate of the Credit Rights may be influenced by a variety of geographical, economical and social factors such as seasonality, market interest rates, distribution of the portfolio by sectors and, in general, the level of economic activity.

The calculation of the internal rate of return, the average life and the duration of the Notes are subject to hypothetical prepayment rates which may or may not be fulfilled.

7. ACTIONS**7.1. Actions against debtors with payment obligations under the Credit Rights**

- 7.1.1. The Fund, through the Managing Company, will be entitled to take an enforcement action against the debtors in the event that they breach their payment obligations of the Credit Rights.
- 7.1.2. The Fund will be entitled to take an enforcement action against the Assignor if and when the breach of the Notes' payment obligation is not a consequence of the payment default of the debtors.
- 7.1.3. Neither the Fund nor the noteholders shall be entitled to take any action against the Assignor or the Managing Company, respectively, save the action taken as a result of the breach of their respective duties, but never as a consequence of payment delinquency or prepayment of the Credit Rights by the debtors.

7.2. Liability of the Managing Company

If the Managing Company breaches its duties, it shall be liable to the noteholders and to any other creditors of the Fund, for any damages arising from that breach.

7.3. Actions in case of default in payment of the Notes

- 7.3.1 The noteholders shall not be entitled to take direct action against the defaulting debtors of the Credit Rights, as only the Managing Company is entitled to take such action, on behalf of the Fund.
- 7.3.2. The noteholders shall not be entitled to take any action against the Fund or the Managing Company, in case of default in payment of the Notes as a result of a default in payment of a Credit Right by a debtor.
- 7.3.3. The noteholders shall not hold any action against the Managing Company other than that deriving from a breach of its own duties, but never as a consequence of payment delinquency or prepayment of the Credit Rights.

CHAPTER I

PERSONS WHO ASSUME THE RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS AND BODIES SUPERVISING THE PROSPECTUS

I.1 Persons who assume the responsibility for the contents of the Prospectus.

I.1.1 Full name, Identity Card Number or document of personal identification and position or powers of attorney of the natural person(s) who assume, on behalf of the Managing Company, the responsibility for the contents of the Prospectus.

MR. IGNACIO ORTEGA GAVARA, with NIF No. 803.030-P, acting on behalf of SANTANDER DE TITULIZACIÓN, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A. (hereinafter, the “Managing Company”), promoter of FONDO DE TITULIZACIÓN DE ACTIVOS SANTANDER HIPOTECARIO 1 (hereinafter, the “Fund”), assumes, on behalf of the Managing Company, the responsibility for the contents of the Prospectus.

MR. IGNACIO ORTEGA GAVARA acts as *Director General* of the Managing Company under the powers conferred in his favour by the Board of Directors in the meeting held on July 31, 1998, partially modified by a resolution passed on February 8, 2000, and explicitly empowered for the incorporation of this Fund by virtue of the powers conferred by the Board of Directors in the meeting held on April 15, 2004.

SANTANDER DE TITULIZACIÓN, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A., has its registered office in Madrid, Paseo de la Castellana, 75, 28046, with CIF No. A-80481419.

The change of corporate name is recorded in the public deed executed before the Notary Public of Madrid Mr. Roberto Parejo Gamir on March 8, 2004, under number 622 of his public records. This public deed was registered with the Commercial Registry of Madrid, Volume 4,789, Sheet 95, Section 8, Page M-78658, entry number 30 and has been duly notified to the CNMV.

The Managing Company is authorised to incorporate *Fondos de Titulización de Activos* and, as a consequence thereof, to administer and represent them as provided by Royal Decree 926/1998 of May 14, on Assets Securitization Funds and Managing Companies of Securitization Funds (hereinafter, the “Royal Decree 926/1998”), by virtue of the authorisation granted by the Minister of Economy and Finance on July 16, 1998, in accordance with the provisions of the Sole Temporary Provision of the Royal Decree.

I.1.2 Statement regarding the fact that the information included in the Prospectus is true and that no facts are omitted which could alter the scope of the Prospectus.

MR. IGNACIO ORTEGA GAVARA confirms, to be best of his knowledge, the truthfulness of the information contained in the Prospectus and that no significant data has been omitted or will prove misleading.

I.2 Supervising bodies.

I.2.1 Note on the registration of the issuance with the Official Registries of the Comisión Nacional del Mercado de Valores.

This complete Prospectus has been fully registered with the Official Registries of the Comisión Nacional del Mercado de Valores (hereinafter the “Comisión Nacional del Mercado de Valores” or “CNMV”), on June 8, 2004.

The registration of the auditors’ reports and the Prospectus with the Official Registries of the Comisión Nacional del Mercado de Valores merely implies the recognition of their completeness in accordance with the applicable laws. Under no circumstances will this registration lead to the responsibility of the Comisión Nacional del Mercado de Valores for any inconsistency in the information contained therein.

The registration of the Prospectus by the Comisión Nacional del Mercado de Valores will not involve a recommendation to subscribe for the Notes referred to in such Prospectus or any representation whatsoever with regard to the solvency of the Assignor, the solvency of the Fund, or the profitability of the Notes which are issued or offered.

I.3 Reports on the Credit Rights to be securitised in the Fund.

Article 5 of Royal Decree 926/1998 sets out that as a pre-requisite to the incorporation of the Fund and the issuance of the Notes, reports must be drawn up on the Credit Rights to be securitised by the Fund, either by managing companies, auditors or any other independent experts having, in the opinion of the CNMV, sufficient expertise to do so. ANNEX IV of the Prospectus shows the Audit Report on the portfolio of Credit Rights, most of which will constitute the assets of the Fund. Such Audit Report has been drawn up by Deloitte & Touche España, S.L., registered on the Official Register of Account Auditors (ROAC) under number S0692 and with registered office in Madrid, calle Raimundo Fernández Villaverde, 65.

The Audit Report on the portfolio of Credit Rights provides information on a series of characteristics, both quantitative and qualitative, in respect of the said portfolio and, in particular, identification of the debtor, transfer of the assets, date of formalisation, date of maturity, reference interest rate and spread, applied interest rate, current balance of the loan, payment delinquency, risk granting policy and formalisation of the mortgage security.

The economic-financial characteristics of the Credit Right and balances, returns, financial flows, collection terms, maturity dates and redemption methods referred to in Article 6.1.a) of Royal Decree 926/1998 are established in Section IV.4 of the Prospectus.

Additionally, in accordance with Article 2.2.1 of Royal Decree 926/1998, assignment of credits to the Fund is subject to the Assignor having the annual accounts of the last three fiscal years audited, with an unqualified opinion on the most recent fiscal year. A statement of the Assignor in this regard is attached to this Prospectus as Annex VII.

CHAPTER II

INFORMATION RELATED TO THE NOTES WHICH ARE ISSUED BY THE SECURITISATION FUND

II.1 Information about the requirements and required prior resolutions.

II.1.1 Resolutions and Legal requirements.

a) Corporate resolutions

Corporate resolutions of Banco Santander Central Hispano, S.A. for the assignment of the Credit Rights and issue of the Mortgage Transfer Certificates

The Executive Committee of Banco Santander Central Hispano, S.A. (hereinafter, the “Bank”), in its meeting of May 17, 2004, agreed to assign the Credit Rights through the issue of Mortgage Transfer Certificates, described in Section IV.1 of the Prospectus, to be subscribed by the FONDO DE TITULIZACIÓN DE ACTIVOS SANTANDER HIPOTECARIO 1, in accordance with the terms of the Certificate attached as ANNEX I to this Prospectus

Corporate resolution of the Managing Company for the incorporation of the Fund and issue of the Notes

The Board of Directors of the Managing Company, in its meeting of April 15, 2004, agreed to incorporate the FONDO DE TITULIZACIÓN DE ACTIVOS SANTANDER HIPOTECARIO 1, in accordance with the provisions set forth in Royal Decree 926/1998 and Law 19/1992, of July 7, the subscription by the Fund of the Mortgage Transfer Certificates issued by the Bank, and the issue of the Notes by the Fund. ANNEX II shows a Certificate of this resolution.

b) Registration by the Comisión Nacional del Mercado de Valores.

The incorporation of the Fund and the issue of the Notes must be previously registered with the Official Registries of the CNMV, in accordance with the provisions set forth in Article 5.1.e) of Royal Decree 926/1998, Article 5.3 of the Law 19/1992 and Article 26 et seq. of the Law 24/1988, on the Securities Market (hereinafter “Law 24/1988”), as amended by Law 37/1998, of November 16 (hereinafter “Law 37/1998”) and Law 44/2002, of November 22 (hereinafter, “Law 44/2002”), among others.

The Prospectus of incorporation of the Fund and issue of the Notes has been registered with the Official Registries of the Comisión Nacional del Mercado de Valores on June 8, 2004.

c) Execution of the public deed of incorporation of the Fund.

Within seven (7) Business Days (as described in Section II.10.1.d) of the Prospectus) following the registration of the Prospectus with the CNMV, the Managing Company, together with the Bank, acting in its capacity as assignor to the Fund of the Credit Rights which are described in Section IV.1 of the Prospectus, will execute the public deed of incorporation of the Fund, issue and subscription of the Mortgage Transfer Certificates and issue of the Notes (hereinafter, the “Incorporation Deed”), in accordance with Article 6 of Royal Decree 926/1998 and Article 5 of the Law 19/1992. The Managing Company will serve a copy of the Incorporation Deed to the CNMV for filing at the public registries. The date of execution of the Incorporation Deed will be June 11, 2004 (hereinafter, the “Incorporation Date”).

In accordance with the provisions set forth in Article 5.9 of the Law 19/1992, the Notes issued by the Fund will be exclusively represented in book entry form, and the Incorporation Deed will have the effects set forth in Article 6 of Law 24/1988, as amended by the Law 37/1998 and the Law 44/2002, among others. In accordance with the aforementioned Article and Article 6 of Royal Decree 116/1992, of February 14, on the representation of securities through book entries and clearing and settlement of stock market transactions (hereinafter “Royal Decree 116/1992”), the deed providing for the issue of the Notes shall also provide for the representation of the Notes in book entry form.

Pursuant Royal Decree 926/1998, Article 5.4, neither the Fund nor the Notes issued by the Fund will be registered with the Commercial Registry.

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

Once the disbursement of the Notes has been completed (as referred to in Section II.18.5), the Managing Company will request the listing of the Notes in the AIAF Fixed Income Securities Market (*Mercado AIAF de Renta Fija*) (in accordance with Article 2.3 of Royal Decree 926/1998), which is an official secondary securities market recognised in the Sixth Temporary Disposition set forth in Law 37/1998. The actual listing will take place no later than thirty (30) Business Days after the Disbursement Date. In any case, listing will have to be effective before the first payment date of interest on the Notes (July 15, 2004).

In the event that the listing of the Notes in the AIAF is not completed within the above period, the Managing Company will immediately inform the CNMV and the noteholders and will specify the reasons for such failure, by means of an announcement published in a national newspaper, in accordance with the provisions of Sections III.5.3.b), b'') and c).

Additionally, the Managing Company will request, on behalf of the Fund, the inclusion of the Notes in the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) (defined below in Section II.5) in order for the clearing and settlement of the Notes to be carried out in accordance with the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) operating rules (existing as of the date hereof or which may be approved in the future) with respect to securities listed in the AIAF and represented by book entries.

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

No prior administrative authorisation is required for the issue of Notes save for the prior registration of the Prospectus with the CNMV.

II.3 Evaluation of the risk inherent in the Notes issued by the Fund, carried out by a rating entity recognised by the Comisión Nacional del Mercado de Valores.

Article 2.3.b) of Royal Decree Law 926/1998 requires that the credit risk of the Notes issued by the Fund should be evaluated by a rating entity recognised by the Comisión Nacional del Mercado de Valores.

The Managing Company has entrusted the evaluation of the credit risk of the Notes to Moody's Investors Service España, S.A. (hereinafter “Moody's España”) (100% subsidiary of Moody's Investors Service Limited) and Standard & Poor's España, S.A. (“S&P España”) (100%

subsidiary of Standard & Poor's Rating Services), both Spanish rating entities being recognised by the CNMV for this purpose.

Rating granted to the issue of the Notes

Prior to the registration of this Prospectus, Moody's España assigned a provisional (P) Aaa rating to the Class A Notes, an Aa3 rating to the Class B Notes, an A2 rating to the Class C Notes and a Baa3 rating to the Class D Notes (hereinafter, the "ratings"). It is expected that the above ratings (Aaa rating to the Class A Notes, an Aa3 rating to the Class B Notes, an A2 rating to the Class C Notes and a Baa3 rating to the Class D Notes) will be confirmed as final ratings by such rating agency prior to the commencement of the Subscription Period of the Notes (referred to in Section II.18.3 of the Prospectus).

Prior to the registration of this Prospectus, S&P España assigned a provisional (P) AAA rating to the Class A Notes, an AA rating to the Class B Notes, an A+ rating to the Class C Notes and a BBB+ rating to the Class D Notes (hereinafter, the "ratings"). It is expected that the above ratings (AAA rating to the Class A Notes, an AA rating to the Class B Notes, an A+ rating to the Class C Notes and a BBB+ rating to the Class D Notes) will be confirmed as final ratings by such rating agency prior to the commencement of the Subscription Period of the Notes (referred to in Section II.18.3 of the Prospectus).

In the event that the rating agencies, prior to the commencement of the Subscription Period of the Notes, do not confirm the ratings Aaa/AAA for Class A Notes, Aa3/AA for Class B Notes, A2/A+ for Class C Notes and Baa3/BBB+ for Class D Notes, the Managing Company will immediately communicate this fact to the CNMV and will disclose this fact to the public as provided in Section III.5.3.b), b'').

Failure to confirm the ratings Aaa/AAA for Class A Notes, Aa3/AA for Class B Notes, A2/A+ for Class C Notes and Baa3/BBB+ for Class D Notes, prior to the commencement of the Subscription Period, would constitute the only termination event in respect of the incorporation of the Fund and the issue of Notes.

ANNEX III contains a copy of the letters confirming the provisional ratings issued by Moody's España and S&P España.

Considerations on the ratings of Moody's España.

Moody's Investors Service Limited rating scales, used by Moody's España for long-term and short-term debt, are as follows:

<u><i>Long-term</i></u>	<u><i>Short-term</i></u>
• Aaa	• Prime-1
• Aa	• Prime-2
• A	• Prime-3
• Baa	
• Ba	
• B	
• Caa	
• Ca	
• C	

Moody's España applies numerical modifiers 1, 2, and 3 in each generic rating classification from Aa to Caa. Modifier 1 indicates that the obligation ranks at the higher end of its generic rating category; modifier 2 indicates a mid-range ranking; and modifier 3 indicates a ranking at the lower end of that generic rating category.

The rating Aaa of Moody's España indicates a credit of the highest quality. A significant security margin is required of the issuer in order to cover any default of payment in the worst possible economic conditions.

The rating Aa3 of Moody's España indicates a credit of high quality by all standards. Together with the Aaa group, they comprise what are generally known as "high-grade" bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than the Aaa securities.

The rating A2 of Moody's España indicates that there are many favourable investment attributes and that the factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

The rating Baa3 of Moody's España indicates that obligations are considered as "medium-grade". Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such Notes lack outstanding investment characteristics and in fact have speculative characteristics as well.

The rating is an opinion of the rating agency regarding the credit risk and the capacity of an obligor to pay interest promptly on each Payment Date and to repay the principal amount of the issue during the life of the issue and, in any case, before the Final Maturity Date.

The rating of Moody's España measures the expected loss before the Final Maturity Date of the Fund and takes into account the information provided in connection with the Mortgage Loans the structure of the transaction, as described in its documentation, including the obligations of the Bank.

The structure allows the promptly payment of interest and repayment of principal during the life of the issue and, in any case, before the Final Maturity Date.

The assigned provisional ratings, as well as any review or suspension of them:

- are issued by Moody's España on the basis that due to the large amount of information it receives, the accuracy or completeness of which Moody's España is unable to guarantee, Moody's España can not be considered in any way responsible for it; and,
- constitute an opinion but not a recommendation to purchase, sell or keep securities.

The ratings may be reviewed, suspended or withdrawn at any time by Moody's España by reason of any information which may come to its notice. Such situations, which will not constitute a reason for prepayment of the Fund, will be immediately reported to both the Comisión Nacional del Mercado de Valores and the noteholders, in accordance with provisions set forth in Section III.5.3.b), b')).

To carry out the process of rating and review, Moody's España relies on the accuracy and completeness of the information provided by the Managing Company, auditors, lawyers, and other experts.

Considerations on the ratings of S&P España.

S&P Ratings Services rating scales, used by S&P España for long-term and short-term debt, are as follows:

<u>Long-term</u>	<u>Short-term</u>
• AAA	• A-1+
• AA	• A-1
• A	• A-2
• BBB	• A-3
• BB	• B
• B	• C
• CCC	• D
• CC	
• C	
• D	

The long-term debt ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within each category.

S&P Ratings Services grants an AAA rating to debt issues whose obligor's capacity to pay interest and to repay principal is extremely strong and an AA rating to debt issues whose obligor's capacity to meet its financial obligations is very strong. A rating is granted to debt issues whose obligor's capacity to pay interest and to repay principal is strong and BBB rating is granted when the debt exhibits an adequate capacity to pay interest and to repay principal, although it is more subject to adverse economic conditions and, consequently, its capacity to meet its economic obligations is weaker than the obligations in higher rated categories.

The rating is an opinion of the rating agency regarding the credit risk and the capacity of an obligor to repay the principal amount of the issue and the interest under the established terms. It does not constitute an evaluation of the probability of variation of the amortisation dates of the Mortgage Loans from those which were originally expected.

The rating does not constitute an invitation to purchase, sell or keep the Notes. The rating shows only an opinion and is not a substitute for the necessary analysis of the Notes that the potential investors must carry out on them.

The ratings may be reviewed, suspended or withdrawn at any time by S&P España by reason of any information which may come to its notice. Such situations, which will not constitute a reason for early liquidation of the Fund, will be immediately reported to both the Comisión Nacional del Mercado de Valores and the noteholders, in accordance with the provisions of Section III.5.3.b), b'').

To carry out the process of rating and review, S&P España relies on the accuracy and completeness of the information provided by the Managing Company, auditors, lawyers and other experts.

Obligations of the Managing Company

The Managing Company undertakes, on behalf of the Fund, to provide Moody's España and S&P España with regular information on the Fund and the performance of the Credit Rights. In addition to the regular information that must be provided, it will also provide such information when reasonably required to do so and in any event when there is a change in the conditions either of the Fund or the agreements entered into by the Fund through its Managing Company or the concerned parties.

The Managing Company will use its best efforts to maintain the ratings of the Notes at their initial level and, in the event that the ratings fall, it will use its best efforts to recover them.

II.4 Nature and name of the Notes which are offered with an indication of the issue number or Class.

The total amount of the issue of Notes amounts to a nominal amount of one billion, eight hundred and seventy five million (1,875,000,000) euro and is composed of eighteen thousand, seven hundred and fifty (18,750) Notes.

This nominal amount is divided into four Classes of Notes:

- (i) **Class A:** composed of seventeen thousand, one hundred and eighty four (17,184) Notes for a total nominal value of one billion, seven hundred and eighteen million, four hundred thousand (1,718,400,000) euro.
- (ii) **Class B:** composed of five hundred and thirty four (534) Notes for a total nominal value of fifty three million, four hundred thousand (53,400,000) euro.
- (iii) **Class C:** composed of four hundred and sixty nine (469) Notes for a total nominal value of forty six million, nine hundred thousand (46,900,000) euro.
- (iii) **Class D:** composed of five hundred and sixty three (563) Notes for a total nominal value of fifty six million, three hundred thousand (56,300,000) euro.

The payment of interest and the subsequent redemption of the principal amount of Class B Notes, Class C Notes and Class D Notes is subordinated with respect to the Class A Notes, as well as among them, in accordance with the payment priority order contained in Section V.5.1.b), 2, of the Prospectus.

Subscription or possession of the Notes of one Class does not require or entail the subscription or possession of the Notes of other Classes.

The Notes have the legal status of fixed income securities, are homogeneous, standardised and, consequently, eligible for trading in organised securities markets.

II.4.1 Legal regime governing the Notes, with details of the procedures which guarantee the certainty and enforceability of the rights of the initial and subsequent holders. Implications of the mandatory connection between the timetable for payment of the principal amount and the interest on the Notes, and the flow of revenues and collections resulting from the assets that are securitised through the Fund, for the financial service of each issue of Notes issued by the Fund.

The issued Notes have the legal status of fixed income securities, with explicit yield.

Having the status of fixed income securities, the Notes are subject to the provisions of Law 24/1988, as amended by Law 37/1998 and Law 44/2002. As set forth in Section II.5 below, the Notes will be represented in book entry form and will be transferred by book entry transfer.

Pursuant to Article 11 of Royal Decree 116/1992, the Notes represented in book entry form will be incorporated as such by means of their registration in the relevant book entry record, which will be kept in accordance with the provisions of Section II.5 below, by the Sociedad de Sistemas. Once registered, the Notes will be subject to the provisions of Chapter II, Title I of Law 24/1988 and Royal Decree 116/1992.

Ownership Certificates may be issued at the noteholder's request and at his or her expense. This Ownership Certificate shall include the noteholder's identity, the purpose of the Certificate and the period for which it is effective. Provisions of Section 4 of Chapter I, Title I of Royal Decree 116/1992 shall be applied in this matter.

The Notes may be freely transferred by any means permitted by Law. The ownership of each Note will be transferred by a book entry transfer. The registration of the transfer in favour of the purchaser in the book entry register will have the same effect as the delivery of the Notes and from that moment on, the transfer will be effective vis-à-vis

third parties. In this sense, a third party acquiring on an *onerous* basis the Notes in book entry form from a person entitled to transfer them in accordance with the book entry register will not be exposed to disputes regarding the ownership of the Notes save in the case of any act of bad faith or gross negligence by that third party at the time of the transfer.

Difference in regularity between the flow of income and payments of the Fund

Article 3.3 of Royal Decree 926/1998 establishes that the managing companies will be entitled to acquire financial assets on a temporary basis, provided that the credit quality of the liabilities of the Fund is not downgraded as a result of such acquisition, for the purpose of covering temporary delays between the payments of principal and interest on the Credit Rights which constitute the assets of the Fund and on the Notes issued. For these purposes, the Managing Company, acting on behalf of the Fund, will enter, among others, into a Guaranteed Rate Reinvestment Agreement, with the Bank by virtue of which the Cash Account (including the Reserve Fund as provided in Section V.3.1 of the Prospectus), opened with the Bank, shall accrue interest at a guaranteed rate, but only whilst the credit rating of the short-term debt of the Bank does not fall below P-1 or A-1, according to the rating scales of Moody's Investors Service Limited and S&P Ratings Services, in accordance with the terms of Section V.3.1 of the Prospectus.

II.4.2 Other implications and risks that, due to the legal and economic nature of the assets which are grouped together in the Fund, might affect the financial performance of the Notes issued by the Fund as a result of the securitisation of such assets.

a) Risk of non-payment of the Credit Rights.

The risk of non-payment of the Credit Rights shall be borne by the noteholders.

As a result, the Assignor only assumes responsibility for the existence and lawfulness of the Credit Rights, as well as with respect to the capacity by virtue of which the Assignor assigns the Credit Rights to the Fund, but it will assume no responsibility for any default in payment by the debtors, whether of principal, interest or any other amounts which might be owed by such debtors under the Mortgage Loans, as provided by Article 348 of the Code of Commerce. The Assignor will also assume no responsibility for ensuring, directly or indirectly, the successful completion of the transaction nor will it provide any support or guarantee, or enter into any repurchase agreement in connection with the Credit Rights, save for those which do not comply on the Incorporation Date with the conditions and characteristics contained in Section IV.1.a) of the Prospectus and in accordance with the provisions set forth therein.

b) Risk of prepayment of the Credit Rights.

The Credit Rights contained in the Fund may be repaid early if the borrowers prepay that part of the Credit Right pending amortisation.

Prepayment risk will be transferred on a quarterly basis, on each Payment Date, to the noteholders in accordance with the provisions set forth in Section II.11 of the Prospectus.

c) Other considerations.

II.4.2.c.1 Protection.

An investment in the Notes may be affected by, among other factors, a deterioration in general economic conditions which may have a negative effect

on the payment of the Credit Rights securing the issue of the Fund. In the event that a high level of Credit Rights' delinquency is reached, the protection against losses in the portfolio of Credit Rights which the Notes have the benefit of as a result of the credit enhancement described in Section V.3 of the Prospectus, may be reduced or even lost. This notwithstanding, the risk borne by the noteholders is reduced as a result of the payment priority order set forth in Section V.5.1.b), 2 of the Prospectus.

II.4.2.c).2 Responsibility.

The Notes issued by the Fund do not represent a liability of the Managing Company or the Assignor. The cash flows allocated to pay the liabilities arising from the Notes are only secured or guaranteed within the limits and conditions set forth in the Prospectus. Apart from these guarantees, there are no others granted by any public or private entity, including the Assignor, the Managing Company, or any of their affiliates or subsidiaries. The Credit Rights grouped in the Fund and the rights arising from them are the main source of income of the Fund and, consequently, the only source for payment to the creditors of the Fund.

II.4.2.c).3 Liquidity.

There is no guarantee of a minimum amount or minimum regularity for the trading of the Notes in the market. In addition, the Fund may not buy back the Notes from the noteholders. It may however carry out their complete early redemption in the event of early liquidation of the Fund, where the Unpaid Principal Balance of the Credit Rights pending amortisation is less than 10% of the initial amount, as provided in Section III.8.1 of the Prospectus.

II.4.2.c).4 Profitability.

The prepayment rate of the Credit Rights may be influenced by a variety of geographical, economic and social factors such as seasons, market interest rates, distribution of the portfolio by sector and, in general, the level of economic activity.

The calculation of the internal rate of return, the average life and the duration of the Notes is subject to hypothetical early repayment rates which may or may not be fulfilled.

II.4.2.c).5 Certain legal aspects.

On the Incorporation Date, the Assignor has made, as set forth in Chapter IV of the Prospectus, among others, a number of representations and warranties related to the characteristics of the Credit Rights, which will replicate those to be established in the Incorporation Deed, as well as representations regarding the absence of any obstacle preventing the issue of Mortgage Transfer Certificates. However, the Assignor does not guarantee the solvency of the debtors of the Credit Rights. In addition, these guarantees will not entitle the noteholders to claim against the Assignor any right held against the Fund. The Managing Company, as provided in Section II.21 below, is the only entity authorised to represent the noteholders in their relations with any third party or in any claim related to the Fund.

The Assignor, as administrator of the Credit Rights in accordance with Article 2.2.b) of Royal Decree 926/1998, undertakes to act with the same due

diligence regarding the Credit Rights as if they were any other right included in its portfolio.

II.5 Form of representation and name and address of the entity in charge of its book entry.

The Notes will be represented by means of book entries in accordance with the Law 19/1992 and Royal Decree 116/1992, and will be incorporated as such by means of their registration in the relevant book entry record. The Incorporation Deed will have the effects set forth in Article 6 of Law 24/1998, as amended by Law 37/1998 and Law 44/2002.

The noteholders will be identified as such in accordance with the book entry record held by the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (hereinafter, "Iberclear"), which will be appointed in the Incorporation Deed as the entity in charge of the book entry records of the Notes, in such a way that the clearing and settlement of the Notes is carried out pursuant to the operating rules of Iberclear with regard to the securities which are listed in the AIAF and represented through book entries.

The following will be held for each participant entity in the Central Registry of Iberclear (a) an account showing the balance of the Notes owned by the participant entity at any time, and (b) another account showing the total balance of the Notes registered by each participant entity in the name of third parties.

The accounts of each owner of the Notes will be kept in book entry records held by the participant entities, and will express at all times the value of the Notes they own.

The registered office of Iberclear is located in Madrid, Edificio "Iberia Mart I", Orense 34, 28020.

II.6 Face value of the Notes issued by the Fund, the number of Notes included and their numbering, broken down into their respective Classes, if applicable.

The total value of the Notes on issue equals one billion, eight hundred and seventy five million (1,875,000,000) euro, made up of eighteen thousand, seven hundred and fifty (18,750) Notes divided into four Classes:

- (i) **Class A:** made up of seventeen thousand, one hundred and eighty four (17,184) Notes with a total nominal value of one billion, seven hundred and eighteen million, four hundred thousand (1,718,400,000) euro.
- (ii) **Class B:** made up of five hundred and thirty four (534) Notes with a total nominal value of fifty three million, four hundred thousand (53,400,000) euro.
- (iii) **Class C:** made up of four hundred and sixty nine (469) Notes with a total nominal value of forty six million, nine hundred thousand (46,900,000) euro.
- (iii) **Class D:** made up of five hundred and sixty three (563) Notes with a total nominal value of fifty six million, three hundred thousand (56,300,000) euro.

The payment of interest, first, and the redemption of the principal amount, second, of the Class B Notes, Class C Notes and Class D Notes are subordinated with regard to the Class A Notes, as well as among them, in accordance with the payment priority order contained in Section V.5.1.b), 2 of the Prospectus.

Subscription for or possession of the Notes of one Class does not require or entail the subscription or possession of Notes of other Class.

II.7 Face value and effective value of each security.

The issue price of the Notes for all Classes will be one hundred thousand (100,000) euro per Note, free of taxes and subscription expenses for the subscriber.

The expenses and taxes inherent in the subscription of Notes will be borne by the Fund.

The redemption amount of the Notes will be one hundred thousand (100,000) euro per Note, which is equivalent to their nominal amount, free of expenses for the noteholder and payable in instalments on each Payment Date.

II.8 Commissions and related expenses of all kinds which must be borne by the investors upon subscription to the Notes issued by the Fund.

The subscription price set forth above will be exclusive of taxes and subscription expenses for the subscriber.

II.9 Reference, if applicable, to the existence, as the case may be, of commissions to be paid by the holders of the Notes issued by the Fund and which must be represented by book entries, for registration and maintenance of balance.

On the one hand, the fees incurred for the inclusion of the Notes in the Central Registry of Iberclear will be borne by the Fund, and will not be charged to the noteholders. Iberclear will receive no maintenance fee.

On the other hand, the entities participating in Iberclear may establish, in accordance with the legislation currently in force, rates for the commissions and expenses to be charged to the noteholders for the management of securities which they may freely determine, and which may have been communicated to the Banco de España, and/or to the CNMV, as their supervising bodies, from time to time.

II.10 Interest rate clause.

II.10.1 Nominal interest rate.

The Notes will bear a floating annual nominal interest rate, which is payable on a quarterly basis and will be calculated, for each Class, following the criteria set out below.

The annual nominal interest rate will be paid on a quarterly basis on each Payment Date, as described below in Section II.10.3, on the Unpaid Principal Balance of each Class, as provided in Section II.11.3.b), 3.

Withholdings, levies, duties and taxes already established or to be established in the future on capital, interest or returns of the Notes will be solely borne by the noteholders, and their amount will be deducted, as the case may be, by the Managing Company, in the name and on behalf of the Fund, in the manner established by law.

a) Accrued interest.

The duration of the issue will be divided into successive interest accrual periods (the "Interest Accrual Periods") which will include the days elapsed between each Payment Date, including the initial Payment Date in each Interest Accrual Period and excluding the final Payment Date, in accordance with Section II.10.3, being calculated on the basis of a year of 360 days (exceptionally, the first Interest Accrual Period will have a duration of less than three months and equivalent to the time elapsed between the Disbursement Date (included) provided for in Section II.18.5 and the first Payment Date (excluded)).

b) Nominal interest rate.

The nominal interest rate for each Interest Accrual Period of the Notes will be that resulting from adding (i) the reference three (3) month EURIBOR interest rate (or the two (2) month EURIBOR interest rate for the first Interest Accrual Period, hereinafter,

the “First Interest Accrual Period”) or, if necessary, its substitute, described in paragraph c) below, and (ii) a spread for each Class:

1. of 0.18% for the Class A Notes,
2. of 0.30% for the Class B Notes,
3. of 0.50% for the Class C Notes,
4. of 0.95% for the Class D Notes,

all rounded to the nearest ten thousandth of a percentage point.

c) Calculation of the EURIBOR interest rate.

(i) The reference interest rate for the determination of the applicable interest rate of the Notes will be the three (3) month EURIBOR interest rate (“*Euro InterBank Borrowing Offered Rate*”) (or the two (2) month EURIBOR interest rate for the First Interest Accrual Period) calculated, supplied and distributed by REUTERS, which is currently published in the EURIBOR01 electronic pages (or in any other page that might replace such page in the future), as determined at 11 am (CET time, “*Central European Time*”) on the Interest Rate Fixing Date which is described below.

(ii) In the event of non-publication of the interest rate referred to in paragraph (i) above, the substitute reference interest rate shall be the interest rate resulting from calculating the simple arithmetic mean of the interbanking interest rates offered for operations of deposits in euro (EURIBOR) with three (3) month maturity (or two (2) month maturity or the First Interest Accrual Period), on the Interest Rate Fixing Date, quoted by the entities listed below:

- Banco Santander Central Hispano, S.A., London Branch;
- BNP Paribas, London Branch; and
- J.P. Morgan Chase, London Branch;

all rounded to the nearest ten thousandth of a percentage point.

In the event that the above substitute reference interest rate cannot be applied due to a continued failure to supply the quotation statement by any of the above entities, the interest rate to be applied will be that resulting from applying the simple arithmetic mean of the interest rates provided by the other two (2) entities offering interest rates, all rounded to the nearest ten thousandth of a percentage point.

If one of the aforementioned two entities fails to provide the interest rates determined in paragraphs (i) and (ii) above, the interest rate to be applied will be the last reference interest rate applied to the last Interest Accrual Period, and so on for the subsequent Interest Accrual Periods for as long as this situation continues.

If two of the above entities started quoting statements again, the substitute reference interest rate would once again apply in accordance with the above rules.

The Managing Company will keep the listings with the content of the relevant REUTERS screen or, as the case may be, the quotation statements of the mentioned entities, as documents evidencing the EURIBOR rate applied.

d) Interest Rate Fixing Date.

The nominal interest rate applicable to all Classes of Notes for each Interest Accrual Period will be determined by the Managing Company, in the name and on behalf of the Fund, at 11:00 hours (CET) of the second Business Day preceding each Payment Date, as described in Section II.10.3 below (hereinafter “Interest Rate Fixing Date”) according to the TARGET calendar (*Trans European Automated Real-Time Gross Settlement Express Transfer System*). This rate will be applicable to the following Interest Accrual Period.

The interest rate of the Notes of all Classes for the First Interest Accrual Period shall be determined on the basis of the reference interest rate (two (2) month EURIBOR), at 11:00 hours (CET) on the Incorporation Date provided for in Section II.1.1.c) or, if not a Business Day according to TARGET calendar, the previous Business Day, and it will be disclosed to the public in the announcement of incorporation of the Fund and issue of the Notes as provided in Section III.5.3.b), b’).

The nominal interest rates determined for each Class of Notes for the subsequent Interest Accrual Periods shall be communicated to the noteholders as provided in Section III.5.3.a), a’).

For the purposes of the issue of the Notes, non-Business Days shall mean any day being:

- (i) Saturday;
- (ii) Sunday;
- (iii) only in reference to the calculation of the nominal interest rate applicable to each Interest Accrual Period, those days which are considered as non-business days in accordance with the TARGET calendar, which include in addition to those referred to in (i) and (ii) above, January 1, Good Friday, Easter Monday, May 1, December 25 and December 26; and
- (iv) a day which is a public holiday in Madrid (for the calculation of the nominal interest rate applicable to each Interest Accrual Period and for the rest of the conditions to the issue of Notes).

Business Days shall mean any day other than those referred to in paragraphs (i), (ii), (iii) -with the limitation provided therein- and (iv) above.

e) Information chart on the evolution of the reference interest rate to be used

The information shown below on the three (3) month EURIBOR interest rates supplied by REUTERS and the rates that would apply to all Classes of Notes, is given for information purposes only:

Dates	EURIBOR 3 month	Class A Notes	Class B Notes	Class C Notes	Class D Notes
April 11, 2003	2.522%	2.7020%	2.8220%	3.0220%	3.4720%
May 13, 2003	2.464%	2.6440%	2.7640%	2.9640%	3.4140%
June 12, 2003	2.124%	2.3040%	2.4240%	2.6240%	3.0740%
July 11, 2003	2.129%	2.3090%	2.4290%	2.6290%	3.0790%
August 13, 2003	2.135%	2.3150%	2.4350%	2.6350%	3.0850%
September 11, 2003	2.152%	2.3320%	2.4520%	2.6520%	3.1020%

October 13, 2003	2.136%	2.3160%	2.4360%	2.6360%	3.0860%
November 13, 2003	2.171%	2.3510%	2.4710%	2.6710%	3.1210%
December 11, 2003	2.150%	2.3300%	2.4500%	2.6500%	3.1000%
January 13, 2004	2.092%	2.2720%	2.3920%	2.5920%	3.0420%
February 12, 2004	2.067%	2.2470%	2.3670%	2.5670%	3.0170%
March 11, 2004	2.058%	2.2380%	2.3580%	2.5580%	3.0080%
April 13, 2004	2.038%	2.2180%	2.3380%	2.5380%	2.9880%
May 12, 2004	2.084%	2.2640%	2.3840%	2.5840%	3.0340%

II.10.2 Brief reference to the ranking of payments of interest of the Notes issued by the Fund in the payment priority order of the Fund, and an accurate indication of the paragraph and pages of the Prospectus where the rules of the priority order are established for the payments of the Fund, and specifically those which affect the payment of interest of such Notes, are described.

Payment of interest accrued by the Class A Notes shall rank third (3rd), payment of interest accrued by the Class B Notes shall rank fourth (4th), payment of interest accrued by the Class C Notes shall rank fifth (5th) and payment of interest accrued by the Class D Notes shall rank sixth (6th) in the payment priority order established in Section V.5.1.b), 2 of the Prospectus, unless the exceptional rules of payment priority of the Fund established in Section V.5.2 apply.

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

The interest accrued on all Classes of Notes will be paid on the 15th day of January, April, July and October of each year, or if this date is not a Business Date, on the next Business Day, until the Notes are fully repaid (each of these dates being a “Payment Date”) in accordance with the procedure provided in Section II.12, first paragraph, of the Prospectus.

In the event that any of the dates set forth in the above paragraph is not a Business Day pursuant to Section II.10.1.d) above, the Payment Date will be the next Business Day in Madrid, with interest corresponding to the current Interest Accrual Period, described in Section II.10.1.a) above, accruing up to such Business Day, excluding such day.

The first payment date of interest on each of the Classes of Notes will be July 15, 2004. Consequently, a full quarter from the Disbursement Date will not have elapsed, so interest will be accrued at the relevant nominal interest rate from and including the Disbursement Date (June 16, 2004) provided in Section II.18.5, up until but not including July 15, 2004.

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

$$I = N \times C \times (d/360)$$

Where:

- I**= Interest to be paid on a given Payment Date.
- N**= Unpaid Principal Balance of the Notes on the Calculation Date corresponding to such Payment Date.
- C**= Nominal interest rate expressed as an annual percentage.
- d**= Number of days elapsed during each Interest Accrual Period.

Both interest accrued in favour of the noteholders, calculated as provided above, and the amount of the accrued but unpaid interest, shall be communicated to the noteholders as described in Section III.5.3.a), a”) of the Prospectus, at least one (1) calendar day in advance of each Payment Date.

In the event that the Fund fails to provide for payment of interest accrued on the Notes of either Class on a given Payment Date in accordance with the relevant payment priority order set forth in Section V.5.1.b), 2, the amounts which the noteholders have not received shall be paid on the next Payment Date on which the Fund has sufficient Available Funds. Any deferred amounts of interest will accrue, in favour of the noteholders, the same interest as that applied to the principal of the Notes of their respective Class during the Interest Accrual Period/s until the Payment Date on which such deferred amounts of interest are paid, not involving any capitalisation of the debt.

The Fund, through the Managing Company, may not defer payment of interest of the Notes of either of the Classes to a date later than July 15, 2042, the Final Maturity Date of the Notes or, if this is a non-Business Day, the next Business Day.

In order to better explain to the investor the calculation system used to fix the applicable nominal interest rate and the amount of interest which may correspond to each Note on each Payment Date, Section II.12.b) provides a practical example, as well as the Theoretical Charts in relation to the Early Repayment Sensitivity of the Loan (“*Cuadros Teóricos del Servicio Financiero del Empréstito*”).

II.11 Redemption of the Notes.

II.11.1 Redemption amount.

The redemption amount of the four Classes of Notes, Class A Notes, Class B Notes, Class C Notes and Class D Notes, will be one hundred thousand (100,000) euro per Note, which corresponds to their nominal amount, free of expenses for the noteholder, to be paid in instalments on each Payment Date.

II.11.2 Brief reference to the ranking of the payments of principal of the Notes issued by the Fund in the payment priority order of the said Fund, and an accurate indication of the section and pages of the Prospectus where the rules of order of priority established for the payments of the Fund are described, in particular those which affect the payment of the principal of said Notes.

The payment of principal of the Class A Notes, Class B Notes, Class C Notes and Class D Notes is ranked seventh (7th) in the payment priority order established in Section V.5.1.b), 2 of the Prospectus.

II.11.3 Redemption methods, specifying dates, place, entities, procedure and publicity.

a) Final Redemption.

The legal final maturity date (hereinafter, the “Final Maturity Date”) and date of final redemption for the four Classes of Notes will be July 15, 2042 or, in the event that such date is not a Business Day, the next Business Day, without prejudice to any early redemption of the Notes that the Managing Company may carry out in the name and on behalf of the Fund, in accordance with paragraph c) below. In the latter case, the last Payment Date when such early redemption takes place shall be the final date of redemption of the Notes.

b) Partial Redemption.

Notwithstanding the aforementioned, the Fund will make, through its Managing Company, partial redemptions of the Notes of the four Classes, in the terms described below:

1. *Redemption dates.*

The redemption dates will coincide with the Payment Dates for interest, that is, the 15th of January, April, July and October of each year or, if applicable, the next Business Day as provided under Section II.10.3, until redemption in full is made.

The first redemption of the Class A Notes will take place on July 15, 2004, in accordance with the rules established in the aforementioned Section.

The first redemption of the Class B Notes will take place on such Payment Date on which Class A Notes are fully redeemed.

The first redemption of the Class C Notes will take place on the Payment Date on which Class A and Class B Notes are fully redeemed.

The first redemption of the Class D Notes will take place on the Payment Date on which Class A, Class B and Class C Notes are fully redeemed.

2. *Calculation Dates and Periods.*

“Calculation Dates” are those dates in which the Managing Company, on behalf of the Fund, shall carry out the required calculations to distribute or withhold Available Funds on such dates, in accordance with the payment priority order set forth in Section V.5.1.b), 2 of the Prospectus.

The “Calculation Date” for each relevant period shall be the fifth (5th) Business Day in Madrid prior to each Payment Date and the periods between two subsequent Calculation Dates shall be called “Calculation Periods”, with the initial Calculation Date being included in each Calculation Period and the final Calculation Date being excluded.

As an exception, the first Calculation Period shall be that between the Disbursement Date referred to in Section II.18.5 and the first Calculation Date.

3. *Unpaid Principal Balances of the Class A Notes, Class B Notes, Class C Notes and Class D Notes.*

Unpaid principal balances will be the principal balances of the four Classes of Notes, including the Principal Due for Repayment accrued on previous Payment Dates and not paid due to lack of Available Funds, as provided in paragraph 4 below, and in accordance with the payment priority order described in Section V.5.1.b), 2 of the Prospectus.

4. *Principal Due for Repayment on each Payment Date.*

The Principal Due for Repayment of all Classes of Notes, without distinguishing between them, will be equal to the difference, in absolute value, between the Unpaid Principal Balance of the Credit Rights without any instalment being more than eighteen (18) months in arrears (as referred to in the following paragraph) and the sum of the Unpaid Principal Balance of the four Classes of Notes, on the Calculation Date prior to each Payment Date.

The unpaid principal balance of the Credit Rights (hereinafter, “Unpaid Principal Balance of the Credit Rights”) will include the Principal Due but not

paid and the outstanding principal of the Credit Rights.

5. Amount for the redemption of principal on each Payment Date, and Principal Deficiency.

The Principal Due for Repayment of the Notes that may be withheld under point seventh (7th) of the payment priority order, depending on the existing liquidity of the Available Funds (as described in Section V.5.1, 2 of this Prospectus), will constitute the Available Funds for Repayment.

The Principal Deficiency, if any, will be the difference between the Principal Due for Repayment of the Notes and the Available Funds for Repayment.

6. Allocation of the Available Funds for Repayment between the Notes of each Class.

Available Funds for Repayment representing the amounts available pursuant to item seven (7th) of Section V.5.1.b) 2 of the payment priority order, will be allocated for such redemption in accordance with the following rules:

- Available Funds for Repayment will be allocated to redemption of Class A Notes, pro rata between them, by reducing their nominal value on each Payment Date until redemption is completed.
- Once the redemption of Class A Notes is completed, redemption of Class B Notes will begin by means of reducing the nominal value pro rata among them, on each Payment Date for an amount equal to the Available Funds for Repayment on such Payment Date, until their redemption is completed.
- Once the redemption of Class A and Class B Notes is completed, redemption of Class C Notes will begin by means of reducing the nominal value pro rata among them, on each Payment Date for an amount equal to the Available Funds for Repayment on such Payment Date, until their redemption is completed.
- Once the redemption of Class A, Class B and Class C Notes is completed, redemption of Class D Notes will begin by means of reducing the nominal value pro rata among them, on each Payment Date for an amount equal to the Available Funds for Repayment on such Payment Date, until their redemption is completed.

Additionally, the exceptional rules of payment priority of the Fund described in Section V.5.2. of this Prospectus shall be taken into account.

7. Certificates

Within seven (7) Business Days following each Payment Date, the Managing Company will issue a certificate signed by a duly empowered person, which will provide evidence of: the Unpaid Principal Balances of the Notes, the Principal Deficiency unpaid due to an insufficiency of Available Funds, if any, and if applicable, the amount of interest accrued and unpaid to the noteholders in accordance with Section II.10.3 of the Prospectus.

Such certification will be submitted to the Comisión Nacional del Mercado de Valores, to the entity in charge of the accounting record and to the governing authority of AIAF, to make it available to the public.

c) Prepayment.

Without prejudice to the obligation of the Fund to repay the Notes through the Managing Company on the Final Maturity Date and without prejudice to the preceding paragraphs, the Fund will be entitled, subject to Article 5.3 of Law 19/1992, to early liquidate the Fund, through the Managing Company and consequently to repay in advance all the Notes on a Payment Date, if the Unpaid Principal Balance of the Credit Rights is lower than 10% of their initial balance, if and when the result of selling the unpaid Credit Rights plus the existing balance of the Cash Account allows a total cancellation of all the obligations due to the noteholders after fulfilling the priority payment order as described in Section III.8.1.(iii) of this Prospectus.

Therefore, the following requirements must be met in order to proceed with the early liquidation of the Fund:

- (i) all payment obligations may be complied with and fully cancelled; and,
- (ii) the Managing Company notifies the noteholders as provided in Sections III.5.3.b), b”) and c), thirty (30) Business Days before the early liquidation date, which shall necessarily be a Payment Date. Such notice (previously given to the Comisión Nacional del Mercado de Valores) shall contain the liquidation procedure as described below and the means to obtain enough liquidity, in order to pay and cancel all the payment obligations deriving from the Notes. The prepayment will necessarily be conducted over all of the Notes.

In addition, an event of liquidation of the Fund and prepayment of the Notes will take place when the Managing Company is declared to be in liquidation, suspension of payments (“*suspension de pagos*”), bankrupt (“*quiebra*”) or in case its authorisation is revoked and a new Managing Company is not designated within a term of four months, in accordance with Section III.3.2 of the Prospectus.

The prepayment of all the Notes, in the above scenarios, will be conducted over the Unpaid Principal Balance of the Notes up to that date plus the accrued but unpaid interest from the last Payment Date up to the prepayment date, reduced, as the case may be, with the relevant withholding tax and free of expenses for the noteholder. These amounts shall be deemed to be legally due and payable on that date.

In order to allow the Fund, through its Managing Company, to prepay the Notes and, specifically, in order to raise enough liquidity from the Fund to pay the Unpaid Principal Balance of the Notes, plus the accrued but unpaid interest from the last Payment Date until the date of prepayment, the Managing Company, on behalf of the Fund, shall be entitled to:

- (i) sell the Credit Rights at a price not lower than the sum of the principal value plus the accrued but unpaid interest of the Credit Rights pending amortisation; and/or
- (ii) cancel those agreements which are not necessary to carry out the liquidation of the Fund; and/or
- (iii) sell the assets which belong to the Fund, if the previous actions prove insufficient or if there are assets remaining. The Managing Company will be authorised to accept those offers that, at its opinion, cover the market value of the relevant asset and be paid in cash. To establish the market value, the Managing Company may be entitled to obtain the reports that it may find appropriate.

Section III.8 of this Prospectus describes other events of cancellation of the Fund and its consequent early liquidation.

II.12 Table of the financial service of the loan, including both the payments of interest and the redemption of principal for each of the-classes of Securitisation Notes to be issued by the Fund.

The administration of payments (“*servicio financiero*”) of the Notes shall be provided by the Bank, which will be considered the Financial Agent for these purposes. The payment of interest and redemptions of principal shall be communicated to the holders of the Notes as provided in Section III.5.3.a), a”). The payment of interest and redemptions of principal to the noteholders shall be made by presenting the relevant document evidencing their ownership or through the appropriate Certificate of Ownership issued by the entity in charge of the relevant book entry registry as indicated in Section II.5 of the Prospectus.

a) Practical example of the calculation of the nominal interest rate.

In accordance with Section II.10.3 and in order to make it easier for the subscriber to understand the calculation system used for the nominal interest rate and the amount of interest to be received per Note on each Payment Date, the example given below indicates the method of calculation for the Class A Notes:

- 3 month EURIBOR rate: 2.063%
 - Spread: 0.18%
-
- Amount of interest per Note: 2.243%
- Period of interest per Note: 91 days (*)
 - Unpaid Principal Balance of the Note: 100,000 euro
- $$\frac{2.243 \times 91 \times 100,000}{100 \times 360} = 566.98055556 \text{ euro}$$
- Rounded up to the nearest cent: 566.98 euro

(*) taking as an example a quarter of such duration, for instance, April, May and June.

Consequently, the amount of interest to be received for each Class A Note would be 566.98 euro on an Unpaid Principal Balance of 100,000 euro. The example would be identical for the Class B Notes, the Class C Notes and the Class D Notes, substituting the Class A spread of 0.18, for the spreads corresponding to Class B Notes, Class C Notes and Class D Notes.

b) Table of the Prepayment Sensitivity (“*Cuadros del servicio financiero del empréstito*”) of the loan.

The main characteristic of the Notes is their periodic redemption. As a result, their average term and duration depends fundamentally on the speed at which the debtors repay their Mortgage Loans.

The advanced repayments that the debtors decide to make, subject to changes and estimated in the Prospectus through the use of the Constant Annual Prepayment Rate (hereinafter “CPR”), will have a direct effect on the speed of repayment of the Mortgage Loans and the average term and duration of the Notes.

Other variables exist which are also subject to changes, and which affect the average term and duration of the Notes. The variables and their hypothetical values assumed in all the charts provided in this Section are the following:

- that the interest rate of the Credit Rights is 3.07%;
- that the proportion of the portfolio of Credit Rights in arrears is 0.54% annually and 0.05% monthly, with a 12 month recovery period;
- that the proportion of the portfolio of Credit Rights in default is 0%;
- that the CPR stays constant throughout the lifetime of the Notes;
- that the Disbursement Date of the Notes is June 16, 2004;
- that the Principal Deficiency does not exist;

Finally, the actual adjusted duration of the Notes will also depend on their floating interest rates. In all the charts provided in this Section the rate is assumed to be constant at 2.2430% for the Class A Notes, 2.3630% for the Class B Notes, 2.5630% for the Class C Notes and 3.0130% for the Class D Notes.

Assuming that the Fund exercises the early repayment option set out in the first paragraph of Section II.11.3. c) (where the Principal Balance of the Credit Rights is lower than 10% of its initial amount), the average term and duration of the Notes with different CPR set out in the chart below, would be the following:

CPR	0%	4%	8%	10%	12%	16%	20%
CLASS A							
Average term	13.3	8.9	6.3	5.5	4.8	3.8	3.1
Duration	10.9	7.6	5.6	4.9	4.3	3.5	2.9
CLASS B							
Average term	25.6	21.6	17.1	15.1	13.6	11.1	9.1
Duration	18.9	16.6	13.8	12.5	11.4	9.6	8.0
CLASS C							
Average term	25.6	21.6	17.1	15.1	13.6	11.1	9.1
Duration	15.6	14.1	12.2	11.3	10.5	9.0	7.8
CLASS D							
Average term	25.6	21.6	17.1	15.1	13.6	11.1	9.1
Duration	13.7	12.7	11.2	10.3	9.6	8.4	7.2

The above figures were calculated by using the following formulas:

Average term of the Notes:

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

Where:

A = Average term of each Class of issued Notes expressed in years.

B= Principal of each Class of Notes to be repaid on each Payment Date, in accordance with the amount to be repaid corresponding to each Class of Notes, pursuant to Section II.11.3.b), 4 of the Prospectus.

d= Number of days elapsed between the Disbursement Date and the relevant Payment Date.

C= Total nominal value of each Class of Notes in euro.

Duration of the Notes (Macaulay adjusted formula):

$$D = \frac{\sum (P \times VA)}{PE} \times \frac{1}{(1+I)}$$

Where:

D = Duration of each Class of Notes expressed in years.

P = Time elapsed (in years) between the Disbursement Date and each Payment Date.

VA = Present value of each amount comprising gross principal and interest, to be paid on each Payment Date with a deduction of the gross effective interest rate (IRR), which is 2.2430% for Class A Notes, 2.3630% for Class B Notes, 2.5630% for Class C Notes and 3.0130% for Class D Notes.

PE = Price of issue of the Notes (100,000 euro).

I = Gross internal rate of return ("IRR"), which is 2.2430% for Class A Notes, 2.3630% for Class B Notes, 2.5630% for Class C Notes and 3.0130% for Class D Notes.

Finally, the issuer of the Notes states that the tables of the financial service of the loan shown herein are merely theoretical and therefore impose no payment obligation whatsoever, bearing in mind that:

- The CPR are assumed to be constant at 10% throughout the life of the loan, although the actual rate of early repayment changes continuously.
- The Unpaid Principal Balance of the Notes on each Payment Date and the interest to be paid on each of such dates will depend on the actual rate of early repayment which may affect the portfolio of Credit Rights.
- The interest rates of the Notes are assumed to be constant at 2.2430% for the Class A Notes, 2.3630% for the Class B Notes, 2.5630% for the Class C Notes and 3.0130% for the Class D Notes, although the interest rate of the four Classes is floating.
- The hypothetical values mentioned at the beginning of this Section are assumed in all cases.
- It is assumed that the issuer of the Notes will exercise the option of early repayment provided in Section II.11.3.c).

CASH FLOWS PER NOTE EXCLUDING WITHHOLDING FROM THE NOTEHOLDER
(EUROS)

C.P.R.=10%

DATE	PRINCIPAL PAYMENT ON CLASS A NOTES	GROSS INTEREST CLASS A NOTES	TOTAL CLASS A NOTES	PRINCIPAL PAYMENT ON CLASS B NOTES	GROSS INTEREST CLASS B NOTES	TOTAL CLASS B NOTES	PRINCIPAL PAYMENT ON CLASS C NOTES	GROSS INTEREST CLASS C NOTES	TOTAL CLASS C NOTES	PRINCIPAL PAYMENT ON CLASS D NOTES	GROSS INTEREST CLASS D NOTES	TOTAL CLASS D NOTES
2004-06-03												
2004-07-12	2,314.44	242.99	2,557.43	0.00	255.99	255.99	0.00	243.86	243.86	0.00	344.13	344.13
2004-10-12	3,385.38	559.94	3,945.32	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2005-01-12	3,284.45	540.54	3,824.99	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2005-04-12	3,186.39	510.37	3,696.76	0.00	590.75	590.75	0.00	562.76	562.76	0.00	794.16	794.16
2005-07-12	3,187.69	497.98	3,685.66	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2005-10-12	3,139.41	485.18	3,624.58	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2006-01-12	3,044.46	467.18	3,511.64	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2006-04-12	2,952.40	439.95	3,392.35	0.00	590.75	590.75	0.00	562.76	562.76	0.00	794.16	794.16
2006-07-12	2,863.14	428.10	3,291.24	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2006-10-12	2,776.44	416.39	3,192.83	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2007-01-12	2,691.72	400.48	3,092.20	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2007-04-12	2,609.69	376.68	2,986.37	0.00	590.75	590.75	0.00	562.76	562.76	0.00	794.16	794.16
2007-07-12	2,530.21	366.07	2,896.28	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2007-10-12	2,453.03	355.59	2,808.62	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2008-01-12	2,377.89	341.53	2,719.42	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2008-04-12	2,305.02	324.33	2,629.35	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2008-07-12	2,234.18	311.26	2,545.44	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2008-10-12	2,165.47	301.88	2,467.35	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2009-01-12	2,098.41	289.46	2,387.88	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2009-04-12	2,033.51	271.40	2,304.91	0.00	590.75	590.75	0.00	562.76	562.76	0.00	794.16	794.16
2009-07-12	1,970.48	262.89	2,233.37	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2009-10-12	1,909.39	254.48	2,163.87	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2010-01-12	1,849.95	243.54	2,093.49	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2010-04-12	1,792.35	227.87	2,020.22	0.00	590.75	590.75	0.00	562.76	562.76	0.00	794.16	794.16
2010-07-12	1,736.30	220.24	1,956.54	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2010-10-12	1,682.00	212.71	1,894.71	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2011-01-12	1,628.74	203.07	1,831.81	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2011-04-12	1,577.37	189.52	1,766.89	0.00	590.75	590.75	0.00	562.76	562.76	0.00	794.16	794.16
2011-07-12	1,527.67	182.68	1,710.35	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2011-10-12	1,479.49	175.93	1,655.42	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2012-01-12	1,432.06	167.45	1,599.52	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2012-04-12	1,386.41	157.51	1,543.92	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2012-07-12	1,341.55	149.65	1,491.20	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2012-10-12	1,298.48	143.61	1,442.09	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2013-01-12	1,255.74	136.16	1,391.91	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2013-04-12	1,214.99	126.16	1,341.15	0.00	590.75	590.75	0.00	562.76	562.76	0.00	794.16	794.16
2013-07-12	1,174.28	120.67	1,294.96	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2013-10-12	1,135.74	115.27	1,251.01	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2014-01-12	1,095.47	108.76	1,204.23	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2014-04-12	1,058.37	100.25	1,158.62	0.00	590.75	590.75	0.00	562.76	562.76	0.00	794.16	794.16
2014-07-12	1,023.27	95.37	1,118.63	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2014-10-12	989.72	90.55	1,080.27	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2015-01-12	956.57	84.87	1,041.45	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2015-04-12	924.98	77.67	1,002.65	0.00	590.75	590.75	0.00	562.76	562.76	0.00	794.16	794.16
2015-07-12	893.75	73.28	967.04	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2015-10-12	864.04	68.97	933.00	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2016-01-12	833.14	64.01	897.16	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2016-04-12	804.54	58.59	863.13	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2016-07-12	776.95	54.03	830.98	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2016-10-12	750.78	50.17	800.95	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2017-01-12	724.85	45.87	770.71	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2017-04-12	700.28	40.81	741.08	0.00	590.75	590.75	0.00	562.76	562.76	0.00	794.16	794.16
2017-07-12	675.92	37.29	713.21	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2017-10-12	652.86	33.83	686.68	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2018-01-12	628.99	30.08	659.07	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2018-04-12	606.91	25.90	632.81	0.00	590.75	590.75	0.00	562.76	562.76	0.00	794.16	794.16
2018-07-12	584.62	22.75	607.37	0.00	597.31	597.31	0.00	569.01	569.01	0.00	802.98	802.98
2018-10-12	564.00	19.65	583.65	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2019-01-12	538.03	16.41	554.45	0.00	603.88	603.88	0.00	575.26	575.26	0.00	811.80	811.80
2019-04-12	516.47	13.04	529.51	0.00	590.75	590.75	0.00	562.76	562.76	0.00	794.16	794.16
2019-07-12	1,809.16	10.26	1,819.42	100,000.00	597.31	100,597.31	100,000.00	569.01	100,569.01	100,000.00	802.98	100,802.98
	100,000.00	12,439.13	2.2619%	100,000.00	36,212.98	2.3840%	100,000.00	34,496.95	2.5877%	100,000.00	48,681.81	3.0472%

This Prospectus is a non-official and non-binding translation into English of the original "Folleto Informativo" drafted in Spanish language and registered with the "Comisión Nacional del Mercado de Valores" (the Spanish Securities Market Commission, "CNMV") on June 8, 2004. The "Folleto Informativo" drafted in Spanish language is the only official document.

II.13 Effective interest estimated for the noteholder, in accordance with the characteristics of the issue, specifying the calculation method used and the anticipated expenses in accordance with their actual nature.

Effective gross interest for the noteholder.

If the annual nominal interest rates applicable to each of the four Classes, A, B, C and D floating on a quarterly basis, were kept constant throughout the life of the Notes at the interest rates of 2.2430% for Class A Notes, 2.3630% for Class B Notes, 2.5630% for Class C Notes and 3.0130% for Class D Notes, such interest rates would be transformed into annual and gross Internal Rates of Return (“IRR”) for the noteholder of 2.2619% for Class A Notes, 2.3840% for Class B Notes, 2.5877% for Class C Notes and 3.0472% for Class D Notes as shown in the chart included in Section II.12.b). This is due to the effect produced by the quarterly payment of interest, which is calculated as an internal rate of return without taking into consideration the effects of tax, and always incorporating the assumptions contained in the aforementioned Section.

The IRR was calculated using the following formula:

$$100,000 = \sum_{i=1}^N ai(1 + I)^{-[ni/360]}$$

Where:

I = IRR expressed as an annual rate, on a per unit basis.

ai = Total amounts of repayment and interest which will be received by noteholders.

(a1 aN)

ni = Number of days elapsed between the Disbursement Date of the issue and January 15, April 15, July 15 and October 15 of each year, not inclusive.

II.14 Effective interest estimated for the Fund at the time of issue of the Notes, taking into account all expenses incurred in design and placement, and specifying the method of calculation.

In the event that the floating nominal interest rate of the Notes remains constant throughout the life of the loan at a rate of 2.2430% for the Class A Notes, 2.3630% for the Class B Notes, 2.5630% for the Class C Notes and 3.0130% for the Class D Notes, such rates would be transformed into internal rates of return (IRR) for the total of the issue of 2.4288% for a CPR of 10%, calculated in accordance with the assumptions mentioned in Section II.12.b) as the liquid value of the issue, after deductions for expenses of the issue, from the values of all the payments for interest, repayments and cancellation expenses updated to the date of issue.

The anticipated expenses are as follows:

a) Incorporation expenses (*documentation, publications and fees*):

	euro
• CNMV Fees ¹ :	94,517.93
• AIAF Fees:	52,200.00
• IBERCLEAR Fees:.....	635.68
• Rating agencies:	261,000.00
• Others:	96,447.57
	<hr/>
Subtotal (0.027%):	504,801.18

b) Issue expenses:

	euro
• Managing Company Fee:	150,000.00
• Underwriting Fees:	
* Class A (0.01%):	171,840.00
* Class B (0.02%):	10,680.00
* Class C (0.03%):	14,070.00
* Class D (0.04%):	22,520.00
	<hr/>
Subtotal (0.066%):	369,110.00

GRAND TOTAL (0.093%): **873,911.18**

The expenses resulting from the liquidation of the Fund and the expenses of auditing the portfolio of Credit Rights portfolio will be borne by the Fund.

II.15 Existence or non-existence of special guarantees of the Credit Rights.

Guarantees of the Assignor:

The Bank, as Assignor of the Credit Rights, undertakes:

- (i) to substitute each and every Credit Right which does not conform on the Incorporation Date to the statements contained in paragraph IV.1.a), with other Credit Rights. If this is not possible, in accordance with Section IV.1.d), the Bank undertakes to repurchase such Credit Right for their unpaid principal balance and the unpaid accrued interest. The Managing Company, on behalf of the Fund, shall be duly informed in this regard, for the purposes of the maintenance of the financial balance of the Fund;

¹ 0.14‰ of the total of the issue (maximum of 38,267.93 euros), and 0.03‰ of the total of the issue for the listing procedure.

- (ii) that all amounts received by the Bank (i) from the debtors as principal, ordinary interest or arrears interest, calculated at the same rate than the ordinary interest applicable to the relevant loan, and (ii) that may be paid to the Bank as designated beneficiary of the damages insurance policies which have been subscribed by the debtors in connection with the Credit Rights assigned by the Bank to the Fund, will be delivered by the Bank to the Fund through the Managing Company;
- (iii) In connection with the Swap Agreement entered into as regards the Notes, the Bank undertakes with respect to the Managing Company, on behalf of the Fund, that in the event that the Bank's credit rating at any time during the term of the issue, is downgraded below A1 (according to the long-term credit rating of Moody's Investors Service Limited) or from A-1 to A-2 (according to the short-term credit rating of S&P Ratings Service) and within the maximum term of thirty (30) Business Days following the date on which such downgrade was notified, the Bank will choose one of the following alternatives: (i) a third party guarantees the fulfilment of the Bank's contractual obligations, or (ii) a third party assumes the Bank's contractual position and replaces the Bank, provided that in both alternatives such entity has, at least, a rating of A1 and A-1 (according to the above mentioned credit ratings of Moody's Investors Service Limited and S&P Ratings Service, respectively), all the above subject to the terms and conditions that the Managing Company, S&P España and Moody's España may deem appropriate, for the purpose of maintaining the ratings granted to all Classes of Notes, or (iii) to constitute a cash collateral in the account designated by the Managing Company in favour of the Fund, for the amount agreed at that time with the Rating Agencies.

In the event that the Bank's credit rating is downgraded to BB+ or Ba1 (according to the credit ratings of Moody's Investors Service Limited and S&P Ratings Service, respectively), the only valid alternative will be that referred to in (ii) above, and the Bank shall constitute the cash collateral referred to in the alternative (iii) above until the third party which will assume the Bank's contractual position is found.

- (iv) that in the event that the Bank ceases as administrator of the Mortgage Loans, the Managing Company shall appoint, provided that it is legally possible, a new administrator. The Bank shall continue performing its functions until the precise moment in which the mentioned substitution effectively takes place. Once this substitution has been carried out, the Bank must provide the new administrator with all documents and electronic records necessary for the performance of its duties.
- (v) that it shall indemnify the Fund, through the Managing Company, for any damage, loss or expenses incurred by the Fund by reason of the lack of fulfilment by the Bank of its obligations of custody and management of the Credit Rights.
- (vi) that, without prejudice to the representations of Section IV.1.a), the Bank undertakes that if any of the debtors or their guarantors has any credit right against the Bank and proceeds to exercise it by setting-off this credit against the debt derived from a Mortgage Loan assigned to the Fund subject to Article 1,198 of the Civil Code (legal compensation -"*compensación legal*"- or contractual compensation -"*compensación convencional*"-, as the case may be), the Bank shall pay to the Fund, in the Cash Account described in Section V.3.1, an amount equal to the set off amount which would have been due to the Fund. Nevertheless, the Bank represents in Section IV.1.a), 20 that it has no knowledge of any of the

debtors being a creditor of the Bank with the capacity to claim for legal compensation (“*compensación legal*”).

Additionally, the Bank makes the representations and guarantees regarding the Credit Rights mentioned in Section IV.1.a) of the Prospectus.

None of the above undertakings shall be regarded as a payment guarantee in the event of the default of the debtors.

The Bank will not receive any fee for the abovementioned undertakings.

II.16 Law governing the transfer of the Notes, indicating, in particular, if there are any restrictions on their free transferability.

The Notes are not subject to any particular restriction on their free transferability, which will be carried out in accordance with the conditions set forth in Section II.4.1 of the Prospectus.

II.17 Listing of the Notes issued.

In accordance with Article 2.3 of Royal Decree 926/1998, the Managing Company shall request immediately after the execution of the Incorporation Deed, once the disbursement of the Notes (as described in Section II.18.5) has been carried out, the listing of the issue of the Notes in AIAF (an official secondary securities market recognised in the Sixth Temporary Disposition set forth in Law 37/1998, by virtue of which Law 24/1988 is amended). The listing will be completed no later than thirty (30) Business Days after the Disbursement Date and always before the first interest payment date of the Notes (July 15, 2004).

Likewise, once the Notes are subscribed, the Managing Company will request, in the name and on behalf of the Fund, the inclusion of the issue of Notes in Iberclear, thus ensuring that the clearing and settlement of the Notes is carried out in accordance with the operating rules which Iberclear has established or may establish in the future with regard to securities listed in AIAF and represented through book entries.

The Managing Company expressly acknowledges that it is aware of the requirements and conditions required for the listing, presence and delisting of securities on AIAF in accordance with the legislation currently in force and the requirements of its governing bodies. The Fund in turn agrees, through the Managing Company, to meet and comply with these requirements and conditions.

In the event that the listing of the Notes in AIAF is not completed within the above term, the Managing Company shall immediately inform the CNMV and the noteholders, indicating the reasons and the new anticipated listing date in a national newspaper, in accordance with Sections III.5.3.b), b”) and c) of the Prospectus, without prejudice to the potential liability of the issuer of the Notes in the event that the non-fulfilment was a result of its behaviour.

II.18 Applications for subscription and acquisition.

II.18.1 Group of potential investors to whom the Notes are offered.

It is intended that the Notes will be sold to institutional or professional investors, either with or without legal status, such as, without limitation, Pension Funds, Collective Investment Institutions or Insurance Entities, Credit Entities, Securities Agencies or entities authorised to manage securities’ portfolios that regularly and on a professional basis carry out investment on securities.

The Bank does not previously intend to initially subscribe any of the Notes to be issued.

II.18.2 Legal suitability of the Notes.

The following legal considerations are applicable to the Notes, for the purposes of being subscribed by certain investors:

- (i) In accordance with Royal Decree 2345/1996, of November 8, the Notes are appropriate for the investment of the compulsory reserves of Reciprocal Guarantee Entities (*Sociedades de Garantía Recíproca*);
- (ii) The Notes may be acquired by Insurance Entities in order to comply with their obligations under technical provisions, in accordance with Royal Decree 2486/1998, of November 20, as amended by Royal Decree 297/2004, of February 20;
- (iii) The Notes may be acquired by Pension Funds in accordance with Royal Decree 304/2004, of February 20;
- (iv) The Notes may be acquired by Collective Investment Institutions in accordance with the particular rules established for each one by Royal Decree 1393/1990, of November 2, and the Order of May 28, 1999, which modifies the Order of June 7, 1990, on Cooperation Treaties related to Investment Funds in government stock ("*Fondtesoros*"), provided that they do not oppose Law 35/2003, of November 4, until its subsequent regulations come into force;
- (v) In accordance with the Ministerial Order of December 29, 1992, as amended by the Orders of April 13, 2000 and January 8, 2003, among others, on equity and supervision on a consolidated base of securities companies and agencies and their groups, the Notes will receive the risk weighting corresponding to the asset with the highest risk weighting that is included in the Fund.

II.18.3 Subscription Period.

The subscription period of the Notes (the "Subscription Period") will have a duration of eight (8) hours from 9:00 to 17:00 on the immediately subsequent Business Day on which the announcement of the incorporation of the Fund and issue of the Notes is published, as provided in Sections III.5.3.b), b') and c) of the Prospectus.

The Subscription Period will occur on June 15, 2004.

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

The applications for subscription of the Domestic Tranche described in Section II.19 may be carried out by any means permitted by law during the Subscription Period referred to in Section II.18.3, and should be addressed to the Underwriting Entity of the Domestic Tranche, the Bank (Treasury Department), located at Ciudad Grupo Santander, Edificio Encinar, 2-S, planta 0, 28660 Boadilla del Monte (Madrid).

The applications for subscription of the International Tranche described in Section II.19 shall be made in accordance with Section II.19 of the Prospectus, addressed to the Underwriting Entities of the International Tranche, the Bank (Treasury Department) -located at the above address- and Merrill Lynch

International (hereinafter, “Merrill Lynch”), Financial Centre -located at London EC1A 1HQ, 2 King Edward Street-.

Each of the Domestic Tranche Underwriting Entity and the International Tranche Underwriting Entities, will subscribe the amount of Notes pending subscription at the end of the Subscription Period, by virtue of their undertakings described in Sections II.19.3 and V.4.3 of this Prospectus.

II.18.5 Method and Date of Disbursement.

The investors to whom the Notes have been sold shall pay to the Underwriting Entities of Domestic and International Tranches, on the Business Day following the closing date of the Subscription Period (the “Disbursement Date”), before 13.00 hours (Madrid time), with same-day value, the price of issue (100% of the nominal amount) which may correspond to each Note assigned to them.

Each Underwriting Entity shall pay the agreed amount corresponding to the Notes underwritten by it, less its Underwriting Fee, to the Bank, which in its capacity as Financial Agent shall pay to the Fund, on the same date, the total amount received from the rest of Underwriting Entities plus the amount of its underwriting commitment, less its Underwriting Fee, before 15.00 hours (Madrid time), with same-day value, in accordance with the provisions of the Subscription Agreements.

The Disbursement Date shall be June 16, 2004.

II.18.6 Method and term of delivery of the copies of the subscription bulletins or provisional certificates to the subscribers.

No later than five (5) days after the Disbursement Date, each investor will receive from the Underwriting Entity through which it has subscribed the Notes, a document providing evidence of the ownership of the subscribed Notes. Notwithstanding the above, ownership of the Notes will be proved by means of the relevant registration carried by the entity in charge of the book entry record of the Notes, which are represented in book entry form. This supporting document will not be negotiable and will only reflect the initial subscription of the Notes. It will be valid to prove the subscription of the relevant Notes until their registration in the relevant book entry record.

II.19 Placement and assignment of the Notes.

The placement of the Notes shall be divided in two Tranches:

- (i) **Domestic Tranche:** seven hundred and seventy five million (775,000,000) euro, that is seven thousand, seven hundred and fifty (7,750) Notes, in the following manner:
- six thousand, one hundred and eighty four (6,184) Class A Notes, approximately 36% of the total nominal value of that Class.
 - five hundred and thirty four (534) Class B Notes (which represent 100% of the total nominal value of that Class).
 - four hundred and sixty nine (469) Class C Notes (which represent 100% of the total nominal value of that Class).
 - five hundred and sixty three (563) Class D Notes (which represent 100% of the total nominal value of that Class).

(ii) International Tranche: one billion and one hundred million (1,100,000,000) euro, that is eleven thousand (11,000) Class A Notes, approximately 64% of the total nominal value of that Class. The placement procedure for both the Domestic Tranche and the International Tranche will be the following:

Once the Subscription Period has been opened as provided for in Section II.18.3 of the Prospectus, applications shall be directed to the Bank (in the Domestic Tranche) or to the Bank and Merrill Lynch (in the International Tranche), which will be free to accept or reject the applications for subscription received, provided however that there is no discrimination among applications with similar characteristics on time. The Bank and Merrill Lynch undertake to subscribe, on their own behalf, upon termination of the Subscription Period, the number of Notes required to fulfil their underwriting obligations, as set out in Section II.19.1.

II.19.1 Entities which take part in the placement or marketing indicating their different duties, with a precise description of such duties. Total amount of fees agreed between the different placement entities and the Managing Company.

The placement of the Domestic Tranche (as referred to in Section II.18.4) will be carried out by the following Underwriting Entity for the following amount:

Underwriting Entity	euro million			
	Class A	Class B	Class C	Class D
Banco Santander Central Hispano, S.A.	618.4	53.4	46.9	56.3
Totals	618.4	53.4	46.9	56.3

The placement of the International Tranche (as referred to in Section II.18.4) will be carried out by the following Underwriting Entities for the following amounts:

Underwriting Entity	euro million			
	Class A	Class B	Class C	Class D
Banco Santander Central Hispano, S.A.	100			
Merrill Lynch	1,000			
Totals	1,100			

Each of the Underwriting Entities of the Notes of each of the Classes will receive the following underwriting fees:

- Class A: 0.01% of the underwritten nominal amount of such Class.
- Class B: 0.02% of the underwritten nominal amount of such Class.
- Class C: 0.03% of the underwritten nominal amount of such Class.
- Class D: 0.04% of the underwritten nominal amount of such Class.

In addition, the Underwriting Entities undertake to disclose to the Managing Company, within five (5) Business Days following the Disbursement Date, all the information requested by the CNMV on the results of the placement, in order to complete the Distribution Charts. In particular, the distribution among the

subscribers detailing the number of Notes, the number and nature of subscribers of the Notes and any other information that may be requested by the CNMV.

II.19.2 Managers of the Issue.

The Bank and Merrill Lynch will act as Managers of the issue of Notes and will receive no fees for this. Below is a copy of the letters issued by the Managers containing the statements signed by the persons duly empowered to make the representations required by Circular 2/1994, of March 16, of the Comisión Nacional del Mercado de Valores, by means of which the prospectus pro-forma for the incorporation of mortgage securitisation funds is approved, and Circular 2/1999, of April 22, of the Comisión Nacional del Mercado de Valores, by means of which certain prospectus pro-formas for the issue and public offerings of securities are approved:

On behalf of the Bank:

“MR. JOSÉ ANTONIO ÁLVAREZ ÁLVAREZ, in the name and on behalf of Banco Santander Central Hispano, S.A., as Manager of the issue, with registered office at Santander, Pº de Pereda No. 9 and 12, and duly authorised for these purposes in connection with the incorporation of FONDO DE TITULIZACIÓN DE ACTIVOS SANTANDER HIPOTECARIO 1, for the issue of an amount of one billion, eight hundred and seventy five million (1,875,000,000) euro, in compliance with Article 20 of Royal Decree 291/1992, of March 27, on issues and public offers of securities, as amended by Royal Decree 2590/1998, of December 7,

DECLARES

That the required verification has been carried out in order to confirm the truthfulness and completeness of the information contained in the Prospectus.

That as a result of that verification, there is no circumstance which may contradict or alter the information contained in the Prospectus, which does not omit any data or significant facts that could be relevant for the investor.

In witness whereof, I draft this statement in Madrid on May 19, 2004.”

On behalf of Merrill Lynch:

“MR. JUSTIN FOX, in the name and on behalf of Merrill Lynch International, as Manager of the issue, with registered office at 2 King Edward Street, London EC1A 1HQ, United Kingdom, and duly authorised for these purposes in connection with the incorporation of FONDO DE TITULIZACIÓN DE ACTIVOS SANTANDER HIPOTECARIO 1, for the issue of an amount of one billion, eight hundred and seventy five million (1,875,000,000) euro, in compliance with Article 20 of Royal Decree 291/1992, of March 27, on issues and public offers of securities, as amended by Royal Decree 2590/1998, of December 7,

DECLARES

That the required verification has been carried out in order to confirm the truthfulness and completeness of the information contained in the Prospectus.

That as a result of that verification, there is no circumstance which may contradict or alter the information contained in the Prospectus, which does not omit any data or significant facts that could be relevant for the investor.

In witness whereof, I draft this statement in Madrid on May 19, 2004.”

The Bank and Merrill Lynch, in their condition as Managers of the issue of Notes, will receive no fee.

II.19.3 Underwriting of the issue.

The Managing Company, acting in the name and on behalf of the Fund, will enter into two Subscription Agreements (one for the Domestic Tranche and another for the International Tranche) with the Underwriting Entities, whereby these entities in their respective Tranches will freely assign the Notes to third parties for the amounts set out in respect of each in Section II.19.1, and once the Subscription Period has closed, they will subscribe on their own behalf any amount of Notes which remain unsubscribed.

As Underwriting Entities, the Bank as regards to the Domestic Tranche, and the Bank and Merrill Lynch as regards to the International Tranche, assume the obligations provided in the Subscription Agreements, which are essentially the following: 1) an undertaking to subscribe to the Notes which have not been subscribed at the closing of the Subscription Period, up to the amounts established above (an undertaking which these entities assume on a joint and several basis); 2) payment to the Bank, in its role as Financial Agent, of the underwriting commitment by Merrill Lynch, with same-day value, before 14:00 hours (Madrid time) on the Business Day following the closing date of the Subscription Period, after deducting of the underwriting fee agreed in the relevant Subscription Agreement; and 3) payment to the Fund, by the Bank, in its role as Financial Agent, before 15:00 hours (Madrid time) on the same date, of the total amount received from the other Underwriting Entity plus the amount of its underwriting commitment, after deducting of the total underwriting fee (to which, in its position as Underwriting Entity, the Bank is entitled).

The early termination of the Subscription Agreements may only occur if the rating agencies (S&P España and Moody's España) do not confirm, before the commencement of the Subscription Period of the Notes, the AAA/Aaa ratings for the Class A Notes, the AA/Aa3 ratings for the Class B Notes, the A+/A2 ratings for the Class C Notes and the BBB+/Baa3 ratings for the Class D Notes, in accordance with the rating scales of S&P España and Moody's España, respectively.

II.19.4 Pro-rata allocation in the placement.

Not applicable.

II.20 Term and method established for delivery to subscribers of certificates or supporting documentation of subscription.

The Notes represented through book entries will be incorporated as such by virtue of their registration in the relevant book entry record carried out by Iberclear, in accordance with the provisions set forth in Section II.5, and there will be no physical delivery of the Notes.

The noteholders may be provided, up on request and at their own cost, Ownership Certificates including the identity of the noteholder, the reason for the issue of the Certificate and its period of validity, in accordance with the fourth Section of Chapter I, Title I of Royal Decree 116/1992.

II.21 Spanish legislation under which the Notes are created and indication of the competent court in the event of litigation.

The issue of the Notes is subject to Spanish legislation in accordance with the provisions set forth in Royal Decree 926/1998 of May 14, on Asset Securitization Funds and Managing Companies of Securitization Funds, subsidiarily by Law 19/1992, of July 7, on the Regime applicable to Companies and Real Estate Investment Funds and Mortgage Securitisation Funds; Law 24/1988, as amended by Law 37/1998, of November 16, and Law 44/2002, of November 22; and in accordance with the provisions set forth in Royal Decree 291/1992, dated March 27, on Issues and Public Offerings of Sale of Securities, amended by Royal Decree 2590/1998, dated December 7, on amendment of the legal regime of the securities markets; as well as the Order of July 12, 1993 and other developments of Royal Decree 291/1992 of March 27, and the CNMV Circular 2/1994 of March 16, whereby a pro-forma prospectus for the incorporation of mortgage securitisation funds is approved and the CNMV Circular 2/1999 of April 22, whereby certain pro-forma prospectuses to be used in issues or public offerings of securities were approved.

The International Tranche Subscription Agreement is subject to English law and to the jurisdiction of English Courts.

All matters, discrepancies, disputes and claims which may arise between the Fund as issuer of the Notes and the noteholders, will be submitted to and settled by the Courts and Tribunals of Spain.

Actions available in the case of default in payment of the Notes issued by the Fund

1. The noteholders shall not be entitled to take direct action against the defaulting debtors of the assigned Credit Rights. Only the Managing Company, on behalf of the Fund, is entitled to take such action.
2. In the event of non-payment of the Notes as a result of a defaulting debtor of a Credit Right, the noteholders shall not take any action against the Fund or the Managing Company.
3. The noteholders shall not have any right of action against the Managing Company other than that deriving from a breach of its own obligations, but never as a consequence of non-payment or early repayment by the debtors of the Credit Rights.

The Incorporation Deed will be governed by and construed in accordance with Spanish law.

II.22 Tax consequences of the income derived from the Notes.

The following is a summary of the tax consequences of the investments derived from this offer. This summary is based on the Spanish law in force on the date of the offer and does not address all tax considerations that may be relevant to every category of investor. The investors should also take into account any personal tax circumstances and, in particular, those related to the territorial limitations of certain tax laws and the applicable tax regime at the time the income is obtained and declared.

This summary does not address all the tax considerations that may be relevant to all categories of potential investors, some of whom (such as financial institutions, collective investment institutions or “look-through” entities) may be subject to different rules.

II.22.1 Spanish Individual Income Tax (IIT)

Interest as well as income arising from the transfer, redemption or repayment of the Notes, which is obtained by noteholders who may be regarded as taxpayers under the Individual Income Tax (“IIT”), will be deemed income from the

movable property pursuant to Section 23.2 of Royal Legislative Decree 3/2004, of March 5th, on Individual Income Tax.

In this regard, income derived from the coupon payments will be equal to the gross amount of the coupon, including the amount withheld, if any, in accordance with the IIT Regulations.

In the event of transfer, reimbursement or redemption of the Notes, income will be equal to the difference between their transfer, reimbursement or redemption value (deducting the additional expenses incurred in the transfer) and their acquisition or subscription value (adding the additional expenses incurred in the acquisition).

Losses derived from the transfer of the Notes, when the taxpayer had acquired other Notes within the two months prior or subsequent to such transfer, shall be included in its taxable base when the remaining Notes are transferred.

The resulting net taxable income shall be determined by deducting the management and deposit expenses from the gross income, excluding those pertaining to discretionary and individualized portfolio management.

If such income was generated after a two-year holding period, the individual taxpayer will benefit from a 40% reduction on the taxable net income.

According to the IIT Regulations (Royal Decree 214/1999, of February 5th), a withholding tax will be levied on the aforementioned income derived from the Notes, pursuant to the following:

- Interest derived from the Notes will be subject to an 15% withholding tax.
- However, no withholding tax will be levied on the income derived from the transfer or repayment of the Notes, if the following requirements are fulfilled (as is anticipated in the case of this issue):
 - 1) The Notes are registered in book entry form; and
 - 2) The Notes are listed in a Spanish official secondary market.
- Notwithstanding the above, an 15% withholding tax shall be applied to the part of the transfer price corresponding to the accrued interest when the transfer of the Notes takes place within the 30-day period prior to the maturity of the interest, provided that:
 - 1) The acquiror is a non-resident in Spain for tax purposes or is a Corporate Income Tax taxpayer, and,
 - 2) The acquiror is not subject to withholding tax on the interest received from the Notes.

II.22.2 Corporate Income Tax (CIT)

Interest as well as income obtained from the transfer, redemption or repayment of the Notes, obtained by entities regarded as CIT taxpayers, will be included in their CIT taxable base in accordance with chapter IV of Royal Legislative Decree 4/2004, of March 5th, on Corporate Income Tax (“CIT”).

Such income will be subject to a withholding tax forming part of the investor’s final CIT liability, in accordance with Chapter II of Section IV of the Royal Decree 537/1997 of April 14th, on CIT Regulations. However, Section 57), q) of

Royal Decree 537/1997 states that no withholding tax will be levied on such income if (as is anticipated in the case of this issue):

- 1) The Notes are registered in book entry form; and
- 2) The Notes are listed in a Spanish official secondary market.

II.22.3 Non-Resident Income Tax (NRIT)

Interest and income obtained upon the transfer, redemption or repayment of the Notes, by individuals and entities not resident in Spain for tax purposes, either through a permanent establishment located in Spain or not, will be considered income obtained in Spain and therefore subject to Spanish taxation under Section 12 of Royal Legislative Decree 5/2004, of March 5th, on Non-Resident Income Tax (“NRIT”).

a) Income obtained through a permanent establishment located in Spain

Income derived from the Notes and obtained through a permanent establishment located in Spain, will be taxed according to the regulations provided in Chapter III of said Royal Legislative Decree 5/2004. Such income will not be subject to any tax withholding at source, given that the Notes will be registered in book-entry forms and listed in a Spanish official secondary market.

b) Income obtained without a permanent establishment located in Spain

Income derived from the Notes and obtained by individuals and entities not resident in Spain for tax purposes and not conducting business in Spain through a permanent establishment within the Spanish territory, will be taxed in Spain at a rate of 15% on the gross income obtained from the Notes. For these purposes, the gross income obtained will be calculated in accordance with the rules set forth in the IIT Law, although no reduction on such income will be applicable.

In the case of transfer, repayment or redemption of the Notes, the expenses related to the acquisition and transfer of the Notes will be taken into account, to the extent they may be evidenced, when calculating the income obtained. Each accrual of income received by the taxpayer will be reported separately, it not being possible to offset positive and negative income.

Income obtained from the Notes by individuals and entities who are residents of a State which has entered into a Treaty for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (a “DTC”) with Spain, will be taxed at the reduced tax rates provided by the relevant DTC if the taxpayer submits a certificate of residency issued by the relevant Tax authorities of the country in which he is a resident. Such certificate must expressly state that the investor is resident within the meaning of the relevant CDT.

Income derived from the Notes will be exempt from taxation in Spain when obtained by residents in a EU Member State that do not act through a permanent establishment in Spain or by a permanent establishment of the said residents in another EU Member State and subject to the recipient of the income providing a certificate of tax residency duly issued by the relevant authorities of its country of residence.

Additionally, income arising from the transfer of the Notes by individuals or entities, not acting through a permanent establishment in Spain, who are

residents of a State which has entered into a DTC with Spain that includes an “exchange of information” clause, will be exempt from taxation provided that such transfer is carried out in a Spanish official secondary market. For this purpose, a certificate of tax residence issued by the tax authorities of the country in which the investor resides must be furnished. Such certificate must expressly state that the investor is resident within the meaning of the relevant CDT.

The previous exemptions will be applicable provided that such incomes are not obtained through a country or territory regarded as a Tax Haven by any Regulations.

As a general rule, the income referred to will be subject to NRIT withholding tax, except in those cases in which the payment of the tax due is evidenced, or an exemption is applicable. No withholding tax will be applied to income derived from the transfer or repayment of the Notes if they 1) are registered in book entry form, and 2) are listed in a Spanish official secondary market, as is anticipated in the case of this issue.

If the requirements described above are not fulfilled, the Managing Company, acting on behalf of the Fund, will withhold an amount equal to the general withholding tax rate of 15% upon payment of the interest, transferring the resulting net amount to the entity acting as depositary of the Notes or in charge of the payment of the income derived from the Notes, as established in the Ministerial Order of April 13th, 2000.

Non-Spanish resident investors will be entitled to obtain a quick refund of the amount withheld in excess of the DTC-reduced rate, or the amount withheld if an exemption was applicable, provided that a tax certificate of residence stating that he/she is resident of the relevant State within the meaning of the applicable DTC, is provided to the Spanish resident entity acting as depositary of the Notes, before the 10th day following the end of the month in which the interest was distributed. Such certificate of residence is valid for a period of one year.

Once the requirements described above have been duly fulfilled, the Spanish resident entity acting as depositary of the Notes will pay to the non-resident investor, on behalf of the Managing Company, the total amount withheld or the amount withheld in excess of the DTC-reduced rate.

In the event that any exemption was applicable or the withholding tax rate was lower than 15% pursuant to any Treaty, should the mentioned certificate of residence be not provided within the abovementioned term, the investor may afterwards obtain a refund of the relevant amount withheld from the Spanish tax authorities, following the standard refund procedure set forth in the Spanish regulations (Ministerial Order of December 23th, 2003).

II.22.4 Net Wealth Tax

Spanish resident individuals who hold Notes on the last day of any year will be subject to Spanish Net Wealth Tax (“NWT”) for that year, on the average market value of those Notes during the last quarter of such year. Non-residents of Spain who hold Notes on the last day of any year will also be subject to NWT, unless an applicable DTC to which Spain is a party provides otherwise. However, noteholders resident in an EU Member State other than Spain will not be subject

to NWT provided that the income derived from the Notes is exempt from NRIT in the terms described above.

II.22.5 Inheritance and Gift Tax (IGT)

Transfers of Notes upon death or by gift are subject to the Inheritance and Gift Tax if the transferee is an individual, unless an applicable CDT states otherwise. If the acquirer of the Notes is a corporation, income obtained by such entity will be subject to CIT or NRIT, when applicable, without prejudice to the provisions of the applicable DTC in this latter case.

II.22.6 Indirect Taxation on the Notes.

The transfer of the Notes will not be subject to Spanish Transfer Tax, Stamp Duty or Value Added Tax.

II.23 Purpose of the transaction.

II.23.1 Allocation of the net amount of the issue.

The net proceeds of the issue of the Notes will be allocated entirely to the payment of the price for the acquisition of the Credit Rights assigned by the Assignor, grouped as assets of the Fund.

II.24 Secondary negotiation.

There are no companies involved in the secondary trading in order to provide liquidity by offering compensation.

II.25 Listing of individuals or entities that have taken part to a significant extent in the planning or advice regarding the incorporation of the fund or in any significant information contained in the Prospectus.

II.25.1 Listing.

- a) The financial design of issue of Notes has been carried out by Santander de Titulización, Sociedad Gestora de Fondos de Titulización, S.A.
- b) The legal design of the issue of Notes has been carried out by Santander de Titulización, Sociedad Gestora de Fondos de Titulización, S.A., and Uría & Menéndez, as independent legal advisers.
- c) The Bank and Merrill Lynch act as Underwriting Entities.
- d) The Bank and Merrill Lynch act as Managers of the issue of Notes.
- e) The Bank also acts as Financial Agent.

II.25.2 Statement of the person responsible for the Prospectus on behalf of the Managing Company.

“MR. IGNACIO ORTEGA GAVARA in the name and on behalf of SANTANDER DE TITULIZACIÓN, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, (S.G.F.T.), S.A., with registered office at Madrid, Paseo de la Castellana 75, in connection with the incorporation of FONDO DE TITULIZACIÓN DE ACTIVOS SANTANDER HIPOTECARIO 1, for an issue of one billion, eight hundred and seventy five million (1,875,000,000) euro, in compliance with point II.25.2. of Circular 2/1994 of the Comisión Nacional del Mercado de Valores, by means of which the prospectus pro-forma for the incorporation of the mortgage securitisation funds is approved, as well as in compliance with the Order of July 12, 1993, by means of which Royal decree 291/92, of March 27 was developed,

DECLARES

That Banco Santander Central Hispano, S.A, as issuer of the Mortgage Transfer Certificates, holds directly 81% of the share capital of the Managing Company; and

That there is no other link or economic interest between the Managing Company and/or the assignor of the Credit Rights (BANCO SANTANDER CENTRAL HISPANO, S.A.) and the experts, consultants and/or the other entities that have participated in the planning or advice regarding the incorporation of the Fund or in any significant information contained in the Prospectus, including the underwriting of the placement, which are listed in Section II.25.1.”

II.25.3 Statement of the Assignor.

“MR. JOSÉ ANTONIO ÁLVAREZ in the name and on behalf of BANCO SANTANDER CENTRAL HISPANO, S.A., with registered office at Santander, Pº de Pereda No. 9 and 12, and duly authorised for these purposes in connection with the incorporation of FONDO DE TITULIZACIÓN DE ACTIVOS SANTANDER HIPOTECARIO 1, for an issue of one billion, eight hundred and seventy five million (1,875,000,000) euro, in compliance with Article 20 of Royal Decree 291/1992, of March 27, on issues and public offerings of securities, as amended by Royal Decree 2590/1998, of December 7,

DECLARES

That the representations with regard to the Mortgage Loans and the Mortgage Transfer Certificates included in Section IV.1 of this Prospectus are true.

That the above referred representations will be guaranteed to the Managing Company, on behalf of the Fund, in the Incorporation Deed.

That the required verification has been carried out in order to confirm the truthfulness and completeness of the information contained in the Prospectus regarding the portfolio of selected Mortgage Loans, most of which will be assigned to the Fund as the Mortgage Loans underlying to the issue of the Mortgage Transfer Certificates.

That as a result of that verification, there is no circumstance which may contradict or alter the information contained in the Prospectus, which does not omit data or significant facts that could be relevant for the investor.

In witness whereof, I draft this statement in Madrid on May 19, 2004.”

The statement of the Assignor including the above referred representations is attached to the Prospectus as ANNEX VI.

CHAPTER III

GENERAL INFORMATION REGARDING THE FUND

III.1 Legal background and purpose of the Fund.

The FONDO DE TITULIZACIÓN DE ACTIVOS SANTANDER HIPOTECARIO 1 is governed by (i) the Incorporation Deed, (ii) Royal Decree 926/1998 and its subsequent developing regulations, (iii) Law 12/1992, of July 7, on the Regime applicable to Companies and Real Estate Investment Funds and on Mortgage Securitisation Funds, subsidiarily if applicable, (iv) Law 24/1988, of July 25, on the Securities Market, as amended by Law 37/1998, of November 16, (iv) Law 24/1988, of July 25, on the Securities Market, amended by Law 37/1998, of November 16, shall apply in connection with the surveillance, supervision and sanctioning of the Fund, (v) Article 18 of Law 44/2002, of November 22, on Amendment Measures to the Financial Market (the “Law 44/2002”) approves a new drafting for the Fifth Additional Provision of Law 3/1994, of April 14, by virtue of which the Spanish regulations on credit entities are adapted to the Second Banking Co-ordination Directive and further amendments to the financial system are approved (the “Law 3/1994”), as regards the Mortgage Transfer Certificates, to which the legislation applicable to the Mortgage Participations will apply, if applicable and (vi) by any other applicable regulations in force from time to time.

The Fund shall constitute a closed and separate pool of assets, without any legal personality. As regards its assets, the Fund will comprise the Credit Rights deriving from the Mortgage Loans to be assigned by the Bank through the issue of Mortgage Transfer Certificates (described in Chapter IV of the Prospectus), and the Reserve Fund (as such Reserve Fund is defined in Section V.3.3 of the Prospectus) and, as regards its liabilities, it will comprise the Notes and the Subordinated Loan (described in Section V.3.2 of the Prospectus), in such a way that the net value of the Fund is zero.

In accordance with the Fifth Additional Provision of Law 3/1994, in the event of bankruptcy (“*quiebra*”) or insolvency (“*suspensión de pagos*”) of the Assignor of the Credit Rights contained in the Fund, only a fraudulent assignment of credits is capable of being challenged before a Court. The Fund has an absolute right of separation in accordance with Articles 908 and 909 of the Spanish Commercial Code.

III.2 Complete name of the Fund, incorporation and verification.

The issuer of the Notes will be named FONDO DE TITULIZACIÓN DE ACTIVOS SANTANDER HIPOTECARIO 1.

Prior registration with the Official Registries of the Comisión Nacional del Mercado de Valores, in accordance with Section II.1.1.b) of the Prospectus, is a requirement for the incorporation of the Fund and the issue of the Notes.

Within seven (7) Business Days (as defined in Section II.10.1.d) of the Prospectus) following registration of the Prospectus of incorporation of the Fund and issue of the Notes with the Comisión Nacional del Mercado de Valores, the Managing Company, together with the Bank, as Assignor of the Credit Rights, will execute the Incorporation Deed in accordance with Article 6 of Royal Decree 926/1998 and Article 5 of Law 19/1992.

The Incorporation Deed, in accordance with Law 19/1992, will have the effect set out in Article 6 of Law 24/1988, modified by Law 37/1998 and it will be, therefore, the deed of issue of the Notes and the deed in which the representation of the Notes by means of book entries is expressly contemplated.

The Incorporation Deed will not be registered with the Mercantile Registry, in accordance with Article 5.4 of Royal Decree 926/1998.

III.3 Management and representation of the Fund and the noteholders.

III.3.1 Duties and responsibilities assumed by the Managing Company.

The management and legal representation of the Fund shall correspond to Santander de Titulización, Sociedad Gestora de Fondos de Titulización, S.A., as promoter of the Fund. The Managing Company is authorised to incorporate *Fondos de Titulización de Activos* and, as a consequence thereof, to administer and represent them as provided by Royal Decree 926/1998, by virtue of the authorisation granted by the Minister of Economy and Finance on July 16, 1998, in accordance with the provisions of the Sole Temporary Provision of Royal Decree 926/1998.

The Managing Company, as manager of the business of third parties (“*gestor de negocios ajenos*”), will be responsible for the representation and defence of the interests of the holders of the Notes issued by the Fund.

The noteholders will not take any action against the Managing Company for any reason other than a breach of its duties or a failure to comply with the provisions of the Incorporation Deed.

Without limitation, the Managing Company, in its management duties of the Fund, will carry out the following activities:

- (i) It shall open a bank account (hereinafter, the “Cash Account”) on behalf of the Fund with the Bank as Financial Agent, as long as the short-term debt rating of the Bank is not lower than A-1 (according to the rating scale of S&P Ratings Service) or P-1 (according to the rating scale of Moody’s Investors Service Limited), as described in Section II.3 of the Prospectus.

In the event that the short-term debt of the Bank was downgraded during the life of the Notes, being under A-1 (according to the rating scale of S&P Ratings Service) or P-1 (according to the rating scale of Moody’s Investors Service Limited), the Managing Company, within a period of thirty (30) Business Days following the assignment of this lower rating, shall transfer the Cash Account of the Fund to another entity with a short-term debt rating of at least A-1 and P-1, obtaining the maximum possible profitability for the balance of the account, which may be different to that agreed with the Bank. Consequently, the Bank shall stop reinvesting the amounts deposited in the account once such funds are transferred to the new entity. The Managing Company will be entitled to transfer the Cash Account to the Bank when the Bank’s short-term debt, according to the rating scales previously described, achieves a rating of A-1 and P-1 once again (in accordance with Section V.3.1 of the Prospectus);

- (ii) It shall verify that the amount of income that the Fund effectively receives corresponds to the income that the Fund should have received in accordance with the terms of the Agreements from which such income derives. The Managing Company will exercise the judicial actions, in or out of Court, that are necessary or advisable in order to protect the Fund and the noteholders’ rights, if necessary;

- (iii) It shall deposit in the Cash Account the amounts received by the Bank in respect of the principal and interest of the Credit Rights;
- (iv) It shall deposit in the Cash Account the amounts that comprise the Reserve Fund from time to time (described in Section V.3.3 of the Prospectus);
- (v) In accordance with Section V.3.1 of the Prospectus, it shall ensure that the amounts deposited in the Cash Account (which shall include the Reserve Fund) obtain the profitability set forth in the Guaranteed Rate Reinvestment Agreement as long as the short-term debt rating of the Bank is not lower than A-1 (according to the rating scale of S&P Ratings Service) and P-1 (according to the rating scale of Moody's Investors Service Limited);
- (vi) It shall calculate (on each Interest Rate Fixing Date), with regard to the next Interest Accrual Period, the nominal interest rates applicable to all Classes of Notes resulting from the calculation made in accordance with Section II.10, and shall publish them as provided in Section III.5.3.a), a'););
- (vii) It shall calculate, on each Calculation Date, the principal to be repaid for the four Classes of Notes, and together with the accrued interest in accordance with Section II.11, it shall publish them as provided in Section III.5.3.a), a"););
- (viii) It shall allocate the Available Funds referred to in Section V.5.1.b) 1, as well as any amount available at the Cash Account, to the fulfilment on each Payment Date of the payment or withholding obligations of the Fund in the terms and in the payment priority order provided for in Section V.5.1.b), 2 of the Prospectus;
- (ix) It shall appoint the auditor of the Fund;
- (x) In accordance with the Incorporation Deed, it shall adopt the appropriate resolutions with regard to the liquidation of the Fund, including the resolution for the early liquidation of the Fund;
- (xi) It shall manage the Fund with the objective of maintaining the net value of the Fund at zero at all times; and
- (xii) It shall comply with its formal duties as well as with those duties relating to the submission of information and documents to the CNMV, Rating Agencies, IBERCLEAR, AIAF and any other supervising authority.

III.3.2 Substitution of the Managing Company.

The Managing Company shall be entitled to voluntarily request the appointment of a substitute managing company when a justified cause exists, by means of a written communication to the Comisión Nacional del Mercado de Valores. A written communication by the new securitisation fund managing company, duly authorized and registered with the Special Registries of the Comisión Nacional del Mercado de Valores, must also be attached. In this communication, the new managing company must declare that it is willing to accept such role. The resignation of the Managing Company and the appointment of a new managing company must be approved by the Comisión Nacional del Mercado de Valores. The Managing Company will not be entitled to discontinue its duties until all of the requirements and steps for the appointment of the substitute managing company have been completed. All the expenses that may be generated as a consequence of this substitution will be borne by the Managing Company.

If the Managing Company is declared in liquidation, suspension of payments, or bankrupt, or if its authorisation is revoked, the Managing Company shall appoint a substitute managing company, in accordance with Articles 18 and 19 of the Royal Decree 926/1998.

If after four (4) months (such period established by Article 19.2 of the mentioned Royal Decree) after the event giving rise to the replacement occurred a new managing company has not been appointed, an event of early termination of the Fund and repayment of the Notes shall be triggered and the actions set out in Section II.11.3.c) of the Prospectus shall be carried out.

The replacement of the Managing Company and the appointment of a substitute managing company which is carried out in accordance with the preceding paragraphs, once approved by the Comisión Nacional del Mercado de Valores, shall also be communicated to S&P España and Moody's España.

III.3.3 Scheme of the Managing Company's remuneration for performing its duties.

The Incorporation Deed shall provide that the Managing Company will be entitled to collect the following fees for its duties:

- (i) **Fixed Management Fee:** payable on the Disbursement Date in one lump sum amounting to one hundred and fifty thousand (150,000) euro; and
- (ii) **Management Periodic Fee:** payable on each Payment Date (15th of January, April, July and October of each year or, as the case may be, the following Business Day, as provided for in Section II.10.3 of the Prospectus), of an annual 0.025% of the sum of the Unpaid Principal Balance of the four Classes of Notes on the Calculation Date that corresponds to the current Payment Date.

The calculation of the Management Periodic Fee that shall be paid on a given Payment Date, will be made by means of the following formula:

$$A = B \times 0.025\% \times (d/365)$$

Being:

A = Fee payable on a given Payment Date.

B = Sum of the Unpaid Principal Balances of all Classes of Notes on the Calculation Date that corresponds to that Payment Date.

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

In any event, the annual amount of this Management Periodic Fee will not be lower than sixty thousand (60,000) euro. If, during the life of the Fund, the Consumer Price Index published by the National Institute of Statistics corresponding to each calendar year rises, the annual minimum amount shall be adjusted cumulatively by the same proportion, starting from the year 2005 (inclusive) and effective from January 1st of each year.

The fee shall be paid as long as the Fund has enough liquidity in accordance with the payment priority order established in Section V.5.1.b), 2 of the Prospectus.

All payments to third parties in respect of ordinary expenses (such as audits, publications and the maintenance of ratings) and extraordinary expenses related to the management of the Fund, will be satisfied directly by the Managing Company, without prejudice to the right of the Managing Company to be reimbursed for those expenses by the Fund whenever the Fund has sufficient liquidity to do so in accordance with the payment priority order established in Section V.5.1.b), 2 of the Prospectus.

III.4 Equity value of the Fund and indication of the assets and liabilities that determine this value. Periodic expenses. Income of the Fund.

In accordance with Article 1.1 of Royal Decree 926/1998 and Article 5.1 of Law 19/1992, the Fund shall constitute a separate and closed estate, without a separate and independent legal status. It comprises, as regards its assets, the Credit Rights and the Reserve Fund described in Section V.3.3 of the Prospectus, and, as regards its liabilities, the Notes and the Subordinated Loan described in Section V.3.2 of the Prospectus, in such a way that the net value of the Fund is zero.

III.4.1 Equity Value of the Fund

Assets.

a) *At origin.*

On the Incorporation Date, the Fund will have as principal assets:

- (i) the Unpaid Principal Balance of the Credit Rights grouped together in the Fund, described in Chapter IV of the Prospectus.
- (ii) the amounts contributed as Reserve Fund as described in Section V.3.3 of the Prospectus.
- (iii) Issue and incorporation expenses.
- (iv) the amount to be collected as a result of the disbursement underwritten subscription of each Class of Notes.

b) *Consequence of the operation of the Fund.*

After the Incorporation Date and until the complete repayment of the Notes, the Fund will have as principal assets the following:

- (i) The Unpaid Principal Balance of the Credit Rights grouped together in the Fund.

In the event of early repayment by the debtors, the anticipated repayment fees which could accrue shall correspond to the Bank;
- (ii) The ordinary interest calculated by applying the ordinary nominal interest rate to the Credit Rights, accrued from the Disbursement Date;
- (iii) The arrears interest calculated in accordance with the preceding paragraph (ii), accrued from the Disbursement Date;
- (iv) The Net Amount collected pursuant to the terms and conditions of the Swap Agreement in connection with all Classes of Notes (as described in Section V.3.4), if applicable;
- (v) Any amounts or assets received as a result of the judicial or notarial enforcement of the mortgage securities or by reason of the transfer or exploitation of the real estate assigned to the Fund when enforcing the

mortgage securities, or under management and interim possession of the property (under the enforcement process), acquisition at the price of auction or amount determined by judicial court decision, from the Disbursement Date (described in Section II.18.5 of the Prospectus). Equally, all the possible rights or compensations that may be in favour of the Bank, including, not only those deriving from the insurance agreements assigned by the Bank to the Fund, but also those deriving from any accessory right to the Mortgage Loan and excluding all the fees set out in the Credit Rights, which will be for the benefit of the Bank;

- (vi) The amounts which correspond to the Fund which are derived from the insurance agreements assigned by the Bank to the Fund by virtue of the Incorporation Deed, since the Disbursement Date;
- (vii) The amount of the Reserve Fund;
- (viii) Issue and incorporation expenses which are not amortised;
- (ix) The amounts which correspond to the Fund which are derived from the Agreements entered into by the Managing Company, on behalf of the Fund;

Liabilities.

a) At origin.

On the Incorporation Date, the Fund will have as principal liabilities:

- (i) The amount to be paid for the purchase of the Credit Rights;
- (ii) The Subordinated Loan granted by the Bank, as described in Section V.3.2 of this Prospectus;
- (iii) the nominal amount of the issue of Notes.

b) Consequence of the operation of the Fund.

After the Incorporation Date, during the life of the Fund and until the complete repayment of the issued Notes, the Fund shall have as principal liabilities the following:

- (i) the issued Notes of all Classes pending repayment;
- (ii) the Subordinated Loan granted by the Bank, as described in Section V.3.2 of the Prospectus, pending redemption;
- (iii) interest, commissions and other expenses established in the Agreements entered into by the Managing Company, as well as any others in which the Fund may incur; and
- (iv) if applicable, the Net Amount to be paid pursuant to the terms and conditions of the Swap Agreement in connection with all Classes of Notes (as described in Section V.3.4).

III.4.2 Incorporation Expenses.

The estimation of the Fund's incorporation expenses is included in Section II.14 of the Prospectus.

III.4.3 Periodic expenses incurred by the Fund.

The Managing Company shall satisfy, on account of the Fund, all the necessary expenses for its management and representation, being reimbursed according to the payment priority order established in Section V.5.1.b), 2 of the Prospectus. Without limitation, the Managing Company shall satisfy the following expenses:

- (i) all the expenses of incorporation, verification and registration of the Fund as well as all expenses related to the issue and listing of the Notes that are referred to in Section II.14 of the Prospectus;
- (ii) expenses for the annual audit of the Fund's financial statements;
- (iii) expenses derived from the rating agency coverage of all Classes of Notes;
- (iv) expenses for the notifications to be served to the noteholders in accordance with the Prospectus by advertisements in newspapers;
- (v) expenses that may be derived from the sale of the Credit Rights, in the event of early repayment of the Notes issued;
- (vi) expenses necessary to carry out the enforcement of the underlying loans of the Credit Rights;
- (vii) expenses derived from the listing of the Notes in the AIAF and their recording in book entries; and
- (viii) the Net Amount to be paid, as the case may be, by virtue of the Swap Agreement (described in Section V.3.4 of this Prospectus); and
- (ix) in general, any other expenses supported by the Managing Company as a result of the management and representation of the Fund.

The VAT that the Fund may have paid on the current expenses may be deductible for the purposes of the Corporate Income Tax, as long as it is not deductible for VAT purposes and it is not considered to represent a higher value of the asset.

III.4.4 Income of the Fund as a consequence of its operation.

The Fund will dispose of income (hereinafter the "incomes") deposited in the Cash Account defined in Section III.3.1.(i)).

The income which can be used in a given Payment Date (corresponding to each Calculation Period referred to in Section II.11.3.b), 2) will be the following:

- a) Amounts collected by reimbursement of the principal of the Credit Rights in the preceding Calculation Period. Such amounts will have been deposited in the Cash Account in accordance with Section V.3.1 of the Prospectus.
- b) Ordinary and arrears interest arising from the Credit Rights in the preceding Calculation Period. Such amounts will have been deposited in the Cash Account in accordance with Section V.3.1 of the Prospectus.
- c) Returns obtained during the preceding Calculation Period by the reinvestment of the Reserve Fund in accordance with Section V.3.4 (ii), as well as the reinvestment of amounts deposited in the Cash Account according to Section V.3.1 of the Prospectus.
- d) Other amounts that the Fund may receive, including those resulting from the transfer of real estate assigned to the Fund, if any.

Likewise, the Fund will make use on each Payment date of the amounts of the Reserve Fund described in Section V.3.3.

- e) The Net Amount to be collected, if applicable, pursuant to the terms and conditions of the Swap Agreement in connection with all Classes of Notes (as described in Section V.3.4).

III.5 Drawing-up, verification and approval of annual accounts and other accounting documentation of the Fund. Name of the company auditing the Fund.

III.5.1 Obligations and foreseen terms for drawing-up, verification and approval of the annual accounts and management report.

The Managing Company shall submit to the CNMV the annual accounts of the Fund, together with their audit report, within four (4) months following the closing of the financial year of the Fund, that will coincide with the calendar year (that is, before April 30 of each calendar year).

The Board of Directors of the Managing Company at the meeting held on April 14, 2004, by virtue of which the incorporation of the Fund was approved, has appointed Deloitte & Touche España, S.L., registered on the Official Register of Account Auditors (ROAC) under number S0692 and with registered office in Madrid, calle Raimundo Fernández Villaverde, 65 as the auditing company that will carry out the annual audit of the Fund.

III.5.2 Obligations and foreseen terms for disclosure to the public and submission to the CNMV of the periodic information of the economic-financial situation of the Fund

The Managing Company, as manager and administrator of the Fund, undertakes to submit to the Comisión Nacional del Mercado de Valores, with the best possible diligence, on a quarterly basis and at any other time when so requested, the information indicated below, and any other information which may be required (except the information contained in paragraph e), which will be submitted annually), in relation to all Classes of Notes, the performance of the Credit Rights, anticipated repayments and the economic-financial situation of the Fund, without prejudice to its duty to serve the Ordinary or Extraordinary Periodic Notifications referred to in Section III.5.3 of the Prospectus and to supply all additional information which may be required.

a) *With regard to each Class of Notes.*

1. Unpaid Principal Balances and percentages of the initial nominal amount of each Class of Notes.
2. Accrued and paid interest.
3. Accrued and unpaid interest.
4. Accrued and paid amortisation.
5. Amount of the Principal Deficiency, if any.

b) *With regard to the Credit Rights.*

1. Principal balance of the Credit Rights.
2. Accrued and collected interest of the Credit Rights.

3. Amount of the quotas of delay in payment of the Credit Rights on the date of the notification.
- c) *With regard to the economic-financial situation of the Fund.***
- Report on the origin and subsequent application of the Available Funds in accordance with the payment priority order referred to in Section V.5.1.b), 2 of the Prospectus.
- d) *With regard to the early amortisation.***
- List showing the actual Average Rates of Early Amortisation of the Credit Rights, as well as the average term of the Notes assuming the maintenance of such Average Rates of Early Amortisation.
- e) *With regard to the Annual Accounts of the Fund.***
- The Balance Sheet, the Profit & Loss Account, the Management Report and the Audit Report, within four (4) months after the close of each financial year.

III.5.3 Obligation to communicate relevant facts.

The Managing Company undertakes, for the sake of accurate compliance with the conditions of the issue, to serve the notices which are detailed below.

a) Regular ordinary notices

- a´)** In accordance with Section II.10.1.d), within the term comprised between the Interest Rate Fixing Date and the maximum of the next three (3) Business Days following each Payment Date, the Fund, through the Managing Company, shall inform the noteholders of the nominal interest rates which apply to all Classes of Notes for the next Interest Accrual Period following the criteria described in the aforementioned Section.
- a´´)** In accordance with Sections II.10.3 and II.11.3.b), the Fund, through the Managing Company, shall inform the noteholders quarterly, at least one (1) calendar day in advance of each Payment Date, of the interest rates which apply to all Classes of Notes, together with their repayment, if applicable, in addition to:
- (i) the Average Rates of Early Amortisation of the Credit Rights on the Calculation Date;
 - (ii) the average remaining term of the Notes of the four Classes estimated on the assumption that such actual rate of early amortisation remains constant in accordance with Section II.11.3.c), first paragraph; and
 - (iii) the Unpaid Principal Balances of the Notes of each Class (after repayment to be settled on each Payment Date) and the percentages represented by such Unpaid Principal Balances over the initial nominal amount of the Notes, that is, one hundred thousand (100,000) euro.

Likewise, if applicable, the noteholders shall be informed of interest and/or Principal Deficiency which have accrued and remain unpaid due

to a lack of Available Funds, in accordance with the payment priority order rules established in Section V.5.1.b), 2 of the Prospectus.

Notices of this paragraph a´), shall be served following the conditions established in paragraph c) below and shall also be sent to Iberclear at a minimum term of three (3) Business Days in advance of each Payment Date.

b) Extraordinary notices.

- b´) As a result of the incorporation of the Fund and the issue of the Notes, the Managing Company will notify in the name and on behalf of the Fund (through the procedure established in paragraph c) below), the day after Incorporation Date, the incorporation of the Fund and the issue of the Notes, as well as the annual nominal interest rates floating quarterly of all the Classes of Notes, determined for the first Interest Accrual period which will run between the Disbursement Date (June 16, 2004) and July 15, 2004, in accordance with Section II.10 of the Prospectus, any day of the calendar, whether or not it is a Business Day (as defined in the Prospectus), which is suitable for such publication.

b´) Others.

The Fund, through its Managing Company, will also inform the noteholders of any relevant fact which might have occurred in connection with the Credit Rights, the Notes, the Fund and the said Managing Company and which might significantly affect the negotiation of the Notes or, in general, of any significant alteration of the assets or liabilities of the Fund. Likewise, the Fund, through its Managing Company, will inform the noteholders of any potential decision of early repayment of the Notes for any of the reasons set out in the Prospectus. In such a case, the Notarial Deed of Liquidation and Procedure referred to in Section III.8.1 will be sent to the CNMV.

c) Procedure.

All notices that in accordance with the above must be given by the Fund to the noteholders, through the Managing Company, will be validly served by:

1. In the case of the regular ordinary notices referred to in paragraph a) above, by means of their publication in the AIAF daily bulletin, or any other that substitutes it in the future, or a publication of similar characteristics, or by means of their publication in a newspaper of wide distribution in Spain; or,
2. In the case of the extraordinary notices referred to in paragraph b) above, by means of their publication in a newspaper of wide distribution in Spain.

Additionally, the preceding notifications may be served by means of their publication in other means of general dissemination.

These notifications shall be considered to be served on the date of their publication, whereby publication may be on any day of the calendar, whether or not it is a Business Day (as defined in the Prospectus, as appropriate).

d) Information to be furnished to the Comisión Nacional del Mercado de Valores.

The Managing Company shall inform the CNMV of any publication, whether of an ordinary or of an extraordinary nature, which are published out as provided in the preceding paragraphs, as well as any information which may be requested by the CNMV, notwithstanding what is said above.

III.6 Tax regime of the Fund.

Royal Legislative Decree 4/2004, of March 5, on Corporate Tax provides that Funds of this nature are subject to the Corporate Tax, at the standard rate of 35%. Their management by the Managing Company is exempt from VAT in accordance with Article 20.One.18th.n) of Law 37/1992.

Interest paid to the Fund under the Credit Rights shall not be subject to withholding on account of the Corporate Tax as established in Article 57. k) of Royal Decree 537/1997, of April 14.

Apart from this, the incorporation of the Fund is exempt from the concept of “*corporate transactions*” of the Stamp Duty and Transfer Tax in accordance with Article 5, paragraph 10 of Law 19/1992.

III.7 Amendment events to the Incorporation Deed of the Fund.

The Incorporation Deed may not be altered except in extraordinary circumstances and in accordance with the conditions established by applicable regulations, provided that such amendment does not damage the ratings assigned to the Notes by the Rating Agencies, and that such amendment has been previously notified by the Managing Company to the Rating Agencies and the CNMV or any other relevant authority. Any amendment of the Incorporation Deed will be notified to the CNMV, either as a relevant fact or through the registration of a Supplement to the Prospectus, as appropriate. The Incorporation Deed may be also amended at the request of the CNMV.

III.8 Early liquidation of the Fund: events. Cancellation of the Fund. Rights of the Assignor.

III.8.1 Early liquidation of the Fund: events.

The Managing Company is entitled to early liquidate the Fund, coinciding with a Payment Date, in the terms and conditions set forth in this Section and in Section II.11.3.c) of the Prospectus, if the nominal Unpaid Principal Balance of the Credit Rights is less than 10% of the initial balance, if and when the selling of the unpaid Credit Rights plus the existing balance in the Cash Account allows a total cancellation of all the obligations due to the noteholders after fulfilling the preceding payments which have a priority payment order to that of the noteholders as described in paragraph (iii) below.

Consequently, the Managing Company, upon the occurrence of the preceding early termination event as well as upon the occurrence of any other event of early termination of the issue referred to in Section III.8.2 of the Prospectus, once the Fund has been liquidated and within the maximum term of six (6) months after the distribution of the assets of the Fund as referred to in such Section and following the payment priority order set forth in paragraph (iii) below, will execute a notarial deed which will contain:

- (i) the reasons that gave rise to the extinguishment of the Fund, provided in the Incorporation Deed and in this Prospectus;
- (ii) the procedure used to inform the noteholders and the Comisión Nacional del Mercado de Valores about the early repayment of the issued Notes; and,

(iii) the distribution of the available funds of the Fund in accordance with the following payment priority order:

- 1st Payment to the Managing Company of ordinary and extraordinary expenses, duly justified (including the Management Periodic Fee), payment to the Bank of extraordinary expenses duly justified and payment of the Management Fee to a third party other than the Bank, in the event that the latter is replaced as administrator of the Mortgage Loans (in accordance with Section V.5.2).
- 2nd Payment of the Net Amount of the Swap to the Bank.
- 3rd Payment of interest on the Class A Notes.
- 4th Payment of the principal amount of the Class A Notes.
- 5th Payment of interest on the Class B Notes.
- 6th Payment of the principal amount of the Class B Notes.
- 7th Payment of interest on the Class C Notes.
- 8th Payment of the principal amount of the Class C Notes.
- 9th Payment of interest on the Class D Notes.
- 10th Payment of the principal amount of the Class D Notes.
- 11th Payment of accrued interest on the Subordinated Loan.
- 12th Repayment of the principal of the Subordinated Loan in an amount equal to the expenses derived from the incorporation of the Fund and the issue of the Notes, in a given period.
- 13th Repayment of the principal of the Subordinated Loan in an amount equal to the difference between the required amount of the Reserve Fund on the prior Calculation Date and on the current Calculation Date.
- 14th Payment to the Bank of the Fixed Fee for the administration of the Mortgage Loans, equal to 6,000 euro, VAT included, until the Payment Date on which the issue has been fully repaid, that is, July 15, 2042, inclusive (or the Payment Date on which early repayment takes place).
- 15th Payment to the Bank of a floating amount equal to the difference between the accounting flows of income and expenses for the Fund on a given Payment Date, as consideration or compensation for the financial intermediation services.

This notarial deed shall be served by the Managing Company on the Comisión Nacional del Mercado de Valores.

III.8.2 Cancellation of the Fund.

In accordance with Article 11.e) of Royal Decree 926/1998, the Fund will be cancelled as a result of the early termination events which are explicitly set forth in the Incorporation Deed and, in any case, upon the occurrence of any of the events below. The CNMV shall be informed of the occurrence of any of them and, in the event of insolvency of the Fund, the payment priority order set forth in Section III.8.1.(iii) of this Prospectus shall be applied:

- (i) When the Credit Rights included as assets of the Fund are fully repaid;

- (ii) When the issued Notes are fully repaid;
- (iii) When the financial balance of the Fund is permanently and negatively affected: Article 11.d) of Royal Decree 926/1998 establishes that asset securitisation funds shall be cancelled when a relevant breach of payment exists or it is foreseen that there will be one, and such breach produces a significant permanent deterioration related to any of the securities issued or a non-subordinated credit. In this case, the Managing Company, prior notification to the CNMV, shall liquidate the Fund in an orderly manner in accordance with the rules established in the Incorporation Deed and Section V.5 of this Prospectus;
- (iv) In the event set forth by Article 19 of Royal Decree 926/1998, by virtue of which, the early termination of the Fund is mandatory if after four (4) months following the occurrence of an event of mandatory replacement of the Managing Company as a result of the Managing Company being declared in suspension of payments or bankruptcy, a new managing company willing to carry out the management of the Fund has not been found.,

If, once the Fund is cancelled and all the payments provided for in Section III.8.1.(iii) of the Prospectus have been made according to the payment priority order established, there are any amounts remaining, or there are pending judicial or notarial resolutions in proceedings initiated as a consequence of the default of the debtor of the Credit Rights (in accordance with Section IV.2.b), b´) of the Prospectus, both the aforementioned remaining amount and the continuance and/or the result of the court decision of the referred proceedings, shall be in favour of the Bank.

For the purposes of the early redemption of the Notes by the Fund, through the Managing Company, in any of the preceding events, and, in particular, in order to provide the Fund with enough liquidity, the Managing Company may carry out that provided in connection with the three options referred to in Section II.11.3.c) of the Prospectus. Early repayment of all the Notes will comprise the Unpaid Principal Balance on that date plus the accrued and unpaid interest from the last Payment Date until the early repayment date, reduced, as the case may be, by the relevant withholding tax, and free of expenses for the noteholder; all these amounts shall be considered on that date and for all legal effects, as due and payable.

III.8.3 Rights of the Assignor in the event of Liquidation of the Fund.

The Assignor shall have a pre-emptive right to acquire all or part of the Credit Rights that it may have assigned and which belong to the Fund, pending amortisation, if the Fund is liquidated and any unpaid balance of the Credit Rights remains, in accordance with the terms to be established by the Management Company upon liquidation. The Assignor shall be able to make use of the aforementioned right within five (5) Business days following a notification by the Managing Company to the Assignor of the terms and conditions (price, payment method, etc.) upon which the Credit Rights will be sold.

In general, the price to be paid for the Credit Rights will not be lower than the price offered by the interested third party. In the event of liquidation and cancellation of the Fund, the price to be paid for the Credit Rights will not be

lower than the sum of the principal amount plus the accrued and uncollected interest up to the date of the sale on the Credit Rights pending repayment.

This pre-emptive right does not imply, in any event, a repurchasing agreement or statement of the Credit Rights assigned by the Assignor.

CHAPTER IV

INFORMATION REGARDING THE CHARACTERISTICS OF THE ASSETS SECURITISED BY THE FUND

IV.1 Credit Rights included in the Fund.

Banco Santander Central Hispano, S.A. is the Assignor of the Credit Rights deriving from financing transactions with its clients (individuals) (hereinafter, the “Credit Rights”), granted as mortgage loans (the “Mortgage Loans”), which the Assignor intends to write off the balance sheet through their assignment to the Fund. Said assignment will be carried out by means of the issue of Mortgage Transfer Certificates (the “Mortgage Transfer Certificates” or “CTH”).

The Mortgage Loans do not comply with all the requirements set forth by Law 2/1981, of March 25, on the Mortgage Market, and its regulations. Their principal balance exceeds 80% (but not 100%) of the appraisal valuation of the mortgaged property as security of the relevant Mortgage Loan, on the date of issue of the Mortgage Transfer Certificates.

a) Representations of the Bank as Assignor of the Credit Rights.

The Bank, as holder of the Mortgage Loans until the issue of the Mortgage Transfer Certificates, represents and warrants to the Managing Company, on behalf of the Fund, that:

- (1) The Bank is a duly incorporated credit entity in accordance with the applicable legislation, registered with the Commercial Registry and authorised to participate in the Mortgage Market;
- (2) Neither on the date of the Prospectus, nor at any time since its incorporation has the Bank been in any situation of insolvency, suspension of payments (“*suspensión de pagos*”), or bankruptcy (“*quiebra*”);
- (3) The Mortgage Loans do not comply with all the requirements established by Section II of Law 2/1981 and Chapter II of Royal Decree 685/1982. Consequently, the Mortgage Transfer Certificates are issued in accordance with Article 18 of Law 44/2002, which approves a new drafting for the Fifth Additional Provision of Law 3/1994, of April 14, and names mortgage transfer certificates the mortgage participations corresponding to mortgage loans which do not comply with all the requirements established in Section II of Law 2/1981 and in Chapter II of Royal Decree 685/1982;
- (4) The corporate bodies of the Bank have validly adopted all the necessary resolutions for the assignment of the Credit Rights, issue of the Mortgage Transfer Certificates and the execution of the agreements to be entered into and undertakings assumed therein;
- (5) The Mortgage Loans and the Mortgage Transfer Certificates are valid and enforceable in accordance with the applicable Law;
- (6) The Bank is the holder, without any limitation, of all of the Mortgage Loans, without there being any restriction on the issue of Mortgage Transfer Certificates;
- (7) Data related to the Mortgage Loans included in this Section is complete and provides a true, accurate and exact representation of the said Mortgage Loans;

- (8) Each of the Mortgage Loans is secured by a real estate mortgage over the “*pleno dominio*” of the relevant property. The mortgaged property is not subject to any transfer limitations, subsequent conditions or any other restrictions;
- (9) All the Mortgage Loans are formalised by means of a Public Deed;
- (10) All mortgagors are individuals resident in Spain. There is no loan granted to a property developer;
- (11) Mortgage Loans have been granted for the purpose of financing private individuals;
- (12) Mortgages are created over properties owned by the relevant mortgagor in “*pleno dominio*” and which fall within the town planning. The Assignor is unaware of any litigation existing in relation to the ownership of such properties;
- (13) All mortgaged properties have been previously appraised by entities validly registered in the relevant Official Registry of the Bank of Spain;
- (14) The unpaid principal balance of the Mortgage Loans will exceed, on the date of issuance of the Mortgage Transfer Certificates, 80% of the appraisal value of the properties mortgaged as security for the relevant Mortgage Loans but, in any case, it shall not exceed 100% of the appraisal value;
- (15) All mortgages have been duly constituted and registered with the relevant Land Registries. The registration of the mortgaged properties is in force and without any contradictions, in accordance with the applicable law;
- (16) The Bank is unaware of any reduction of more than 20% in the appraisal value of any mortgaged property;
- (17) The Mortgage Loans are not implemented as securities, whether registered or bearer securities;
- (18) The Mortgage Loans are not subject to the issue of Mortgage Notes (“*Bonos Hipotecarios*”) or Mortgage Transfer Certificates;
- (19) The Bank represents that, on the date of assignment, each relevant mortgagor will have paid at least two (2) instalments and, on the Disbursement Date, none of the Mortgage Loans shall have payments pending for a period of more than thirty (30) days;
- (20) The Bank, on the date of issuance of the Mortgage Transfer Certificates, is not aware of any credit right held against the Bank by any of the debtors of the Mortgage Loans, that confers a right of legal set-off on the debtor in accordance with Articles 1,195 et seq. of the Spanish Civil Code;
- (21) The information contained in this Prospectus of incorporation of the Fund and issue of the Notes regarding the Mortgage Loans portfolio and the Mortgage Transfer Certificates, is complete, true and accurate;
- (22) The granting of the Mortgage Loans and the issue of the Mortgage Transfer Certificates, as well as all acts related to them, have been carried out or will be carried out according to market criteria;
- (23) The criteria established by the Bank in the Internal Memorandum described in Section IV.3.1 of this Prospectus, have been fully complied with in the granting of all of the Mortgage Loans;
- (24) All the deeds of mortgage incorporated as security of the Mortgage Loans have been duly filed in appropriate records, at the disposal of the Managing Company,

on behalf of the Fund. Said mortgage deeds are subject to identification through the Banks' electronic registry;

- (25) On the date of issue of the Mortgage Transfer Certificated, the total outstanding balance of the Mortgage Loans shall be equal to the sum of the nominal value of the Mortgage Transfer Certificates, which, in turn, shall be equal, at least, to the nominal value of the issue of Notes;
- (26) The Mortgage Loans have been and are being managed by the Bank in accordance with its ordinary procedures;
- (27) The Bank is unaware of the existence of any litigation related to the Mortgage Loans which may affect their validity or which may lead to the application of Article 1,535 of the Spanish Civil Code (concerning the debtor's right to discharge the litigious credit that is sold);
- (28) The issued Mortgage Transfer Certificates shall have an interest rate equal to the Mortgage Loans;
- (29) All Mortgage Loans have a final maturity date prior to the Final Maturity Date of the Notes. Consequently, in the event that any amendment is made to the maturity date of any Mortgage Loan as a consequence of a renegotiation accepted by the Managing Company, the new maturity date shall not be any later than January 20, 2039;
- (30) On the date of issue of the Mortgage Transfer Certificates, none of the Mortgage Loans included in the portfolio referred to in Section IV.1 of the Prospectus which have undergone early repayment, shall be assigned through the issue of a Mortgage Transfer Certificate;
- (31) The Bank is unaware of the existence of any circumstance which may impede or prejudice the enforcement of the mortgage guarantee;
- (32) The Mortgage Loans shall be deducted from the assets of the Bank for the assigned amount, in accordance with the provisions of Circular 4/91, of June 16, of the Bank of Spain;
- (33) None of the Mortgage Loans have any of the characteristics of the goods excluded or restricted by Article 31 of Royal Decree 685/1982 (referring to goods which cannot cover the issue of Mortgage Transfer Certificates);
- (34) The Bank undertakes to provide the Managing Company with all periodical information regarding the Mortgage Transfer Certificates, in accordance with the electronic applications of the Managing Company;
- (35) All Mortgage Loans have been drawn by the debtors, they are denominated in Euro and their payments are made by direct debit of an account opened by the debtor at the Bank.
- (36) None of the Mortgage Loans may repay its principal amount solely at its maturity date;
- (37) The Bank is not aware of any debtor being under an insolvency situation;
- (38) The address or the property registration number of each mortgaged property securing each Mortgage Loan recorded at the data base of the Bank coincides with that established in the Public Deed and/or the Appraisal Certificate;
- (39) The documentation by means of which the Mortgage Loans were formalised does not include any impediment to their free transfer nor does it include any

impediment to the assignment of the rights of the Bank as beneficiary of the damage insurance policies.

b) Number and amount of Credit Rights grouped in the Fund.

The Credit Rights portfolio has not yet been determined. Its capital value will be, at least, equal to the value of this issue of Notes..

c) Assignment of Credit Rights. Issue of Mortgage Transfer Certificates.

The assignment of Credit Rights to the Fund by the Assignor will be carried out through the issue by the Bank of Mortgage Transfer Certificates corresponding to the Mortgage Loans, which will be subscribed by the Fund through its Managing Company, by virtue of the Incorporation Deed and according to the terms established therein, all the above in accordance with the Fifth Additional Provision of Law 3/1994, of April 14, with its new drafting approved by Article 18 of Law 44/2002, and the laws on the Mortgage Market (Law 2/1981, of March 25, Royal Decree 685/1982, of March 17, and Royal Decree 1289/1991, of August 2, which amends certain articles of the mentioned Royal Decree 685/1982) and other applicable regulations, by means of which the legislation applicable to Mortgage Participations applies to the Mortgage Transfer Certificates and, where the foregoing regulations do not set forth any provisions, in accordance with the provisions of Law 19/1992, in such a way that such assignment is not subject to a Marginal Note for each mortgage entry/registration corresponding to each Mortgage Transfer Certificate, in the Property Registry.

The Mortgage Transfer Certificates will be grouped in the Fund for a minimum amount equal to the value of the Notes, all the above in accordance with the provisions of the abovementioned laws and the Royal Decree 926/1998.

The Mortgage Transfer Certificates shall correspond to a 100% share in the principal amount of the Mortgage Loans granted by the Bank, and a 100% share in the ordinary interest, and arrears interest, both types of interest being calculated on the basis of the ordinary interest rate applicable to the relevant mortgage loan.

The participation in the Mortgage Loans shall take place for the full remaining period up until the final maturity date of such Mortgage Loans, there being no repurchase agreement (without prejudice to the provisions set forth for these purposes in paragraph d) below, Section II.15 of the Prospectus, and Section III.8.3 with regard to the Pre-emption Right).

The Mortgage Transfer Certificates issued by virtue of the provisions of the Incorporation Deed, shall be registered by means of one Multiple Certificate issued by the Assignor, representing all the Mortgage Transfer Certificates issued, according to the provisions set forth in Section IV.2.a), 6 below (which may be detached in the event of substitution of Mortgage Transfer Certificates or enforcement of the Mortgage Loans). The said Multiple Certificate shall have the minimum content referred to in Article 64 of Royal Decree 685/1982, of March 17, on Regulation of the Mortgage Market, as amended by Royal Decree 1289/1991, of August 2.

The Managing Company shall subscribe on behalf of the Fund, in the Incorporation Deed, the Mortgage Transfer Certificates issued by the Bank, in order to incorporate them immediately into the Fund.

According to Royal Decree 685/1982 on Regulation of the Mortgage Market, amended by Royal Decree 1289/1991, the Mortgage Transfer Certificates may be transferred by means of a written statement appearing in the certificate and, in general, by any of the means permitted by law. The transfer of the participation and the address

of the new holder must be notified to the Bank by the acquirer. Holding of Mortgage Transfer Certificates is limited to institutional investors. They may not be transferred to non-specialised public.

The transferor shall not be responsible for the Bank's solvency, the solvency of the debtor of the underlying Mortgage Loan, or the sufficiency of the mortgage guaranteeing such loan.

Rights conferred upon the Fund through the assignment of Credit Rights.

The Fund, as holder of the Credit Rights, shall hold all rights granted to the assignee in Article 1,528 of the Spanish Civil Code and Articles 347 and 348 of the Commercial Code. In particular, it shall have the right, as from the Disbursement Date, to all payments made by the debtors or to any other payments deriving from the Credit Rights. Interest accrued on the Credit Rights up to the Disbursement Date will correspond to the Assignor. In addition to any payment made by the debtors, in the form of principal or interest on the Credit Rights, any other payment received by the Assignor for the Credit Rights, including payments deriving from any right incidental to the financing operations e.g. indemnifications arising from insurance policies, payments made by possible guarantors, etc. will correspond to the Fund. All commissions for claiming unpaid bills, commission for subrogation, commission for early repayment/cancellation, or any other commission or payment in advance will correspond to the Assignor.

The rights of the Fund resulting from the assignment of the Credit Rights are linked to the payments of the Credit Rights made by the debtors and consequently, are directly affected by the evolution, delays, advance payments or any other circumstance affecting such payments.

On the Incorporation Date, the Banks shall be the beneficiary of the damage insurance policies entered into by the mortgagors regarding the mortgaged residential properties, up to the total amount insured. The Bank shall be in charge of providing any notification required to it according to the terms and conditions of the relevant insurance policies.

In the event of lack of payment by the debtor of the relevant insurance premium, the Bank, as mortgage creditor, once the insurance company has notified to the Bank this circumstance, shall pay, in the name of the debtor, the premium and shall charge the amount paid to the account of the debtor, in such a way that the insurance premiums are always up to date.

Simultaneously to the incorporation of the Fund, the Bank shall assign to the Managing Company, on behalf of the Fund, its rights as beneficiary of the said insurance policies against damages. All the amounts which the Bank may receive as a result of these insurance policies will be for the benefit of the Managing Company, on behalf of the Fund.

Payments made to the Managing Company, on behalf of the Fund, as interest for Credit Rights shall not be subject to withholding tax in accordance with article 57. k) of Royal Decree 537/1997, of April 14, approving the Corporate Tax Regulation, as amended by Royal Decree 2717/1998, of December 18.

d) Rules established for the substitution of Credit Rights.

In the event of early repayment of the Credit Rights as a result of the early repayment of the relevant underlying Mortgage Loans, the substitution of such rights shall not be carried out.

In the event that after the Incorporation Date, it is detected that one of the Mortgage Transfer Certificates did not conform on the Incorporation Date to the conditions and characteristics described in Section IV.1.a) of the Prospectus, as a result of the relevant underlying Mortgage Loan not conforming to such conditions either, the Bank undertakes to immediately replace that Mortgage Transfer Certificate, subject to the following rules:

1. Substitution by the Bank (which shall be carried out at its capital value plus accrued and unpaid interest) for another Mortgage Transfer Certificate of a similar nature to the Mortgage Transfer Certificate to be substituted, with respect to its pending capital value, term, interest rate, characteristics of the mortgagor or characteristics of the mortgaged property and credit quality in terms of the relationship between the principal balance of the Mortgage Transfer Certificate and the appraisal value of the property securing the underlying Mortgage Loan, in such a way that the financial balance of the Fund is not deteriorated due to the substitution.

Should there be no Mortgage Loans in the Bank's portfolio of a similar nature to the Mortgage Loan underlying the Mortgage Transfer Certificate to be replaced, the Bank shall repurchase it.

2. Substitution shall be carried out as follows:
 - a) The Bank shall notify the Managing Company, on behalf of the Fund, of the existence of each non-eligible Mortgage Transfer Certificate, and shall immediately cancel such Mortgage Transfer Certificate by stamping the relevant title, and shall issue another Mortgage Transfer Certificate with similar characteristics with respect to the remaining term, interest rate, principal balance and credit quality in terms of the relationship between the principal balance of the Mortgage Transfer Certificate and the appraisal value of the property securing the underlying Mortgage Loan. Prior to the substitution, a verification of the suitability of the loan substituting the former must be carried out by an external audit firm, in accordance with the provisions of Section I.3 of the Prospectus, in such a way that the financial structure of the Fund is not affected by the substitution.
 - b) Such issue of a Mortgage Transfer Certificate by the Bank and subsequent substitution by the Managing Company on behalf of the Fund, shall be performed by means of the execution of a Notarial Deed including the particulars and details related to the Mortgage Transfer Certificate to be replaced and the underlying Mortgage Loan, and the particulars and details related to the new Mortgage Transfer Certificate issued and the new Mortgage Loan. It shall also include the reasons for the substitution and the details of the homogeneous nature of the two Mortgage Transfer Certificates, according to the criteria described above. A copy of such deed shall be filed with the CNMV, the Entity in charge of the Account Registry, and with AIAF, and shall also be communicated to the Rating Agencies.

IV.2 Management and custody of the Credit Rights.

a) Concise and summarised description of the ordinary administrative and management procedures of the loans, and the special procedures applied in the event of default in payment or early repayment.

1. Management.

The Bank, as Assignor of the Credit Rights, according to Article 2.2.b) of Royal Decree 926/1998, shall be responsible for the custody and management of the Mortgage Loans underlying the Credit Rights and shall receive, as manager of their collection, on behalf of the Fund, all amounts paid by the debtors in relation to the Credit Rights. The amounts corresponding to the Fund shall be deposited immediately, in accordance with the provisions of Section IV.1.c) and paragraph 9 below, in the Cash Account opened in the name of the Fund by the Managing Company, as described in Section V.3.1 of the Prospectus.

The Bank shall carry out the management of the Credit Rights exercising the same standard of care as it would exercise with its own loans.

According to the provisions of the Incorporation Deed, the Bank shall assume, *inter alia*, the following obligations: (i) by virtue of the Incorporation Deed, it shall assign to the Managing Company, on behalf of the Fund, the rights corresponding to it as beneficiary of the damage insurance policies subscribed by the mortgagors in relation to the mortgaged properties, for the amount covered by the insurance policies; (ii) it shall guarantee to the Fund, through its Managing Company, certain conditions of the Credit Rights which are included in the Incorporation Deed and which are detailed in this Section of the Prospectus, and shall undertake to substitute those Credit Right(s) which do not conform on the Incorporation Date to such conditions, and in the event that there was no Credit Right in its portfolio similar to the Credit Right to be replaced, it undertakes to repurchase it for its capital value plus accrued and unpaid interest; and (iii) it shall be accountable to the Fund, through its Managing Company, for any damage, loss or expense incurred as a result of the lack of compliance of the Bank with its obligations of custody and management of the Credit Rights.

In the event that the Bank ceases to manage the Mortgage Loans, the Swap Agreement shall be terminated. In this case, the Managing Company shall comply with the obligations that follow the automatic termination of the Swap Agreement, that is, subscribing a new swap agreement in accordance with the terms established in Sections II.15.(iv). Additionally, in such a case, the Management Fee in favour of the Bank, included in point 13 of the payment priority order described in Section V.5.1.b), 2, of this Prospectus, will be paid to the new manager under point 1 of the mentioned payment priority order and, consequently, the numbering of the subsequent items in the payment priority order will be altered.

Additionally, in the event that the Bank ceases to manage the Mortgage Loans, the Managing Company, if permitted by law, shall appoint a new manager of the Mortgage Loans, in accordance with Section II.15.(iv).

2. Duration.

The services referred to in the paragraph above (hereinafter, the "Services") shall be provided by the Bank until, upon amortisation of all the Credit Rights, all the obligations assumed by the Bank are extinguished.

3. Responsibility of the Bank for custody and management

The Bank undertakes to act with due diligence in the custody and management of the Mortgage Loans and shall be accountable to the Fund, through its Managing Company, for any damage which may derive from its negligence.

4. *Responsibility of the Bank in the collections.*

The Bank undertakes to exercise due care in the collection of the Credit Rights and shall be accountable to the Fund, through its Managing Company, for any damage which may derive from its negligence.

5. *Guarantee of the Bank.*

The Bank shall indemnify the Fund, through its Managing Company, for any damage, loss or expense incurred by reason of the breach of its obligations of custody, management and/or collection of the Mortgage Loans.

The Bank does not assume any responsibility either directly or indirectly for the success of the transaction, and does not provide any guarantee or bank guarantee, nor shall it enter into any repurchase agreements in relation to the Credit Rights, except for those which do not conform on the Incorporation Date with the conditions and characteristics set forth in Section IV.1.a) of this Prospectus and in accordance with the provisions of such Section.

6. *Hand over and deposit of the Mortgage Transfer Certificates.*

The Bank shall hand over the Mortgage Transfer Certificates issued and registered by means of one multiple certificate, and subscribed for by the Managing Company on behalf of the Fund, to the Managing Company which shall, in turn, deposit them in the Bank, which shall receive the Mortgage Transfer Certificates and accept them. This deposit, which shall be free of charge and for the benefit of the Fund, shall be such that the Bank will hold the Mortgage Transfer Certificates in accordance with the instructions given by the Managing Company.

7. *Deposit of other documents.*

The Bank shall act as depositary of the deeds formalising the Mortgage Loans and all other relevant documents.

8. *Access to the referred documents.*

The Managing Company, on behalf of the Fund, may examine and the Bank shall provide the original of the Mortgage Transfer Certificates deposited in the Bank in the name of the Fund and the deeds of formalisation of the Mortgage Loans deposited in the Bank, whenever the Managing Company deems it appropriate, and may request that a copy of any of the documents mentioned above be provided free of charge within a period of forty eight (48) hours.

9. *Collections.*

The Bank, as collector, shall receive in the name of the Managing Company, on behalf of the Fund, all amounts paid by the debtors deriving from the Credit Rights, in the form of both principal amount and interest, or any other concept, including insurance agreements assigned to the Managing Company, on behalf of the Fund, owed by virtue of the relevant Mortgage Loans. The Bank shall immediately deposit the amounts corresponding to the Fund according to the provisions of Section IV.1.c), in the Cash Account described in Section V.3.1 of the Prospectus. This deposit must always be carried out within a period of forty eight (48) hours.

Likewise, the Bank shall deposit in such account and within the above mentioned term all amounts received from the debtors as early repayment of the Credit Rights or any other concept and which correspond to the Fund according to the provisions of that Section.

10. Calculation of the interest rate of the Credit Rights subject to a floating interest rate.

The Bank shall calculate the variable interest rate of the Mortgage Loans subject to a floating interest rate, in accordance with the provisions of the loan agreements, and shall inform the debtors, within the terms set forth in such agreements, of the nominal interest rate applicable for the next period.

In addition, the Bank shall provide the Managing Company and the debtor, if so requested, with information about the resulting interest rate.

11. Advance of funds.

The Bank shall not advance, under any circumstance, any amount not previously received from the debtors as principal amount, interest, prepayment or any other amount derived from the Mortgage Loans.

12. Forbidden transactions; mortgage extension cases.

The Bank shall not cancel voluntarily the guarantees with respect to the mortgages for any reason other than the repayment of the secured Mortgage Loan. The Bank shall not waive or enter into any settlement of the guarantees, or remit the Mortgage Loans, in whole or in part. Nor shall it, in general, perform any act which decreases the rank, the legal enforceability or the economic value of the guarantees or the Mortgage Loans.

Notwithstanding the above, in exceptional circumstances, the Managing Company may give instructions to the Bank, or give it prior authorisation to enter into an agreement with the debtor on the terms and conditions it deems appropriate for an amendment the relevant Credit Right.

In the event of a renegotiation previously agreed by the Managing Company, on behalf of the Fund, regarding the Credit Rights, their maturity or their interest rates which, in any case, shall not exceed 10% of the initial amount of the portfolio of Mortgage Loans, the amendment of the conditions shall affect the Fund in accordance with Rule fifteen, paragraph 2, d) of Circular 4/1991, of June 16, of the Bank of Spain to credit entities on accounting rules and pro-formas of financial statements, which establishes that the assignment agreements shall indicate that, in the event of renegotiation of the assigned asset or its maturity, the modified terms shall affect the assignee of the asset. This notwithstanding, those potential adverse effects will be avoided as a result of the execution of the Interest Swap Agreement in connection with all Classes of Notes, as described in Section V.3.4 of this Prospectus, in such a way that the financial balance of the Fund is not deteriorated.

In the event that a modification of the interest rate of any Credit Right is agreed, all ordinary and arrears interest accrued on the Credit Right will still correspond to the Fund. In the event that a modification of the maturity date is agreed, the new maturity date shall not exceed January 20, 2039.

If, due to market factors or any other circumstances, the value of the mortgaged property decreases in relation to the initial appraisal by a percentage greater than that permitted by law, the Bank shall request the debtor, by means of certifying the

appraisal made at his request, to extend the mortgage to other goods in order to maintain the existing mandatory relationship between the value of the goods and the credit secured by such goods.

If the debtor, after the extension has been requested, repays all or that part of the Mortgage Loan that exceeds the amount resulting from applying to the updated appraisal value the percentage used to initially determine its level, the Bank shall be under an obligation to deposit, in accordance with Section IV.1.c) and in the name and on behalf of the Fund, the amounts it receives from the debtor in favour of the Managing Company in this regard. The deposit should be made in the Cash Account opened by the Managing Company on behalf of the Fund described in Section V.3.1 of the Prospectus.

If, within two (2) months of the extension request being made, the debtor has not carried out the extension or returned the part of the corresponding Mortgage Loan referred to in the previous paragraph, it will be understood that he has opted for the full repayment of the loan, which will be immediately demanded by the Bank. Once the amount corresponding to the complete Mortgage Loan has been received, the Bank, in the terms set forth in Section IV.1.c), shall immediately deposit, in the name and on behalf of the Fund, the relevant amount in favour of the Managing Company in accordance with the above paragraph.

13. Remuneration of the Bank.

The Bank, as remuneration for the management of the Credit Rights (or the entity replacing the Bank in its management functions, if this is possible) shall be entitled to receive, on each Payment Date and until the Payment Date on which the total amortisation of the Notes takes place, a Fixed Management Fee of six thousand (6,000) euro, including VAT. In such a case, the Managing Company will appoint a third party replacing the Bank as manager in accordance with the terms of Sections II.15.(iv) and IV.2.a).1. The remuneration of this new manager will be agreed by the Managing Company and the new manager.

If the Fund, through its Managing Company, and due to lack of liquidity, does not pay on any Payment Date the total amount of the fee due, all unpaid amounts shall be added without any penalty to the fee to be paid on the next Payment Date, to be paid on such Payment Date.

Likewise, the Bank, as compensation or remuneration for the process of financial intermediation performed, shall be entitled to receive in addition, on each Payment Date, a subordinated and floating amount equal to the existing difference between the accounting income and the expenses of the Fund on each Calculation Date, in a way that extracts the financial margin obtained. The amount shall not be regarded as a payment for the delivery of any goods or the rendering of any service to the Fund, but rather as a consideration for the financial intermediation process performed by the Bank.

Both the Fixed Fee for the Management of the Credit Rights to be paid to the Bank, and the amount to be paid to the Bank as payment for its financial intermediation services, shall be paid provided that the Fund has sufficient liquidity and in accordance with the provisions of Section V.5.1.b), 2, of the Prospectus.

In addition, the Bank, on each Payment Date, shall be entitled to reimbursement for all expenses incurred that are of an exceptional nature (such as those resulting from the enforcement of the mortgage, sale of properties, etc.), upon providing justification of such expenses in connection with the management of the Mortgage

Loans. The said expenses shall be paid provided that the Fund has sufficient liquidity, and in accordance with the provisions of Section V.5.1.b), 2, a), 1 of the Prospectus regarding the payment priority order.

b) Rights of the holder of the Credit Rights in the event of a breach by the debtor of his obligations.

b') Action against debtors.

The Bank shall employ the same diligence and claim procedures for sums due and unpaid in relation to the Credit Rights assigned to the Fund as it does for the rest of loans in its portfolio. In particular, it shall take appropriate action if, once the internal limitation periods for a judicial action aimed at obtaining satisfaction of the interest of the Fund have elapsed, it has not achieved the desired effect. In any event, the Bank will take the mentioned action if, after analysis of the specific circumstances, the Managing Company, with the approval of the Bank, deems it appropriate.

Additionally, the Bank undertakes to inform the Managing Company, on behalf of the Fund, on a daily basis, about non-performing loans, early repayments or revisions of interest rates, and to punctually provide information regarding payment requirements, certified notifications provided to the debtor, judicial actions, or any other circumstances affecting the Mortgage Loans. Likewise, the Bank shall provide the Managing Company with all documentation that it may require in connection with such Mortgage Loans and, in particular, with all documentation required for the filing of judicial actions by the Managing Company, as the case may be.

In the event of non-payment by any debtor, the Fund, through its Managing Company, shall have the following powers in accordance with the provisions of article 66 of Royal Decree 685/1982 of March 17, as amended by Royal Decree 1289/91, of August 2:

- (i) to compel the Bank to seek the enforcement of the mortgage;
- (ii) to take part equally in the rights exercised by the Bank including any enforcement proceedings brought against the debtor, and to appear in any such enforcement proceedings, and to have a stake in the product of the auction, in proportion to its percentage in the loan being enforced;
- (iii) if the Bank does not begin the procedure within sixty (60) calendar days following the notarial notice of requesting the payment of the debt corresponding to the mortgage loans, the Managing Company, in the name and on behalf of the Fund, shall be entitled on a subordinated basis to bring an action for the enforcement of the participated mortgage loan for the amount corresponding to the percentage of its participation, both for principal and interest; and
- (iv) in the event that the Bank brings an end to the procedure, the Fund, duly represented by the Managing Company, may be subrogated to the position of the Bank and continue the enforcement procedure without the need for the above-mentioned term to have expired.

In the cases set out in paragraphs (iii) and (iv), the Managing Company, in the name and on behalf of the Fund, may request from the relevant judge the opening of proceedings or the continuation of the relevant mortgage enforcement procedure, attaching to such formal request the original title of the relevant

Mortgage Transfer Certificate, detaching the duly attested summons mentioned in paragraph (iii) above. In addition, the certificate of registration and subsistence of the mortgage will be required along with the document evidencing the balance claimed.

In the event that the law so requires, and in accordance with Article 681 et seq. of Law 1/2000, of January 7, on Civil Procedure, the Bank shall grant in the Incorporation Deed an irrevocable power, as broad and sufficient as required by law in favour of the Managing Company, so that it, acting in name and on behalf of the Bank, may summon the debtor of any of the Mortgage Loans and demand payment of his debt.

The Managing Company may also take part in the enforcement procedure with rights equal to those of the Bank and in this regard may demand, in connection with the Mortgage Loans and in accordance with Law 1/2000, of January 7, on Civil Procedure, the vesting of the real estate property mortgaged as payment of its credit. The Managing Company shall sell the real estate properties assigned as soon as it is possible under market conditions.

b'') Action against the Bank.

The Managing Company, on behalf of the Fund, shall be entitled to an action against the Bank for the repayment of the Credit Rights if the breach of the obligation of payment of these amounts is not attributable to non payment by the debtors.

Upon extinction of the Credit Rights, the Fund, through its managing Company, shall maintain the right of action against the Bank until it has complied in full with its obligations.

c) Liability assumed by the Assignor.

The risk of unpaid Credit Rights shall be borne by the noteholders. Therefore, the Bank does not assume any liability for the non-payment of the debtors of the Credit Rights, either of the principal amount, or of the interest or any other amount due by virtue of the Credit Rights.

IV.3 Policy of the Bank regarding the granting of Mortgage Loans.

The Bank warrants to the Managing Company that the data referred to in this Section are true, accurate and valid, and that the following criteria have been taken into account in the granting of each one of the Mortgage Loans.

IV.3.1 Description of the procedures set forth by the assigning entity for the analysis of risk and the granting of mortgage loans. ("Internal Memorandum").

Introduction.

The Bank is the holder of the Mortgage Loans and the issuer of the Mortgage Transfer Certificates. This notwithstanding, at the time of the granting the Mortgage Loans, the commercial networks of Banco Santander and Banco Central Hispanoamericano were separated. However, the procedures established by the Bank for risks' analysis and granting of mortgage loans are unified for both commercial networks.

All the commercial offices of the Bank have available certain documentation which details the characteristics and terms of the mortgage loan and includes the application form.

The following documentation shall be attached to the application form:

1. About the residential property to be acquired:

- Purchase agreement, if already executed, or offer by the seller (including the amount of the transaction).
- Verification of the registration of the property with the Land Registry.
- Last invoice of payment of the Real Estate Tax (“*IBI*”).

2. About the income of the applicant.

- Salaried workers: the last two payrolls or certificate issued by the company and Income Tax Returns of the previous year.
- Professionals and autonomous workers: Income Tax Return of the previous year and the last quarterly payments plus the last two annual VAT Returns and the last quarterly payments.
- In all cases, photocopy of documentation evidencing other income.
- In the event of pending debts, the applicant shall file 2/3 of the last payment invoices.

3. About the Net Wealth.

Evidence of ownership of the declared real estate, and the Net Wealth Tax Return (in case that it is filed with the Tax Authorities).

Faculties.

The commercial offices process the application and, in the event that the decision system issues a favourable resolution, they submit the file to the Execution Units (“*Centros de Formalización*”), so that the latter process the application.

In the event that the preliminary decision is negative, in case that the commercial office finds it appropriate, it may submit the application to the Transactions Decision Unit (“*Unidad de Decisión de Operaciones*” or “*UDO*”) for the purposes of a more careful study by the latter.

The UDO decide on residential mortgage loans up to the amount of their faculties. The transactions which exceed the amount of their faculties are submitted to the Territorial Loan Commission (“*Comisión de Préstamos de la Territorial*”).

Once the transaction is approved, the file is submitted to the Execution Units (“*Centros de Formalización*”) too, so that the latter process the application.

Evaluation.

The transactions which exceed the amount of Euro 200,000, or those which do not meet the basic criteria established below, are submitted to the UDO, so that the latter, in the exercise of its faculties, evaluates the loan and issues a first preliminary authorisation, subject to the firm appraisal and to verification of the registration data of the property to be mortgaged.

For decision-taking, the following basic criteria will be followed:

1. *Destination*: acquisition of first or second residential property.
2. *Age of the applicant*: the applicant shall be aged at least 18 years and the sum of both the age of the applicant and the term of the loan shall not exceed 75 years.
3. *Amount*: Up to 80% of the lower amount of (i) the appraisal value, or (ii) the purchase value, unless additional guarantees are provided. In this latter case, the 80% threshold may be exceeded. In this latter case, the Bank's general policy is basically the following:

- Transactions with LTV ranging between 80% and 90%:

- a) In the event that the applicant has a stable employment but the indebtedness ratio is tight, the loan may be granted:
 - i. evidencing saving capacity (i.e. other real estate, investment funds, etc.), provided that it is evidenced that those assets may be liquidated and that the product of their sale covers, at least, such additional 10%.
 - ii. providing a guarantor capable of covering the instalment and/or owner of a state of, at least, 20% of the loan.
- b) If the applicants have a stable employment and their indebtedness ratio is lower than 40%, the transaction may be studied without any additional guarantees.
- c) If the employment of the applicant is not stable but the indebtedness ratio is adequate, a second real estate guarantee shall be requested.

- Transactions with LTV ranging between 90% and 95%:

There shall exist an adequate income/instalment ratio and a second real estate guarantee shall be requested. The contributor of the second real estate guarantee shall be co-borrower of the transaction (*).

(*) The ratio loan/appraisal value of the two guarantees shall not exceed 60%.

- Transactions with LTV exceeding 95%:

There shall exist an adequate income/instalment ratio and a second real estate guarantee shall be requested. The contributor of the second real estate guarantee shall be co-borrower of the transaction. The ratio loan/appraisal value of the two guarantees shall not exceed 60%.

4. *Title owners*: Individual persons of legal age, Spanish residents that become residential property owners, and which comply with the following conditions:

- The minimum seniority at work shall be 6 months and the applicants shall have passed the probationary period. In the event of foreign applicants, they shall evidence that their employment is stable.
- In the event of self-employment, the applicants shall evidence a seniority of two years as self-employees.

The stress rate (“*tasa de esfuerzo*”) (the ratio between the requested loan instalment plus other financial expenses and the net monthly income) shall not exceed 40%.

Disbursement of the loan.

Once the final procedures of evaluation and authorization have been completed, the deed of granting of the loan is executed before a Notary Public. Once the deed is executed, for the purposes of the recording in the Daybook of the Land Registry of the relevant submission entry of the deed (registration of the mortgage), the Notary notifies to the Land Registry by fax the execution of the deed of granting of the loan.

Simultaneously, the Bank will disburse the funds and will credit them to the account opened by the debtor at the Bank.

The submission entry has a validity of ten (10) Business Days. During this period, the original copy of the deed which caused the submission entry shall be filed. Once the original copy of the deed has been filed with the Land Registry within this period, it shall be verified that the mortgaged property is free of any conditions, restrictions upon transfer, terms, substitutions, reservations, liens, encumbrances or any other limitations, unless they do not affect the mortgage, they are subordinated to it or they are previously cancelled.

Payment to the seller.

Once the relevant submission entry has been duly recorded in the Land Registry, the Bank will pay the agreed amount to the seller, by means of a bank transfer or an order cheque.

Damages insurance.

The following clause of the deeds provides for the mandatory execution of a fire insurance policy in connection with the mortgaged property by the borrower and for the appointment of the Bank as beneficiary:

“Insurance, taxes and maintenance of the mortgaged property.- The borrower shall enter into an insurance policy to cover the damages, including those resulting from fire, in connection with the mortgaged property, during the life of this transaction, for a minimum amount equal to the Insurance Value, included in the Appraisal Report, the certificate of which is attached to this deed.

Such insurance policy shall irrevocably appoint the BANK as beneficiary, during the life of the transaction, of any indemnifications arising from a claim.”

IV.3.2 Statistical information on the evolution of the number of transactions pending maturity, net investment, average APR and delay payment investments of the Loan portfolio.

The chart below, which includes data denominated in Euro and dated as of March 31, 2004, illustrates the evolution over the last years of the Mortgage Loans portfolio of the Bank, together with the average rate, amount and percentage of non-performing loans:

Periods	No. Loans	Total Granted Amount	Outstanding Balance	Average Rate	No. Non-Performing Loans	Amount Non-Performing Loans	% Non-Performing Loans
<= 06/30/01	27,182	2,440,104,884.97	1,750,385,756.77	5.33	105	5,120,249.40	0.29%
12/31/01	4,798	520,722,657.85	452,752,729.50	4.88	21	1,714,708.45	0.38%
06/30/02	5,801	693,949,485.38	613,589,184.98	4.5	8	707,283.93	0.12%
12/31/02	4,763	641,646,462.95	583,741,810.52	4.46	10	1,313,610.31	0.23%
06/30/03	5,278	776,032,208.97	722,691,555.83	4.02	16	1,550,703.71	0.21%
12/31/03	14,234	1,997,752,395.23	1,935,964,305.69	2.92	9	1,079,203.01	0.06%
>= 01/01/04	2,016	319,823,211.57	315,911,234.58	3.05	1	25,323.46	0.01%
TOTAL	64,072	7,390,031,306.92	6,375,036,577.87		170	11,511,082.27	0.18%

With regard to the experience of early repayment or prepayments in the portfolio of Mortgage Loans granted by the Bank, the Annual Constant Prepayment Rate (“*Tasa Anual Constante de Prepago*” or CPR) since their origination, is around 10% per annum, such data however does not represent an estimate of the actual future amortisation.

IV.4 Description of the portfolio of Mortgage Loans mobilised through the assignment of the Credit Rights included in the Fund.

The Bank represents to the Managing Company that all data contained in this Section, are true, accurate, and complete, and it assumes all liabilities for such data not being true, accurate or complete.

Mortgage Loans Portfolio

The Managing Company warrants that the portfolio of Mortgage Loans used as the basis for the issuance of Mortgage Transfer Certificates is comprised of 16,839 Mortgage Loans, the outstanding principal balance of which, on April 26, 2004, amounted to 1,918,024,924.11 euro.

The characteristics of the portfolio, as of April 26, 2004, are described below:

99.81% of the outstanding balance of the portfolio is subject to a floating interest rate. 86.33% of the floating interest rate Mortgage Loans has the twelve (12) month EURIBOR as reference interest rate plus an average spread of 0.68%. 1.64% of the floating interest rate Mortgage Loans has the twelve (12) month MIBOR as reference interest rate. 9.97% of the floating interest rate Mortgage Loans has the Mortgage Loans Reference Rate (“IRPH”) of the Financial Companies as reference interest rate. 1.86% of

the floating interest rate Mortgage Loans have other reference interest rates. The current annual average interest rate of the floating interest rate portfolio is 3.07%.

The remaining 0.19% of the outstanding balance of the portfolio is subject to a fixed interest rate during the life of the Mortgage Loan.

The Mortgage Loans have been granted in Spain. They are concentrates as follows: 29.83% in Catalonia, 16.98% in Madrid and 13.12% in Andalusia.

Increases or decreases in the interest rates imply higher or lower amounts, respectively, of the instalments to be paid by the debtors of the floating interest rate Mortgage Loans, so that capitalisation of interest on the loans cannot occur.

On the date of issue of the Mortgage Transfer Certificates, the mortgage loans have an outstanding principal balance exceeding 80% but not 100% of the appraisal value of the mortgaged properties as security for the relevant mortgage loan. On April 26, 2004, the appraisal value/average outstanding balance of the portfolio was 87.81%.

The charts below illustrate the distribution of the loans selected according to their initial amount, current balance, date of formalisation, date of maturity, current interest rate, reference rate, current balance distributed among provinces, relation between its initial amount and current balance and the appraisal value and delay in payment of the portfolio. The following charts have been compiled using information as of April 26, 2004.

CHARTS OF MORTGAGE LOANS

INITIAL PRINCIPAL BALANCE OF THE MORTGAGE LOANS

Range	Amount	Loans		
(euro)	(thousands of euro)	%	Nr.	%
1,724.90 - 14,999.99	533.29	0.02	57	0.33
15,000.00 - 29,999.99	2,090.83	0.1	89	0.52
30,000.00 - 44,999.99	16,213.75	0.81	422	2.5
45,000.00 - 59,999.99	56,951.04	2.86	1,085	6.44
60,000.00 - 74,999.99	137,203.61	6.91	2,044	12.13
75,000.00 - 89,999.99	188,018.77	9.47	2,298	13.64
90,000.00 - 104,999.99	238,128.63	11.99	2,472	14.68
105,000.00 - 119,995.99	185,535.38	9.34	1,667	9.89
120,000.00 - 134,998.99	205,883.51	10.37	1,636	9.71
135,000.00 - 149,999.99	178,502.85	8.99	1,264	7.5
150,000.00 - 164,998.99	179,318.27	9.03	1,153	6.84
165,000.00 - 179,999.99	109,455.61	5.51	640	3.8
180,000.00 - 194,999.99	119,895.42	6.03	649	3.85
195,000.00, - 209,999.99	63,163.52	3.18	314	1.86
210,000.00, - 224,999.99	56,735.32	2.85	264	1.56
225,000.00 - 239,999.99	30,995.40	1.56	134	0.79
240,000.00 - 400,000.00	216,534.61	10.9	651	3.86
TOTALS:	1,985,159,885.11	100	16839	100

Maximum Initial Principal Balance: 2,400,000.00 euros

Minimum Initial Principal Balance: 1,724.90 euros

Average Initial Principal Balance: 117,890.60 euros

OUTSTANDING PRINCIPAL BALANCE OF THE MORTGAGE LOANS

Range	Amount	Loans		
(euro)	(thousands of euro)	%	Nr.	%
1,501.95 - 14,999.99	562.93	0.02	63	0.37
15,000.00 - 29,999.99	3,147.95	0.16	130	0.77
30,000.00 - 44,999.99	22,199.29	1.15	570	3.38
45,000.00 - 59,999.99	75,159.32	3.91	1,406	8.34
60,000.00 - 74,999.99	143,065.65	7.45	2,107	12.51
75,000.00 - 89,999.99	211,503.73	11.02	2,559	15.19
90,000.00 - 104,999.99	213,578.86	11.13	2,197	13.04
105,000.00 - 119,999.99	203,114.39	10.58	1,806	10.72
120,000.00 - 134,999.99	178,492.80	9.3	1,399	8.3
135,000.00 - 149,999.99	189,468.47	9.87	1,330	7.89
150,000.00 - 164,999.99	136,865.01	7.13	870	5.16
165,000.00 - 179,999.99	129,858.65	6.77	752	4.46
180,000.00 - 194,999.99	78,889.81	4.11	421	2.5
195,000.00 - 209,999.99	65,806.86	3.43	326	1.93
210,000.00 - 224,999.99	40,535.21	2.11	187	1.11
225,000.00 - 239,999.99	36,218.41	1.88	156	0.92
240,000.00 - 2,357,545.29	189,557.50	9.88	560	3.32
TOTALS:	1,918,024,924.11	100	16,839	100

Maximum Outstanding Principal Balance: 2,357,545.29 euros

Minimum Outstanding Principal Balance: 1,501.95 euros

Average Outstanding Principal Balance: 113,903.73 euros

ORIGINATION DATE OF THE MORTGAGE LOANS

Range	Amount		Loans	
(euro)	(thousands of euro)	%	Nr.	%
06/07/1991 - 12/31/1998	19,251.49	1.00	250	1.48
01/01/1999 - 02/28/1999	2,816.95	0.14	39	0.23
03/01/1999 - 04/30/1999	5,349.30	0.27	72	0.42
05/01/1999 - 06/30/1999	8,272.29	0.43	96	0.57
07/01/1999 - 08/31/1999	7,340.32	0.38	87	0.51
09/01/1999 - 10/31/1999	9,277.63	0.48	104	0.61
11/01/1999 - 12/31/1999	10,931.52	0.56	127	0.75
01/01/2000 - 02/29/2000	11,846.09	0.61	135	0.8
03/01/2000 - 04/30/2000	17,032.91	0.88	202	1.19
05/01/2000 - 06/30/2000	19,204.83	1.00	201	1.19
07/01/2000 - 08/31/2000	15,382.40	0.8	162	0.96
09/01/2000 - 10/31/2000	14,691.13	0.76	169	1
11/01/2000 - 12/31/2000	19,180.73	1.00	222	1.31
01/01/2001 - 02/28/2001	26,602.51	1.38	304	1.8
03/01/2001 - 04/30/2001	39,947.17	2.08	428	2.54
05/01/2001 - 06/30/2001	56,989.41	2.97	585	3.47
07/01/2001 - 08/31/2001	55,035.22	2.86	561	3.33
09/01/2001 - 10/31/2001	56,367.86	2.93	596	3.53
11/01/2001 - 12/31/2001	64,871.61	3.38	667	3.96
01/01/2002 - 02/28/2002	38,908.24	2.02	365	2.16
03/01/2002 - 04/30/2002	37,985.18	1.98	352	2.09
05/01/2002 - 06/30/2002	60,440.54	3.15	504	2.99
07/01/2002 - 08/31/2002	64,544.81	3.36	566	3.36
09/01/2002 - 10/31/2002	79,596.26	4.14	675	4
11/01/2002 - 12/31/2002	100,000.31	5.21	818	4.85
01/01/2003 - 02/28/2003	82,263.80	4.28	652	3.87
03/01/2003 - 04/30/2003	100,901.39	5.26	805	4.78
05/01/2003 - 06/30/2003	97,340.22	5.07	759	4.5
07/01/2003 - 08/31/2003	172,487.00	8.99	1,448	8.59
09/01/2003 - 10/31/2003	266,300.14	13.88	2,145	2.73
11/01/2003 - 12/31/2003	313,570.29	16.34	2,456	4.58
01/01/2004 - 02/05/2004	43,295.24	2.25	287	1.7
TOTALS:	1,918,024,924.11	100	16,839	100

Maximum Origination Date: 02/01/2004

Minimum Origination Date: 06/01/1991

MATURITY DATE OF THE MORTGAGE LOANS					
Range	Amount			Loans	
(euro)	(thousands of euro)	%	Nr.	%	
07/02/2005 - 12/31/2005	70	0	1	0.00	
01/01/2006 - 12/31/2006	175.3	0	3	0.01	
01/01/2007 - 12/31/2007	131.03	0	4	0.02	
01/01/2008 - 12/31/2008	411.39	0.02	10	0.05	
01/01/2009 - 12/31/2009	376.77	0.01	6	0.03	
01/01/2010 - 12/31/2010	1,061.09	0.05	19	0.11	
01/01/2011 - 12/31/2011	1,405.20	0.07	22	0.13	
01/01/2012 - 12/31/2012	4,388.88	0.22	74	0.43	
01/01/2013 - 12/31/2013	13,230.60	0.68	156	0.92	
01/01/2014 - 12/31/2014	5,772.08	0.30	64	0.38	
01/01/2015 - 12/31/2015	12,721.01	0.66	140	0.83	
01/01/2016 - 12/31/2016	8,998.73	0.46	106	0.62	
01/01/2017 - 12/31/2017	14,917.81	0.77	169	1.00	
01/01/2018 - 12/31/2018	49,984.40	2.60	495	2.93	
01/01/2019 - 12/31/2019	13,754.47	0.71	152	0.90	
01/01/2020 - 12/31/2020	13,878.71	0.72	159	0.94	
01/01/2021 - 12/31/2021	24,838.93	1.29	304	1.80	
01/01/2022 - 12/31/2022	36,282.05	1.89	385	2.28	
01/01/2023 - 12/31/2023	110,135.85	5.74	1,023	6.07	
01/01/2024 - 12/31/2024	30,237.52	1.57	344	2.04	
01/01/2025 - 12/31/2025	44,149.57	2.30	479	2.84	
01/01/2026 - 12/31/2026	89,591.28	4.67	929	5.51	
01/01/2027 - 12/31/2027	92,412.07	4.81	820	4.86	
01/01/2028 - 12/31/2028	177,186.50	9.23	1,522	9.03	
01/01/2029 - 12/31/2029	42,983.26	2.24	409	2.42	
01/01/2030 - 12/31/2030	67,071.81	3.49	689	4.09	
01/01/2031 - 12/31/2031	192,432.19	10.03	1,931	11.46	
01/01/2032 - 12/31/2032	236,145.12	12.31	1,882	11.17	
01/01/2033 - 12/31/2033	569,692.94	29.70	4,101	24.35	
01/01/2034 - 12/31/2034	57,926.27	3.02	389	2.31	
01/01/2035 - 12/31/2035	536.48	0.02	4	0.02	
01/01/2036 - 12/31/2036	141.88	0	1	0	
01/01/2037 - 12/31/2037	787.89	0.04	8	0.04	
01/01/2038 - 12/31/2038	4,137.70	0.21	38	0.22	
01/01/2039 - 01/20/2039	57.96	0	1	0	
TOTALS:	1,918,024,924.11	100	16,839	100	

Maximum Maturity Date: 01/20/2039

Minimum Maturity Date: 07/02/2005

CURRENT INTEREST RATES OF THE MORTGAGE LOANS					
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Range	Amount	Loans			
		%	(thousands of euro)	%	Nr.
2.00 - 2.49	8,827.24	0,46	56	0,33	
2.50 - 2.99	1,044,738.98	54,46	8.336	49,50	
3.00 - 3.49	513,564.50	26,77	4.651	27,62	
3.50 - 3.99	195,979.33	10,21	2.130	12,64	
4.00 - 4.49	121,448.17	6,33	1.267	7,62	
4.50 - 4.99	28,601.08	1,49	333	1,97	
5.00 - 5.49	1,980.84	0,10	22	0,13	
5.50 - 5.99	1,082.33	0,05	14	0,08	
6.00 - 6.49	1,467.37	0,07	22	0,13	
6.50 - 6.99	208.8	0,01	4	0,02	
7.00 - 7.49	78.95	0,00	2	0,01	
7.50 - 7.99	6.15	0,00	1	0,00	
8.00 - 9.50	41.12	0,00	1	0,00	
TOTALS:	1,918,024,924.11	100.00	16.839	100.00	

Maximum Interest Rate: 9.50

Minimum Interest Rate: 2.00

Weighted Average Interest Rate: 3.07

REFERENCE INTEREST RATES OF THE MORTGAGE LOANS					
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Codes	Amount	Loans			
		(thousands of euro)	%	Nr.	%
0	3,745.88	0.20	55	0.32	
1997	31,891.39	1.66	265	1.57	
1998	83,671.27	4.36	842	5.00	
2078	1,540,283.23	80.31	12,557	74.57	
2283	31,491.13	1.64	360	2.13	
2288	191,248.25	9.97	2,354	13.97	
Others	35,693.69	1.86	406	2.35	
TOTALS:	1,918,024,924.11	100	16,839	100	

0 Fixed interest rate

1997 1 year - Euribor published by the Spanish National Gazette without being rounded

1998 1 year - Euribor published by the Spanish National Gazette rounded to 0,25%.

2078 Average 1 year - Euribor

2283 Average 1 year - Mibor

2288 Average interest rate of the mortgage loans for the acquisition of residential property granted by the Financial Entities

GEOGRAPHICAL LOCATION OF THE OUTSTANDING BALANCE OF MORTGAGE LOANS

Province	Amount		Loans	
	(thousands of euro)	%	Nr.	%
01 ALAVA	11,172.12	0.58	75	0.44
02 ALBACETE	9,627.05	0.5	109	0.64
03ALICANTE	37,086.68	1.93	380	2.25
04ALMERIA	13,731.32	0.71	132	0.78
05 AVILA	5,390.18	0.28	53	0.31
06 BADAJOZ	13,459.22	0.7	164	0.97
07 BALEARES	27,877.61	1.45	210	1.24
08 BARCELONA	510,132.47	26.59	4,051	24.05
09 BURGOS	9,718.43	0.5	81	0.48
10 CACERES	5,779.71	0.3	71	0.42
11 CADIZ	43,067.94	2.24	436	2.58
12 CASTELLON	13,428.53	0.7	136	0.8
13 CIUDAD REAL	10,033.07	0.52	101	0.59
14CORDOBA	19,535.44	1.01	212	1.25
15 LA CORUÑA	29,547.00	1.54	278	1.65
16CUENCA	1,420.84	0.07	16	0.09
17 GERONA	23,813.69	1.24	221	1.31
18 GRANADA	20,766.68	1.08	217	1.28
19 GUADALAJARA	7,170.87	0.37	57	0.33
20 GUIPUZCOA	55,658.17	2.9	393	2.33
21 HUELVA	10,508.48	0.54	124	0.73
22 HUESCA	5,840.77	0.3	65	0.38
23JAEN	10,356.52	0.53	130	0.77
24 LEON	10,293.33	0.53	102	0.6
25LERIDA	11,253.69	0.58	119	0.7
26 LA RIOJA	7,889.89	0.41	77	0.45
27 LUGO	3,943.50	0.2	39	0.23
28 MADRID	325,784.11	16.98	2,436	14.46
29 MALAGA	37,781.16	1.96	360	2.13
30 MURCIA	29,552.33	1.54	298	1.76
31 NAVARRA	15,112.88	0.78	118	0.7
32 ORENSE	4,059.66	0.21	38	0.22
33ASTURIAS	20,769.33	1.08	215	1.27
34 PALENCIA	6,581.09	0.34	66	0.39
35 LAS PALMAS	51,750.54	2.69	473	2.8
36 PONTEVEDRA	23,815.24	1.24	204	1.21
37 SALAMANCA	11,918.08	0.62	99	0.58
38 SANTA CRUZ DE TENERIFE	39,140.96	2.04	367	2.17
39 CANTABRIA	52,611.34	2.74	464	2.75
40 SEGOVIA	11,604.90	0.6	110	0.65
41 SEVILLA	96,906.46	5.05	1,164	6.91
42 SORIA	3,512.26	0.18	33	0.19
43 TARRAGONA	29,059.11	1.51	292	1.73
44 TERUEL	2,626.19	0.13	29	0.17
45TOLEDO	17,282.99	0.9	180	1.06
46 VALENCIA	64,362.52	3.35	677	4.02
47 VALLADOLID	21,439.00	1.11	191	1.13
48 VIZCAYA	65,744.00	3.42	470	2.79
49 ZAMORA	3,715.31	0.19	45	0.26
50 ZARAGOZA	51,972.39	2.7	437	2.59
51 CEUTA	1,301.39	0.06	12	0.07
52 MELILLA	1,118.22	0.05	12	0.07
TOTALS:	1,918,024,924.11	100	16,839	100

INITIAL PRINCIPAL BALANCE / APPRAISAL VALUE RATIO
--

Range	Amount		Loans		
	%	(thousands of euro)	%	Nr.	%
80 - 81.99		117,487.13	5.91	335	5.54
82 - 83.99		191,189.51	9.63	1512	8.97
84 - 85.99		240,783.40	12.12	1,982	11.77
86 - 87.99		197,255.69	9.93	1,705	10.12
88 - 89.99		242,357.23	12.2	2,140	12.7
90 - 91.99		180,957.63	9.11	1,481	8.79
92 - 93.99		149,141.10	7.51	1,212	7.19
94 - 95.99		123,541.05	6.22	1,019	6.05
96 - 97.99		130,283.18	6.56	1,107	6.57
98 - 99.99		235,098.04	11.84	2,022	12.00
100 - 184.61		177,065.87	8.91	1,724	10.23
TOTALS:		1,985,159,885.11	100.00	16,839	100.00

Maximum transaction amount: 2,400,000 Maximum Ratio: 184.61
Minimum transaction amount: 2,724 Minimum Ratio: 78.89
Average transaction amount: 117,890 Average Ratio: 90.93

OUTSTANDING PRINCIPAL BALANCE / APPRAISAL VALUE RATIO
--

Range	Amount		Loans		
	%	(thousands of euro)	%	Nr.	%
80 - 81.99		380,911.59	19.85	3,473	20.62
82 - 83.99		251,244.84	13.09	2,249	13.35
84 - 85.99		228,717.18	11.92	2,057	12.21
86 - 87.99		200,859.71	10.47	1,734	10.29
88 - 89.99		188,444.86	9.82	1,608	9.54
90 - 91.99		148,526.58	7.74	1,288	7.64
92 - 93.99		142,180.72	7.41	1,236	7.34
94 - 95.99		143,946.07	7.5	1,275	7.57
96 - 97.99		121,434.18	6.33	1,041	6.18
98 - 99.68		111,759.14	5.82	878	5.21
TOTALS:		1,918,024,924.11	100	16,839	100

Maximum principal balance: 2,357,545 Maximum Ratio: 99.68
Minimum principal balance: 1,501 Minimum Ratio: 80.00
Average principal balance: 113,903 Average Ratio: 87.81

DELINQUENCY STATUS

Range	Amount	Loans		
(days)	(thousands of euro)	%	Nr.	%
0 - 9	1,853,307.59	96.62	16,180	96.08
10-19	20,681.26	1.07	202	1.19
20-29	20,645.38	1.07	201	1.19
30 - 39	4,562.15	0.23	45	0.26
40 - 49	4,815.08	0.25	51	0.3
50 - 59	5,469.94	0.28	60	0.35
60 - 69	2,897.86	0.15	32	0.19
70 - 79	3,022.33	0.15	34	0.2
80 - 88	2,623.30	0.13	34	0.2
TOTALS:	1,918,024,924.11	100	16,839	100

The Bank warrants that on the Disbursement Date, no Mortgage Loan with a delay payment of more than the aforementioned thirty (30) days shall exist, as set forth in Section IV.1.a), 19.

No Mortgage Loan in the portfolio is considered in default.

CHAPTER V

INFORMATION ON THE ECONOMIC-FINANCIAL OPERATION OF THE FUND

V.1 Economic and financial structure of the Fund and descriptive table of the different hypotheses and most probable predicted performance of the economic and financial flows of the Fund. Balance Sheet.

Below is the Balance Sheet of the Fund according to the hypotheses assumed in this Chapter.

BALANCE SHEET			
ASSETS		LIABILITIES	
Credit Rights(*)	1,875,000,000.00 €	Notes	1,875,000,000.00 €
Cash Account	28,126,088.82 €	Subordinated Loan	29,000,000.00 €
Issue and incorporation expenses	873,911.18 €		
Total Assets	1,904,000,000.00 €	Total Liabilities	1,904,000,000.00 €

(*) on the Incorporation Date, the amount may be slightly higher

V.1.1 Assumed hypotheses in connection with the central or most probable indexes of the parameters of early repayment, delays in the payment of defaults and bad debt regarding the Credit Rights that are grouped in the Fund.

The tables shown below refer to one of the possible scenarios regarding income and payments related to the Fund that may arise during the life of the Fund and the issue of the Notes.

For the preparation of the mentioned charts of the financial service of the Notes and of the cash flow of the Fund, the following hypotheses have been used:

a) Credit Rights.

- (i) The volume of the portfolio of Credit Rights to be securitised: 1,918,024,921.11 euro on April 26, 2004. On the Incorporation Date the amount to be securitised will approximately be 1,875,000,000 euro, as shown in the Balance Sheet above.
- (ii) Interest rate: the average interest rate of the Credit Rights is 3.07% on an annual basis (0.26% on a monthly basis).
- (iii) CPR: 10% annually; 0.87% monthly.
- (iv) Percentage of Delay in payment: 0.54% annually, 0.05% monthly.
- (v) Bad debt: 0%.

b) Notes.

- (i) Volume: 1,875,000,000 euro for Class A, Class B, Class C and Class D Notes.
- (ii) Interest rate: weighted floating interest rate of the four classes of Notes, A, B, C and D, assuming that the interest rate of each class remains constant at 2.2430%, 2.3630%, 2.5630% and 3.0130%, respectively.
- (iii) Exercise by the Fund of the option of Early Repayment of all Classes of Notes of all Classes when the Unpaid Principal Balance of the Credit Rights is lower than 10% of its initial amount.

c) Ancillary Agreements.

(i) **Cash Account:** it is assumed that short-term rating of the Bank will not downgrade at any moment below A-1 and P-1 according to S&P Ratings Services and Moody's Investors Service Limited scales, respectively, and therefore, the Cash Account will be held with the Bank (nevertheless, the Managing Company has committed itself to transfer the Account to a different entity in the event of a downgrading of the above ratings, as described in Section V.3.1.a), which will be reinvested pursuant to the Guaranteed Rate Reinvestment Agreement to be subscribed for by the Bank.

(ii) **Subordinated Loan**

- Amount: 29,000,000 euro that will be dedicated to finance the expenses of incorporation of the Fund and issue of the Notes (approximately, 873,911.18 euro), to partially finance the purchase of the Credit Rights (approximately, 1,088.82 euro), and to constitute the Reserve Fund (amounting to 28,125,000 euro).
- Interest rate: 2.813%
- Repayment: the amount of the Subordinated Loan which is used to finance the expenses of incorporation of the Fund and issue of the Notes, will be repaid quarterly, simultaneously with the amortisation of those expenses during the first three (3) years from the date of incorporation of the Fund and issue of the Notes. The amount of the Subordinated Loan designed to partially finance the purchase of the Credit Rights, shall be repaid on the Final Maturity Date of those Credit Rights (July 15, 2042) or, as the case may be, on the date of early repayment. The rest of the principal of the Subordinated Loan shall be repaid on each of the Payment Dates for an amount equal to the difference between the required amount of the Reserve Fund on the prior Calculation Date and the current Calculation Date.

(iii) **Guaranteed Rate Reinvestment Agreement.**

Guaranteed profitability: 2.063% for the amounts deposited in the Cash Account. It is assumed that the average interest rate applicable to the portfolio of Credit Rights during the preceding quarter to each Payment Date will be of 2.063% throughout the life of the issue.

(iv) **Reserve Fund.**

The initial amount of the Reserve Fund will be 28,125,000 euro equivalent to 1.5% of the initial balance of the Credit Rights (approximately, 1,875,000,000 euro), and may decline quarterly on each Payment Date as from the third year of the life of the Fund, so that its amount is equal to 3% of the Unpaid Principal Balance of the Notes. Such percentage shall be maintained until the Reserve Fund reaches the amount of 18,750,000 euro, and since that moment it will be maintained in such amount until the Final Maturity Date of the Fund, on which it will be applied to the fulfilment of the payment obligations of the Fund.

(iv) Interest Swap Agreement.

- Interest rate to be paid by the Fund: it will be the annual interest rate resulting from dividing the sum of all interest on the Credit Rights collected by the Fund during the most recent Calculation Period by the Notional Balance of the Credit Rights, with the resulting amount being multiplied by the result of dividing 360 by the number of days of the Calculation Period.
- Interest rate to be received by the Fund: it will be the annual interest rate resulting from applying the reference interest rate of the Notes in the current Interest Accrual Period plus the weighted average spread of the Notes on a given Payment Date, taking into account the Unpaid Principal Balance of the Notes during the Calculation Period preceding the Payment Date, plus 0.65%.

d) Fees.

- (i) Fixed Fee of the Bank: 6,000 euro quarterly, VAT included, on each Payment Date.
- (ii) Variable Fee of the Bank: a variable amount that shall accrue on a quarterly basis, on each Payment Date, equivalent to the difference between the flow of income and the expenses of the Fund for said Calculation Period.

e) Current Expenses, including:

- (i) Managing Company's Management Periodic Fee: annual 0.025% on the sum of the Unpaid Principal Balances of all Classes of Notes, which shall never be lower than 60,000 euro per year.
- (ii) Expenses for annual audits of the Fund, announcements and annual rating agencies fees.

V.1.2 Analysis and commentary on the impact that the possible variations in the hypotheses described in the previous section would have on the financial balance of the Fund.

The quality of the Credit Rights and the mechanisms that guarantee the continued financial balance of the Fund are such that it would be unreasonable to consider percentages of advanced amortization, or percentages of delay in payment and bad debt so extreme that, as a consequence of the mandatory transfer both of the

early repayment risk and the defaults in the underlying Mortgage Loans, the financial structure of the Fund was imbalanced.

Likewise, the potential interest rate risk which may arise from the difference between the reference interest rates of the Credit Rights and of the Notes, is fully covered by virtue of the Swap Agreement, to be entered into with the Bank, as described in Section V.3.4 below, so that the financial balance of the Fund shall not be affected.

V.1.3 Numerical scheme of the flow of income and expenditure of the Fund.

The following numeric scheme makes reference to the collections and payments resulting from the application of a “cash basis” methodology, for the greater clarity of the investor, although, and in accordance with Section V.2 of the Prospectus, the Fund shall make a temporary allocation of income and expenses applying an “accrual basis” methodology.

This scheme is based not only on the hypothesis mentioned in the previous Section V.1.1, but also on the constant maintenance of these hypotheses during the life of the Fund. However, in general the affected variable rates, in particular the interest rates of the Notes of all Classes, as well as the actual Rates of Early Amortisation of the Mortgage Loans underlying to the Credit Rights, are subject to continuing changes.

Therefore, this numerical scheme serves only as a mere reference.

CASH FLOWS OF THE FUND
(THOUSANDS OF EURO)

COLLECTION								PAYMENTS							
2004-06-03 1,875,000.00 28,998.91 Securitisation notes issue Subordinated Loan								2004-06-03 1,875,000.00 0.00 Purchase of Credit Rights Incorporation and issue expenses							
(0) RESERVE FUND BALANCE	(1) OUTSTANDING PRINCIPAL BALANCE CTH	(2) DATE	(3) PRINCIPAL	(4) INTEREST CTH	(5) CASH ACCOUNT RETURN	(6) INTEREST SWAP	(7) TOTAL	(8) CURRENT EXPENSES	(9) INTEREST	(10) PRINCIPAL	(11) INTEREST SUBORDINATED LOAN	(12) REPAYMENT SUBORDINATED LOAN	(13) FIXED FEE	(14) FLOATING FEE	(15) TOTAL
28,125.00	1,835,228.70	2004-07-12	39,771.30	4,365.32	73.46	18,043.49	62,253.58	528.85	4,626.26	39,771.30	87.16	72.83	6.00	17,161.18	62,253.58
28,125.00	1,777,054.37	2004-10-12	58,174.33	14,051.73	554.03	3,402.57	76,182.65	597.58	10,685.25	58,174.33	205.09	72.83	6.00	6,441.57	76,182.65
28,125.00	1,720,614.33	2005-01-12	56,440.05	13,604.44	542.79	3,319.88	73,907.15	578.64	10,351.79	56,440.05	204.58	72.83	6.00	6,253.27	73,907.15
28,125.00	1,665,859.38	2005-04-12	54,754.95	12,895.74	521.64	3,234.06	71,396.38	557.43	9,810.22	54,754.95	199.63	72.83	6.00	5,995.29	71,396.38
28,125.00	1,611,082.19	2005-07-12	54,777.18	12,611.90	530.51	3,134.09	71,053.67	541.06	9,608.82	54,777.18	201.33	72.83	6.00	5,846.45	71,053.67
28,125.00	1,557,134.63	2005-10-12	53,947.56	12,328.11	532.91	3,048.70	69,857.28	524.59	9,400.42	53,947.56	203.03	72.83	6.00	5,702.85	69,857.28
28,125.00	1,504,818.67	2006-01-12	52,315.96	11,913.37	522.34	2,972.15	67,723.82	507.03	9,091.18	52,315.96	202.51	72.83	6.00	5,528.31	67,723.82
28,125.00	1,454,084.63	2006-04-12	50,734.04	11,262.40	502.43	2,892.66	65,391.52	487.52	8,600.19	50,734.04	197.61	72.83	6.00	5,293.35	65,391.52
28,125.00	1,404,884.39	2006-07-12	49,200.25	11,003.14	508.14	2,815.70	63,527.22	472.28	8,408.09	49,200.25	199.29	72.83	6.00	5,168.48	63,527.22
28,125.00	1,357,174.09	2006-10-12	47,710.30	10,748.55	505.16	2,736.26	61,700.28	457.45	8,218.47	47,710.30	200.96	72.83	6.00	5,034.26	61,700.28
28,125.00	1,310,919.58	2007-01-12	46,254.51	10,381.79	495.60	2,668.64	59,800.54	441.92	7,944.99	46,254.51	200.45	72.83	6.00	4,879.85	59,800.54
28,125.00	1,266,074.70	2007-04-12	44,844.88	9,809.56	477.41	2,598.39	57,730.25	424.70	7,512.90	44,844.88	195.58	72.83	6.00	4,673.36	57,730.25
28,125.00	1,222,595.60	2007-07-12	43,479.10	9,578.80	482.97	2,530.41	56,071.28	411.21	7,342.11	43,479.10	197.25	0.00	6.00	4,635.61	56,071.28
28,125.00	1,180,442.68	2007-10-12	42,152.92	9,352.25	480.48	2,460.25	54,445.90	398.10	7,173.57	42,152.92	199.41	0.00	6.00	4,515.90	54,445.90
28,125.00	1,139,581.03	2008-01-12	40,861.65	9,028.24	471.82	2,400.51	52,762.22	384.37	6,931.94	40,861.65	199.41	0.00	6.00	4,378.83	52,762.22
28,125.00	1,099,971.62	2008-04-12	39,609.40	8,620.57	461.56	2,338.51	51,050.04	370.13	6,624.92	39,609.40	197.25	0.00	6.00	4,222.34	51,050.04
28,125.00	1,061,000.00	2008-07-12	38,392.19	8,202.52	452.02	2,278.51	49,325.25	357.26	6,400.34	38,392.19	195.25	0.00	6.00	4,066.00	49,325.25
28,125.00	1,024,367.93	2008-10-12	37,211.50	8,118.99	458.56	2,216.59	48,005.64	345.67	6,250.61	37,211.50	199.41	0.00	6.00	3,992.45	48,005.64
28,125.00	988,308.82	2009-01-12	36,059.12	7,832.98	450.70	2,163.92	46,506.72	333.55	6,037.31	36,059.12	199.41	0.00	6.00	3,871.33	46,506.72
28,125.00	953,365.06	2009-04-12	34,943.75	7,392.59	435.44	2,109.23	44,881.01	320.18	5,703.86	34,943.75	195.08	0.00	6.00	3,712.13	44,881.01
27,426.77	919,504.26	2009-07-12	33,860.80	7,210.03	440.75	2,056.35	43,567.93	309.65	5,569.11	33,860.80	197.25	0.00	6.00	3,625.12	43,567.93
26,448.05	886,693.31	2009-10-12	32,810.95	7,030.90	431.69	2,001.77	42,275.30	299.41	5,436.22	32,810.95	194.46	0.00	6.00	3,528.27	42,275.30
25,499.79	854,903.76	2010-01-12	31,789.55	6,778.73	414.29	1,955.33	40,937.91	288.72	5,248.14	31,789.55	187.52	0.00	6.00	3,417.97	40,937.91
24,581.06	824,104.08	2010-04-12	30,799.68	6,393.25	390.74	1,907.15	39,490.82	276.97	4,955.79	30,799.68	176.87	0.00	6.00	3,275.52	39,490.82
23,691.06	794,267.44	2010-07-12	29,836.64	6,231.00	385.83	1,860.58	38,314.05	267.66	4,836.23	29,836.64	172.39	0.00	6.00	3,195.12	38,314.05
22,828.89	765,363.91	2010-10-12	28,903.53	6,071.84	374.88	1,812.51	37,162.77	258.63	4,718.34	28,903.53	167.98	0.00	6.00	3,108.29	37,162.77
21,994.02	737,375.57	2011-01-12	27,988.34	5,849.73	359.55	1,771.71	35,969.34	249.22	4,552.67	27,988.34	161.86	0.00	6.00	3,011.25	35,969.34
21,185.49	710,269.97	2011-04-12	27,105.60	5,512.96	338.87	1,729.30	34,686.73	238.89	4,296.75	27,105.60	152.55	0.00	6.00	2,886.94	34,686.73
20,402.43	684,018.53	2011-07-12	26,251.44	5,368.93	334.42	1,688.34	33,643.12	230.69	4,190.81	26,251.44	148.58	0.00	6.00	2,815.61	33,643.12
19,644.07	658,594.93	2011-10-12	25,423.60	5,227.66	324.74	1,646.07	32,622.07	222.73	4,086.39	25,423.60	144.66	0.00	6.00	2,738.70	32,622.07
18,910.02	633,986.34	2012-01-12	24,608.59	5,032.32	311.25	1,610.24	31,562.40	214.45	3,940.65	24,608.59	139.28	0.00	6.00	2,653.42	31,562.40
18,750.00	610,162.25	2012-04-12	23,824.10	4,791.30	297.14	1,572.97	30,485.51	205.92	3,758.30	23,824.10	132.62	0.00	6.00	2,558.58	30,485.51
18,750.00	587,109.06	2012-07-12	23,053.19	4,610.90	294.88	1,537.12	29,496.09	198.18	3,623.22	23,053.19	131.50	0.00	6.00	2,484.00	29,496.09
18,750.00	564,795.94	2012-10-12	22,313.12	4,485.76	293.57	1,500.00	28,592.45	191.17	3,530.89	22,313.12	132.94	0.00	6.00	2,418.32	28,592.45
18,750.00	543,217.25	2013-01-12	21,578.69	4,314.35	288.65	1,468.70	27,650.39	183.91	3,402.99	21,578.69	132.94	0.00	6.00	2,345.86	27,650.39
18,750.00	522,338.86	2013-04-12	20,878.39	4,059.02	279.12	1,436.01	26,652.54	175.99	3,208.01	20,878.39	130.05	0.00	6.00	2,254.10	26,652.54
18,750.00	502,159.98	2013-07-12	20,178.87	3,946.07	282.43	1,404.80	25,812.17	169.65	3,125.28	20,178.87	131.50	0.00	6.00	2,200.87	25,812.17
18,750.00	482,643.39	2013-10-12	19,516.60	3,835.60	281.34	1,372.28	25,005.82	163.51	3,043.95	19,516.60	132.94	0.00	6.00	2,142.81	25,005.82
18,750.00	463,818.90	2014-01-12	18,824.49	3,685.74	276.81	1,345.39	24,132.42	157.16	2,932.08	18,824.49	132.94	0.00	6.00	2,079.76	24,132.42
18,750.00	445,631.92	2014-04-12	18,186.98	3,464.83	267.92	1,316.80	23,236.53	150.26	2,762.78	18,186.98	130.05	0.00	6.00	2,000.45	23,236.53
18,750.00	428,048.09	2014-07-12	17,583.83	3,265.64	271.22	1,289.51	22,510.20	144.74	2,690.36	17,583.83	131.50	0.00	6.00	1,953.77	22,510.20
18,750.00	411,040.72	2014-10-12	17,007.36	3,268.56	270.42	1,261.20	21,807.54	139.38	2,619.13	17,007.36	132.94	0.00	6.00	1,902.72	21,807.54
18,750.00	394,602.97	2015-01-12	16,437.75	3,137.94	266.38	1,237.37	21,079.43	133.84	2,521.65	16,437.75	132.94	0.00	6.00	1,847.25	21,079.43
18,750.00	378,708.12	2015-04-12	15,894.85	2,946.69	258.34	1,212.47	20,312.36	127.84	2,374.65	15,894.85	130.05	0.00	6.00	1,778.96	20,312.36
18,750.00	363,349.89	2015-07-12	15,358.23	2,859.12	261.59	1,188.67	19,667.62	123.00	2,310.92	15,358.23	131.50	0.00	6.00	1,737.97	19,667.62
18,750.00	348,502.30	2015-10-12	14,847.58	2,773.47	260.99	1,163.94	19,045.99	118.31	2,248.28	14,847.58	132.94	0.00	6.00	1,692.87	19,045.99
18,750.00	334,185.58	2016-01-12	14,316.72	2,659.48	257.27	1,143.45	18,376.92	113.48	2,163.17	14,316.72	132.94	0.00	6.00	1,644.60	18,376.92
18,750.00	320,360.35	2016-04-12	13,825.23	2,522.32	252.95	1,121.73	17,722.22	108.54	2,058.48	13,825.23	131.50	0.00	6.00	1,592.46	17,722.22
18,750.00	307,009.28	2016-07-12	13,351.07	2,417.69	252.97	1,101.05	17,122.77	104.05	1,980.10	13,351.07	131.50	0.00	6.00	1,550.06	17,122.77
18,750.00	294,107.93	2016-10-12	12,901.36	2,342.50	252.55	1,079.55	16,575.95	99.97	1,925.33	12,901.36	132.94	0.00	6.00	1,510.36	16,575.95
18,750.00	281,652.18	2017-01-12	12,455.75	2,243.44	249.20	1,061.52	16,009.90	95.77	1,851.37	12,455.75	132.94	0.00	6.00	1,468.07	16,009.90
18,750.00	269,618.63	2017-04-12	12,033.55	2,101.48	242.29	1,042.64	15,419.96	91.25	1,741.28	12,033.55	130.05	0.00	6.00	1,417.83	15,419.96
18,750.00	258,003.62	2017-07-12	11,615.00	2,033.77	245.49	1,024.65	14,918.92	87.57	1,692.40	11,615.00	131.50	0.00	6.00	1,386.45	14,918.92
18,750.00	246,784.89	2017-10-12	11,218.74	1,967.61	245.24	1,005.93	14,437.53	84.01	1,644.42	11,218.74	132.94	0.00	6.00	1,351.42	14,437.53
18,750.00	235,976.31	2018-01-12	10,808.57	1,881.51	242.14	990.45	13,922.67	80.36	1,580.11	10,808.57	132.94	0.00	6.00	1,314.69	13,922.67
18,750.00	225,547.20	2018-04-12	10,429.11	1,759.80	235.66	974.03	13,398.60	76.45	1,485.15	10,429.11	130.05	0.00	6.00	1,271.83	13,398.60
18,750.00	215,501.01	2018-07-12	10,046.19	1,700.46	238.81	958.61	12,944.08	73.26	1,442.53	10,046.19	131.50	0.00	6.0		

Explanation of the numerical scheme.

a) Collections.

- (0) Balance of the Reserve Fund.
- (1) Unpaid Balance of the Credit Rights on the Calculation Date corresponding to each Payment Date, once collection of the Credit Rights has been made.
- (2) Payment Dates of principal and interest of the Notes until their maturity.
- (3) Amount of repaid principal of the Credit Rights from the immediately prior Payment Date to the indicated Payment Date.
- (4) Interest collected by the Fund from the Payment Date immediately prior to the indicated Payment Date.
- (5) Profitability obtained from the Cash Account of the Fund, by virtue of the Guaranteed Rate Reinvestment Agreement, as well as profitability obtained from the reinvestment of the Reserve Fund.
- (6) Net Amount of the Swap.
- (7) Total flow of income on each Payment Date, corresponding to the sum of the amounts of (3), (4), (5) and (6) above.

b) Payments.

- (8) Amount of current expenses of the Fund.
- (9) Amount of interest to be paid to the noteholders.
- (10) Principal amount to be paid to the noteholders.
- (11) Payments of interest of the Subordinated Loan dedicated to the financing of the incorporation expenses of the Fund and the issue of the Notes, to the partial financing of the purchase of Credit Rights, and to constitute the Reserve Fund.
- (12) Periodic repayment of the portion of the Subordinated Loan dedicated to the financing of the incorporation expenses of the Fund and the issue of the Notes.
- (13) Commission payable to the Bank for the administration of the Credit Rights.
- (14) Amount payable to the Bank for the financial intermediation services related to the Credit Rights.
- (15) Total payments on each Payment Date, corresponding to the sum of (8), (9), (10), (11), (12), (13) and (14) above.

V.2 Accounting principles used by the Fund.

The income and expenses will be recognized by the Fund in an accrual basis.

V.3 Description of the purpose or target of the financial operations and credit upgrade.

For the purpose of consolidating its financial structure and procuring the widest possible coverage against the inherent risks of the issue, the Managing Company, in the name and on behalf of the Fund, shall enter into the agreements set out below, on the same date on which the Incorporation Deed is granted:

V.3.1 Guaranteed Rate Reinvestment Agreement and Cash Account.

The Bank and the Managing Company, on behalf of the Fund, shall enter into a Guaranteed Rate Reinvestment Agreement under which the Bank shall guarantee a return for the amounts deposited by the Fund, in the finance account opened by the Managing Company in the name of the Fund, in the Bank. In particular, the Guaranteed Rate Reinvestment Agreement will determine that the following amounts received by the Fund:

- (i) principal and interest of the Credit Rights;
- (ii) other amounts, assets or rights, received as payment of principal or interest (ordinary or arrears) of the Credit Rights, or due to the transfer or exploitation of the assets assigned when enforcing the mortgage guarantees or as a consequence of the mentioned enforcement, in management and interim possession of the properties in enforcement procedures, as well as all the possible rights or compensation that could exist in favour of the Bank, not only including those deriving from the insurance policies assigned by the Bank to the Fund, but also those deriving from any right attached to the Mortgage Loan, excluding any fees on the Credit Rights which shall be for the benefit of the Bank;
- (iii) amount of the principal of the enforced Mortgage Loans, from the date of transfer of the property, acquisition at the auction price or amount determined by judicial decision or notarial procedure;
- (iv) the amounts accumulated in the Reserve Fund (described in Section V.3.3);
- (v) the accumulated amount of the proceedings obtained from the reinvestment of (i), (ii), (iii) and (iv) above;

shall be deposited in the Cash Account.

The Bank guarantees to the Fund, through its Managing Company, an annual profitability for the amounts deposited in the Cash Account, equal to the three (3) month EURIBOR interest rate (defined in Chapter II of the Prospectus) during the quarter immediately prior to each Payment Date.

The profitability obtained from the amounts deposited in the Cash Account shall be calculated taking into account the number of days elapsed and a 365-day year. Settlement of interest shall be carried out on a monthly basis, five (5) Business Days in advance to the 15th of each month.

In the event that the credit rating of the short-term debt of the Bank falls below A-1 or P-1, according to the rating scales of S&P Ratings Service and Moody's Investors Service Limited, respectively, the Managing Company, on behalf of the Fund, shall transfer the Cash Account to another entity whose credit rating of the short-term debt is a minimum of A-1 and P-1, so that the Bank will then stop investing the Funds, and the Managing Company shall agree the maximum possible profitability for its balance, which may be different to that agreed with the Bank, within 30 Business Days from the moment of such event. However, the Managing Company may transfer the Cash Account back to the Bank if and when it reaches the minimum short-term credit ratings of A-1 and P-1 according to the mentioned scales.

Currently, the proceedings of the Credit Rights that generate income to the Fund are not subject to withholding tax as provided by Article 57. K) of Chapter II, Title IV, of the CIT Regulations, approved by means of Royal Decree 537/1997, of April 14, as amended by Royal Decree 2717/1998, of December 18.

The Guaranteed Rate Reinvestment Agreement reduces the risk of a temporary imbalance between the income of the Fund generated by principal and interest on a daily basis, and the repayment of principal and payment of interest of the Notes on a quarterly basis.

V.3.2 Subordinated Loan Agreement

a) Subordinated Loan Agreement for an amount on twenty nine million euro (29,000,000 euro).

The Managing Company shall enter, on behalf of the Fund, into a Subordinated Loan Agreement with the Bank for an amount of twenty nine million euro (29,000,000 euro), which shall be dedicated to the financing of the expenses of incorporation of the Fund and issue of the Notes, to the partial financing of the purchase of the Credit Rights, and to constitute a Reserve Fund, which will be dedicated on each Payment Date together with the rest of Available Funds, as described in Section V.5.1.b), 1, of the Prospectus, to comply with the payment or withholding obligations of the Fund, as set forth in the payment priority order of Section V.5.1.b), 2 of the Prospectus.

Such Reserve Fund is described in Section V.3.3 of the Prospectus.

The Subordinated Loan shall accrue a nominal annual interest equal to the interest rate resulting from increasing by 0.75% the three (3) month EURIBOR interest rate applicable to the Notes during the quarter immediately prior to each Payment Date, and will only be paid if the Fund has enough liquidity in accordance with the payment priority order set forth in Section V.5.1.b), 2. The accrued interest payable on a given Payment Date will be calculated on the basis of: (i) the days elapsed within each Interest Accrual Period as described in Section II.10.1.a) and (ii) a 360-day year.

Interest accrued but unpaid on a Payment Date, shall accumulate and accrue delay interest at the same rate as the Subordinated Loan, and shall be paid if the Fund has enough liquidity in accordance with the payment priority order set forth in Section V.5.1.b), 2.

The part of Subordinated Loan dedicated to financing the expenses of incorporation of the Fund and issue of the Notes (as these expenses are described in Sections II.14.a) and II.14.b) of this Prospectus) shall be repaid quarterly, simultaneous to the amortisation of those expenses during the first three (3) years from the date of incorporation of the Fund and issue of the Notes. The part of Subordinated Loan dedicated to partially financing the purchase of the Credit Rights shall be repaid on the Final Maturity Date of those Credit Rights (July 15, 2042) or, as the case may be, on the date of early repayment. The rest of the principal of the Subordinated Loan shall be repaid on each of the Payment Dates for an amount equal to the difference between the required amount of the Reserve Fund (as this amount is described in Section V.3.3 of this Prospectus) on the prior Calculation Date and the current Calculation Date (as these dates are described in Section II.11.3 of this Prospectus). The aforementioned shall take place, if and when the Fund has enough liquidity in accordance with the payment priority order set forth in Section V.5.1.b), 2.

Due to its subordinated nature, this Subordinated Loan will be deferred with respect to some of the other creditors of the Fund in the terms and conditions

provided by Section V.5.1.b), 2 of the Prospectus, including, *inter alia*, the noteholders.

V.3.3 The Reserve Fund.

The Managing Company, on behalf of the Fund, shall constitute a Reserve Fund, by application of the Subordinated Loan as described in Section V.3.2, with the following characteristics:

(i) Amount

The initial amount of the Reserve Fund will be 28,125,000 euro, equivalent to 1.50% of the initial balance of the Credit Rights (approximately, 1,875,000,000 euro), which may decline quarterly on each Payment Date, as from the third year, so that its amount is equal to 3% of the Unpaid Principal Balance of the Credit Rights on each Calculation Date. Such percentage shall be maintained until the Reserve Fund reaches the amount of 18,750,000 euro, and since that moment it will be maintained in such amount until the Final Maturity Date of the Fund, on which it will be applied to the fulfilment of the payment obligations of the Fund.

(ii) Profitability

The amount of the Fund will be credited to the Cash Account, and together with principal and interest of the Credit Rights shall be object of the Guaranteed Rate Reinvestment Agreement (described in Section V.3.1 of the Prospectus) provided that the credit rating of the short-term debt of the Bank does not fall below A-1 or P-1 (according to the rating scales of S&P Ratings Service and Moody's Investors Service Limited, respectively, as described in Section II.3 of this Prospectus), all the above in accordance with Section V.3.1.

(iii) Use

The Reserve Fund shall be applied, on each Payment Date, to cover a potential imbalance between interest collection and principal repayment of the Credit Rights with respect to the Notes. On the last Payment Date of the Fund no amount will be allocated to the Reserve Fund.

V.3.4 Swap Agreement.

Since the portfolio of loans to be securitised in the Fund is made up of loans subject to different floating interest rates, as indicated in Section IV.4, and as the Fund will issue four classes of Notes, A, B, C and D, subject to different floating interest rates, the Managing Company shall enter into on behalf of the Fund, an interest Swap Agreement with the Bank under the CMOF framework agreement, in the terms described below.

Party A: The Managing Company, in the name and on behalf of the Bank.

Party B: The Bank.

1. Settlement dates.

The settlement dates will coincide with the Payment Dates of the Notes, that is, January 15, April 15, July 15 and October 15 of each year, or, if any of those is a non-Business Day, the next Business Day.

2. Settlement periods.

Party A: The settlement periods for Party A will comprise the days effectively elapsed between two consecutive settlement dates, including the first one and excluding the last one. As an exception, the first settlement period for Party A will begin on the Disbursement Date (inclusive) and will end on July 15, 2004 (exclusive).

Party B: The settlement periods for Party B will comprise the days effectively elapsed between two consecutive settlement dates, including the first one and excluding the last one. As an exception, the first settlement period for Party B will begin on the Disbursement Date (inclusive) and will end on July 15, 2004 (exclusive).

3. Amount to be paid by Party A.

This will be the amount resulting from the application of the Interest Rate for Party A to the Notional of the Swap for Party A, but taking into account the number of days of the settlement period (that is, dividing the number of days by 360).

3.1 Interest Rate for Party A.

This will be the annual interest rate resulting on each settlement date from dividing (i) the sum of the interest on the Credit Rights collected by the Fund during the current settlement period by (ii) the Notional of the Swap for Party A, with the resulting amount being multiplied by the result of dividing 360 by the number of days of the settlement period.

3.2 Notional of the Swap for Party A.

This will be the Notional Balance of the Credit Rights, that is, the daily average of the Unpaid Principal Balance of the Credit Rights which is due during the settlement period with 90 days or less in arrears.

4. Amount to be paid by Party B.

This will be the amount resulting from the application of the Interest Rate for Party B to the Notional of the Swap for Party B, but taking into account the number of days of the settlement period (that is, dividing the number of days by 360).

4.1 Interest Rate for Party B.

This will be the annual interest rate resulting for each settlement period from adding (a) the Reference Interest Rate of the Notes in the current Interest Accrual Period plus (b) the weighted average spread of each Class of Notes taking into account the Unpaid Principal Balance of each Class of Notes during the current Interest Accrual Period, plus (c) 0.65%.

4.2 Notional of the Swap for Party B.

This will be the greater of either: (i) the Notional of the Swap for Party A, or (ii) the Notional Taking into Account the Return of the Credit Rights.

The Notional Taking into Account the Return of the Credit Rights on each settlement date will be the lower amount of either:

i) The sum of interest on the Credit Rights collected by the Fund during the current settlement period divided by the Interest Rate for Party B, with the resulting amount being multiplied by the result of dividing 360 by the number of days of the settlement period.

ii) The Unpaid Principal Balance of the Credit Rights on the immediately preceding settlement date or, as the case may be, the Unpaid Principal Balance of the Credit Rights on the Incorporation Date.

The entering into the interest Swap Agreement is a consequence of the need to eliminate or reduce the interest rate risk due to the fact that the Credit Rights are subject to different floating interest rates than those of each of the Classes of Notes.

By virtue of the interest Swap Agreement, the Fund will make payments to the Bank depending on the interest on the Credit Rights, and the Bank, in turn, will make payments to the Fund depending on the weighted average interest rate of all Classes of Notes, in accordance with the notional defined in Section V.3.4.4.2 above (the Notional of the Swap for Party B).

Possible scenarios:

By definition, the notional described in paragraph (ii).b) above of this Section will be always higher than the Notional of the Swap for Party A.

Scenario 1: in the event that the notional described in paragraph (ii)a) above of this Section is higher than the notional described in paragraph (ii)b), then the interest rate risk would not have effect and the delinquency status of the portfolio would not affect the financial balance of the Fund. In such a case, the Bank would pay to the Fund the amount resulting from applying the Interest Rate for Party B to the notional described in paragraph (ii).b). The net amount of the Swap, that is, the difference in absolute value between the Amount to be paid by Party A and the Amount to be paid by Party B (hereinafter, the “Net Amount”), would be positive for the Bank.

Scenario 2: in the event that the notional described in paragraph (ii)a) above of this Section ranges between the Notional of the Swap for Party A and the notional described in paragraph (ii)b), then the delinquency status of the portfolio would affect the financial balance of the Fund. In such a case, the Bank would pay to the Fund the sum of interest on the Credit Rights collected by the Fund during the current settlement period. The Net Amount of the Swap would be zero.

Scenario 3: in the event that the notional described in paragraph (ii)a) above of this Section is less than the Notional of the Swap for Party A, then the interest rate risk would have effect. In such a case, the Bank would pay to the Fund the amount resulting from applying the Interest Rate for Party B to the Notional of the Swap for Party A. The Net Amount of the Swap would be positive for the Fund.

In the event that on a Payment Date, the Fund should not have sufficient liquidity to pay the total Net Amount to the Bank (the Amount to be paid by Party A to the Bank is higher than the Amount to be paid by Party B to be received by the Fund), the unpaid part of the Net Amount shall accumulate and accrue arrears interest at the same rate applied to the calculation of the Amount to be paid by Party A, and shall be settled on the next Payment Date on which the Fund has enough liquidity in accordance with the payment priority order set forth in Section V.5.1.b), 2 of the Prospectus, in such a way that the Swap Agreement will not be terminated.

In the event that on a Payment Date, the Bank does not fulfil its payment obligations, the Managing Company may terminate the Swap Agreement and the Bank shall pay the amount on early termination established in the Swap Agreement. In the event that the Fund does not terminate the Swap Agreement, the unpaid part of the amount to be paid shall accrue arrears interest and shall be settled on the next Payment Date in accordance with the payment priority order set forth in Section V.5 of the Prospectus.

The amount on early termination will be calculated by the Managing Company, as calculation agent, on the basis of the market value of the interest Swap Agreement.

Regarding this Swap Agreement of the Notes, the Bank undertakes with respect to the Managing Company and on behalf of the Fund, that in the event that the Bank's credit rating at any time during the term of the issue, is downgraded below A1 (according to the long-term credit rating of Moody's Investors Service Limited) or from A-1 to A-2 (according to the short-term credit rating of S&P Ratings Service) and within the maximum term of thirty (30) Business Days following the date on which such downgrade was notified, the Bank will choose one of the following alternatives: (i) a third party guarantees the fulfilment of the Bank's contractual obligations, or (ii) a third party assumes the Bank's contractual position and replaces the Bank, provided that in both alternatives such entity has, at least, a rating of A1 and A-1 (according to the above mentioned credit ratings of Moody's Investors Service Limited and S&P Ratings Service, respectively), all the above subject to the terms and conditions that the Rating Agencies and the Managing Company may deem appropriate, for the purpose of maintaining the ratings granted to all Classes of Notes, or (iii) to constitute a cash collateral in the account designated by the Managing Company in favour of the Fund, for the amount agreed at that time with the Rating Agencies.

Furthermore, in the event that the Bank's credit rating is downgraded to BB+ or Ba1 (according to the credit ratings of Moody's Investors Service Limited and S&P Ratings Service, respectively), the only valid alternative will be that referred to in (ii) above, and the Bank shall constitute the cash collateral referred to in the alternative (iii) above until the third party which will assume the Bank's contractual position is found.

In the event that the Bank does not fulfil its obligations referred to in above, the Managing Company, on behalf of the Fund, will be entitled to substitute the Bank with another entity in accordance with the terms established in paragraph (ii) above.

All the costs, charges and taxes that may arise as a result of complying with the aforementioned obligations shall be borne by the Bank.

The early termination of the Swap Agreement shall not by itself constitute a cause for early termination of the issue of the Notes and early liquidation of the Fund, except if this event combined with other events or circumstances related to the net worth of the Fund, would give rise to a substantial or permanent alteration of the financial balance of the Fund.

The interest Swap Agreement shall be terminated in the event that prior to the commencement of the Subscription Period the Rating Agencies do not confirm as final the provisional ratings assigned to each of the Classes.

The termination of the interest Swap Agreement will take place on the Final Maturity Date of the Fund (July 15, 2042). This notwithstanding, the Managing Company may liquidate early the Fund under the terms established in Sections II.11.3.c) and III.8.1. In such a case, the Payment Date on which the early liquidation takes place will be the date of termination of the Swap Agreement.

V.4 Other Agreements.

V.4.1 Subscription Agreement.

The Managing Company, in the name and on behalf of the Fund, will execute two (2) Subscription Agreements for the placement and underwriting of the issue of the Notes with the Underwriting Entities, whereby the aforementioned entities in their respective Tranches, Domestic and International, shall carry out the free assignment of the Notes for the amounts set out for each one in Section II.19.1 and, once the Subscription Period has expired, each Underwriting Entity shall subscribe on its own behalf the amount of Notes pending subscription. The Bank also acts as Financial Agent in accordance with the Domestic Tranche Subscription Agreement.

The Bank as Underwriting Entity of the Domestic Tranche, and the Bank and Merrill Lynch as Underwriting Entities of the International Tranche, assume the obligations contained in the Domestic and International Tranches Subscription Agreements, which, are basically the following: 1) an undertaking to subscribe the Notes that have not been subscribed once the Subscription Period has closed, up to the amounts established (an undertaking which these entities assume on a joint and several basis); 2) payment by Merrill Lynch to the Bank, as Financial Agent, before 14.00 hours (Madrid time) on the Business Day following the closing date of the Subscription Period, the value on that date of its underwritten commitment discounting the Underwriting Fee agreed under the Subscription Agreements; and 3) payment to the Fund, by the Bank, in its role as Financial Agent, before 15.00 hours (Madrid time) on the above mentioned date, of the total amount received from the other Underwriting Entity plus the amount of its underwriting commitment, after deduction of the total Underwriting Fee (to which, in its position as Underwriter, the Bank is entitled).

The only termination event of the Subscription Agreements shall be the absence of confirmation by the Rating Agencies (S&P España and Moody's España) before the beginning of the Subscription Period, of the AAA, AA, A+ and BBB+ ratings to the Classes A, B, C and D of Notes, respectively (S&P España) and of the Aaa, Aa3, A2 and Baa3 ratings to the Classes A, B, C and D of Notes, respectively (Moody's España).

V.5 Payment priority rules of the Fund.

V.5.1 Ordinary payment priority rules of the Fund.

Source and application of the funds.

a) On the Incorporation Date of the Fund and issue of the Notes.

The source and application of the amounts made available to the Fund on the Incorporation Date and during the life of the issue, shall be the following:

1. *Source:* the Fund shall be provided with funds for the following items:

- a) Issue of the Notes.
- b) Subordinated Loan.

2. *Application:* the Fund, in turn, on the issue date, shall apply the funds mentioned above to the following expenses:

- a) Purchase of the Credit Rights.
- b) Payment of the expenses of incorporation of the Fund and issue of the Notes.
- c) Incorporation of the Reserve Fund.

b) From the Incorporation Date of the Fund until the complete repayment of the Notes.

1. *Origin:* the **Available Funds** on each Payment Date shall be the following:

- a) The amounts received for principal of the Credit Rights during each of the preceding Calculation Period. Such amounts shall be deposited in the Cash Account in accordance with Section V.3.1 of the Prospectus.
- b) The nominal interest collected from the Credit Rights during each preceding Calculation Period. Such amounts shall be deposited in the Cash Account in accordance with Section V.3.1 of the Prospectus.
- c) The profitability obtained during each preceding Calculation Period due to the reinvestment of the Reserve Fund as provided for in Section V.3.3, and the profitability obtained due to the amounts deposited in the Cash Account. Such amounts shall be deposited in the Cash Account in accordance with Section V.3.1 of the Prospectus.
- d) The Reserve Fund described in Section V.3.3 of the Prospectus.
- e) The Net Amount received by virtue of the Interest Swap Agreement, as described in Section V.3.4 of the Prospectus.
- f) Any other amounts that the Fund may receive, including those resulting from the enforcement of the guarantees of the loans, if any.

Available Funds for Repayment:

Depending on the existing liquidity after the application of the Available Funds described in paragraph 2 below, points 1, 2, 3, 4, 5, 6 and 7, the Principal Due for Repayment, that is, the difference between the sum of the Unpaid Principal Balance of the four Classes of Notes on the Calculation Date preceding each Payment Date and the Unpaid Principal Balances of the Credit Rights without any instalment being more than eighteen (18) months in arrears, which may be withheld, shall constitute the Available Funds for Repayment.

2. *Application:* the Available Funds on each Payment Date (despite the accrual moment) shall be applied to comply with the payment or withholding obligations as follows:

a) In the first place, the Managing Company, on behalf of the Fund, shall apply the **Available Funds** to the following payments and withholdings, as provided in the payment priority order set out below:

1. Payment to the Managing Company of ordinary and extraordinary expenses of the Fund, including the Management Periodic Fee, duly justified, payment to the Bank of the extraordinary expenses, duly justified, and payment of the management fee to a third party other than the Bank, in the event that the latter is replaced as administrator of the Mortgage Loans (in accordance with Section V.5.2).
2. Payment of the Net Amount of the Swap to the Bank.
3. Payment of interest on the Class A Notes.
4. Payment of interest on the Class B Notes.
5. Payment of interest on the Class C Notes.
6. Payment of interest on the Class D Notes.
7. Withholding of an amount equal to the Principal Due for Repayment.
8. Withholding of an amount sufficient to maintain the Reserve Fund at the required amount at any time pursuant to Section V.3.3, except on the last Payment Date.
9. Payment of the amount on early termination of the Swap, in case of termination of the Swap Agreement due to a lack of fulfilment by the Bank.
10. Payment of interest accrued on the Subordinated Loan.
11. Repayment of the principal of the Subordinated Loan in an amount equal to the expenses derived from the incorporation of the Fund and the issue of the Notes, in a given period.
12. Repayment of the principal of the Subordinated Loan in an amount equal to the difference between the required amount of the Reserve

Fund on the prior Calculation Date and on the current Calculation Date.

13. Payment to the Bank, on each Payment Date, of the fixed Management Fee for the administration of the Mortgage Loans, equal to 6,000 euro, VAT included, until the Payment Date on which the issue has been fully repaid, that is, July 15, 2042, inclusive (or the Payment Date on which early repayment takes place).
14. Payment to the Bank of a floating amount equal to the difference between the accounting flows of income and expenses for the Fund on the given Payment Date, as consideration or compensation for the financial intermediation services.

The Available Funds for Repayment arising from the withholding described in point 7 of the payment priority order will be applied to such repayment of the Notes as provided in Section II.11.3.b), 6 of the Prospectus, which are the following:

The Available Funds for Repayment will be allocated to redemption of Class A Notes, pro rata between them by reducing their nominal value, on each Payment Date, until redemption is completed.

Once the redemption of Class A Notes is completed, redemption of Class B Notes will begin by means of reducing the nominal value pro rata among them, on each Payment Date for an amount equal to the Available Funds for Repayment on such Payment Date, until their redemption is completed.

Once the redemption of Class A Notes and Class B Notes is completed, redemption of Class C Notes will begin by means of reducing the nominal value pro rata among them, on each Payment Date for an amount equal to the Available Funds for Repayment on such Payment Date, until their redemption is completed.

Once the redemption of Class A Notes, Class B Notes and Class C Notes is completed, redemption of Class D Notes will begin by means of reducing the nominal value pro rata among them, on each Payment Date for an amount equal to the Available Funds for Repayment on such Payment Date, until their redemption is completed.

V.5.2 Exceptional payment priority rules of the Fund.

Regarding the funding of the Reserve Fund, and even if all the above requirements are met, the above referred rules shall be altered if any of the following circumstances occur:

- (i) the Reserve Fund shall not be amortised in the event that the amount of Credit Rights with ninety (90) days or more in arrears but less than eighteen (18) months in arrears on the Calculation Date preceding the current Payment Date is equal or greater than 1% of the Unpaid Principal Balance of the Credit Rights on such date.
- (ii) the Reserve Fund shall not be amortised in the event that it does not meet its required amount.

Regarding payment of interest and redemption of the Class B, C and D Notes, and even if all the above requirements are met, part of the payment of interest on the Class B, C and D Notes will be deferred in favour of the repayment of their principal amount if there is a Principal Deficiency in accordance with the following terms:

- Class B Notes: in the event that on a given Payment Date, the Available Funds for Repayment are insufficient to repay the Principal Due for Repayment, and provided that this deficiency is higher than the sum of the unpaid balances of the Class B, C and D Notes, the available funds for payment of interest on Class B Notes shall be reduced in the required amount, that is, the maximum amount of the sum of the principal amounts collected on the Credit Rights plus the amount of the Reserve Fund (the “Required Amount”), for redemption of the Notes up to their required amount.
- Class C Notes: in the event that on a given Payment Date, the Available Funds for Repayment are insufficient to repay the Principal Due for Repayment, and provided that this deficiency is higher than the sum of the unpaid balances of the Class C and D Notes, the available funds for payment of interest on Class C Notes shall be reduced in the Required Amount for redemption of the Notes up to their required amount.
- Class D Notes: in the event that on a given Payment Date, the Available Funds for Repayment are insufficient to repay the Principal Due for Repayment, and provided that this deficiency is higher than the unpaid balance of Class D Notes, the available funds for payment of interest on Class D Notes shall be reduced in the Required Amount for redemption of the Notes up to their required amount.

In such a case, the interest deferred in favour of repayment of the principal amount shall be paid under point 8 of the above payment priority order, by maturity dates, and the following items in the payment priority order will be paid subsequently.

Regarding payment to the Bank of the Management Fee included in point 13 of the above payment priority order, in the event that the Bank is replaced by a third party as manager of the Mortgage Loans, pursuant to Section IV.2.a).1, the Management Fee will be paid to the new manager under point 1 of the mentioned payment priority order and, consequently, the numbering of the subsequent items in the payment priority order will be altered. In the event that the Bank is appointed again as manager, the current position of the payment of the Management Fee to the Bank and the numbering of the subsequent items in the payment priority order will not be altered.

CHAPTER VI

GENERAL INFORMATION ON THE MANAGING COMPANY

VI.1 About the Managing Company (except for its capital).

VI.1.1 Corporate name and registered office.

- **Corporate name:** Santander de Titulización, Sociedad Gestora de Fondos de Titulización, S.A.
- **Registered office:** Paseo de la Castellana, 75, 28046-Madrid.
- **Tax Identification Number.:** A-80481419.
- **C.N.A.E.:** 81 99.

VI.1.2 Incorporation and registration with the Commercial Registry, administrative authorisations and registration with the CNMV.

The Managing Company was incorporated by means of a public deed executed on December 21, 1992, before Mr. Francisco Mata Pallarés, Notary Public of Madrid, under number 1,310 of his public records, by virtue of a prior authorisation of the Ministry of Economy and Finance granted on December 10, 1992, following the report of the *Comisión Nacional del Mercado de Valores* (CNMV). It was registered with the Commercial Registry of Madrid on January 28, 1993, Volume 4789, Page M-78658, Sheet 75, entry 1 in the Companies Book and in the Special Registry of the CNMV on February 10, 1993 under number 1.

Additionally, the Managing Company has amended its By-laws through a resolution of its Board of Directors, adopted on June 15, 1998 and notarised by means of a public deed executed before Mr. Roberto Parejo Gamir, Notary Public of Madrid, on July 20, 1998 under number 3,070 of his public records, for the purposes of complying with the requirements set forth in the Royal Decree 926/1998 of May 14, for Managing Companies of Asset Securitisation Funds. This amendment was authorised by the Ministry of Economy and Finance on July 16, 1998, in accordance with the requirements of the Provisional Order (“*Disposición Transitoria Única*”) of the mentioned Royal Decree.

The public deed of change of corporate name was executed before the Notary Public of Madrid Mr. Roberto Parejo Gamir on March 8, 2004, under number 622 of his public records. This public deed was registered with the Commercial Registry of Madrid, Volume 4,789, Sheet 95, Section 8, Page M-78658, entry number 30 and has been duly notified to the CNMV.

The Managing Company has been registered for an indefinite period, save for the occurrence of any of the circumstances which constitute a legal cause for its dissolution.

VI.1.3 Corporate purpose

In accordance with the legal requirements, Article 2 of the By-laws of the Managing Company provides that: “*the Managing company will have the exclusive purpose of incorporating, managing and representing the Mortgage Securitisation Funds in accordance with Article 6 of Law 19/1992, of July 7, on the regulation of Real Estate Investment Companies and Funds, Mortgage*”

Securitisation Funds and Asset Securitisation Funds, in accordance with Article 12 Paragraph 1 of Royal Decree 926/1998, of May 14, regulating Asset Securitisation Funds and the Managing Companies of Securitisation Funds. It shall be responsible, as legal and administrative manager of such fund(s), for representing and defending the interests of the holders of any securities which may be issued by the fund(s) and those of the rest of the ordinary creditors of such fund(s). Likewise, it shall be in charge of performing all other functions of Managing Companies of Securitisation Funds required by law.”

VI.1.4 Place where the documents referred to in the Prospectus or whose existence derives from its content may be consulted.

The Managing Company’s By-laws, balance sheets and economic and financial statements, as well as any other document referred to in the Prospectus or whose existence derives from its content, may be consulted at the headquarters of the Managing Company, located at Paseo de la Castellana, 75, 28046-Madrid.

The Prospectus has been registered with the Official Registries of the CNMV on June 8, 2004. It is publicly available, free of charge, at the Managing Company’s headquarters and from the Underwriting Entities. Likewise, it may be also consulted at the CNMV located in Madrid, Paseo de la Castellana, 15 and at the offices of the governing authority of the AIAF, Fixed Income Securities Market, located at Torre Picasso Building, 43th floor, Pablo Ruiz Picasso Place, s/n.

Upon execution of the Incorporation Deed and prior to the beginning of the subscription period of the Bonds, the Managing Company shall file with the CNMV an authorised copy of the Incorporation Deed. Additionally, the Managing Company, the Sociedad de Sistemas or the participant entity to which the Sociedad de Sistemas delegates its functions, and the AIAF shall at all times keep copies of the Incorporation Deed available for consultation by the noteholders or any interested members of the public.

VI.2 About the share capital.

VI.2.1 Subscribed and disbursed nominal amount.

The fully paid-up and disbursed capital stock of Santander de Titulización, Sociedad Gestora de Fondos de Titulización, S.A. amounts to nine hundred and one thousand six hundred and fifty (901,650) euro represented by fifteen thousand registered shares, each having a face value of sixty euro and eleven cents (60.11), numbered sequentially from one (1) to fifteen thousand (15,000), inclusive.

VI.2.2 Types of shares.

All shares are of the same type and carry identical voting and economic rights.

VI.2.3 Evolution of the share capital during the last three years.

Since the incorporation of the Managing Company on December 21, 1992 with a share capital amounting to one hundred million (100,000,000) Pesetas, its share capital has experienced two variations. The first time, it was increased by fifty million (50,000,000) Pesetas reaching a total of one hundred and fifty million (150,000,000) Pesetas. This capital increase was accomplished by means of a public deed of capital increase and other agreements executed on July 20, 1998

before Mr. Roberto Parejo Gamir, Notary Public of Madrid, under number 3,070 of his public records, and registered with the Commercial Registry of Madrid, Volume 4,789, Sheet 89, Section 8, Page M-78658, Entry number 13. The second change occurred as a consequence of the redenomination into euro of the share capital and the shares' face value, which lead to a capital increase of one hundred and thirty one euro and eighty four cents (131.84) for adjustment of the shares' face value. Consequently, the share capital increased from one hundred and fifty million (150,000,000) Pesetas (901,518.16 euro) to its current value of nine hundred and one thousand six hundred and fifty (901,650) euro, by means of a public deed of redenomination of the share capital and the shares' face value into euro and the subsequent capital increase for adjustment of the shares' face value, which was executed on December 13, 2001 before Mr Roberto Parejo Gamir, Notary Public of Madrid, under number 4,426 of his public records, and registered with the Commercial Registry of Madrid Volume 4.789, Sheet 94, Section 8, Page M-78658, Entry number 26.

VI.3 Information about the company's shareholdings.

VI.3.1 Existence or non-existence of holdings in other companies.

The Managing Company holds no shares in any other company.

VI.3.2 Group of companies to which the Managing Company belongs.

For the purposes of Article 42 of the Spanish Commercial Code, Santander de Titulización, Sociedad Gestora de Fondos de Titulización, S.A., belongs to the Santander Group.

VI.3.3 Holders of significant shareholding.

On the date of preparation of the Prospectus, the following shareholders had a direct shareholding equal to or higher than 5% of the share capital of the Managing Company:

<i>Shareholders</i>	<i>Percentage</i>
• Santander Central Hispano Investment, S.A.	19%
• Banco Santander Central Hispano, S.A.	81%

VI.4 Corporate bodies.

VI.4.1 The Board of Directors.

The Board of Directors is composed of the following individuals:

<i>Chairman:</i>	Mr. José Antonio Álvarez Álvarez
<i>Directors:</i>	Mr. Ignacio Ortega Gavara
	Mr. Santos González Sánchez
	Mr. Emilio Osuna Heredia
	Mrs. Ana Bolado Valle
	Mr. Francisco Pérez-Mansilla Flores
	Mr. Fermín Colomé Graell
	Mr. Eduardo García Arroy
	Mr. Marcelo Alejandro Castro
<i>Secretary non member:</i>	Mrs. M ^a José Olmedilla González

Mr. Marcelo Alejandro Castro was appointed Director of the Managing Company by the Extraordinary General Shareholders' Meeting held on March 4, 2004. The same General Shareholders' Meeting also agreed the resignation of Mr. Javier Pazos Aceves as Director of the Managing Company.

VI.4.2 General Director.

The General Director of the Managing Company is Mr. Ignacio Ortega Gavara.

VI.5 Interests in the Managing Company of the persons listed in Section VI.4.

The persons listed in paragraph VI.4.1 above are neither holders nor representatives, either directly or indirectly, of any share or convertible bond in the Managing Company.

VI.6 Lenders of the Managing Company of a percentage above 10%.

The Managing Company has not received any loan or credit from any person or company.

VI.7 Reference to whether the Managing Company is in any situation of insolvency, as well as the existence of any significant lawsuits or contentious actions which might affect its future capacity to perform the duties of management of the Fund provided in the Prospectus.

No such circumstances exist.

CHAPTER VII

RECENT EVOLUTION AND PERSPECTIVES OF THE ASSETS SECURITISATION FUND

VII.1 Most recent significant trends in the market in general.

It seems that the interest rates' decreasing trend begins to change. The Euribor, which is the reference interest rate of most of the mortgage loans granted in Spain, has gone up during April for the first time since November 2003, up to 2.163%. This implies an increase of 0.108% from its value of March, 2.055%. This change of trend may involve the end of the decreasing trend of the Euribor during the last months.

The analysts consider that the increase in the Euribor was contributed by the announcement made by the Central European Bank on April 1 to hold the official interest rate at 2%, although the expectative was the opposite.

Despite the above, the private consumption is still increasing and the banking sector is taking advantage of this in order to recover their market share in Spain, through very aggressive commercial strategies. In accordance with the Spanish Banking Association, the credit portfolio has increased in 11.83% during January 2004, as opposed to the 11.20% growth at the end of 2003.

Additionally, the optimistic views on the Spanish economic growth are maintained. The families recourse to external financing is still increasing at the same rate than at the end of 2003. This is particularly significant with respect to the loans for the acquisition of residential properties, which have increased 22.7% during 2004.

In view of the referred increase in the granting of loans by the bank institutions, the Bank of Spain maintains the risk control model that allows to anticipate problems of excessive delinquency, considering that the current level of insolvency provisions is adequate and maintaining the "statistical fund" (*fondo estadístico*), in such a way that the level of provisions is almost three times bigger than the volume of non-performing loans. Additionally, the Bank of Spain appeals to caution, in particular after the terrorist attacks of March 11, and admits the maintenance of the dynamism of private consumption and the increasing trend of the construction sector during the first months of 2004.

Accordingly, it is expected that 2004 will be a competitive year in the Spanish market, since the bank institutions intend not only to defend their market share but also to increase it at the expense of the rest. In this regard, the Savings Banks, which had a market share of 53.56%, lost during 2003 0.59% of their market share in favour of bank institutions. This year, the Savings Banks estimate they will continue losing credit market share due to the "prices war" in the mortgage market, initiated by the banks and which most of the Savings Banks have not followed.

VII.2 Implications that could derive from the trends referred to in Section VII.1 above.

The portfolio of Mortgage Loans underlying the Mortgage Transfer Certificates to be subscribed by the Fondo de Titulización de Activos Santander Hipotecario 1 is almost fully made up of Mortgage Loans with a floating interest rate. That means that a later decrease in the interest rates will not affect the loans with a floating interest rate, since the interest rates will be periodically adjusted to the variations of the market interest rates. On the other hand, in the event of a high increase in the interest rates, the loans may be affected by high early repayment rates.

Anyway, the Prospectus considers a CPR of 10% and it is also estimated that the range between 0% and 20% comprises the more likely maximum and minimum early repayments, so that the financial structure of the Fund is not imbalanced, as provided in Royal Decree 926/1998.

Regarding the credit solvency of the mortgagors, almost all the Mortgage Loans to be assigned to the Fund are up to date on the payment of the due amounts, except for the small delinquency referred to in the Prospectus.

As a result, the quality of the Mortgage Loans and the mechanisms to warrant the financial balance of the Fund may rule out considering that the prepayment, delinquency and bad debt rates are not so extreme that as a consequence of the transfer to the Fund of the potential risk of prepayment or lack of payment of the loans which may occur, the financial structure of the Fund may be imbalanced.

Signed by: IGNACIO ORTEGA GAVARA
- General Manager -
SANTANDER DE TITULIZACIÓN,
S.G.F.T., S.A.