

## **SECURITIZATION**

### **SANTANDER CENTRAL HISPANO**

Mr. Ignacio Ortega Gavara, in his capacity as General Manager of SANTANDER CENTRAL HISPANO TITULACION, S.G.F.T., S.A., acting the latter for and on behalf of FONDO DE TITULACION DE ACTIVOS, FTPYME SANTANDER 1, duly empowered for that purpose

### **CERTIFICATE**

The Information Prospectus of incorporation of FONDO DE TITULIZACION DE ACTIVOS FTPYME, SANTANDER 1, forwarded to that Commission exactly matches and is an accurate reflection of the Information Prospectus of incorporation of FONDO DE TITULIZACION DE ACTIVOS FTPYME SANTANDER 1 which has been registered today with that Commission, in compliance with the provisions of section 5, 1, e) of Royal Decree 926/1998 of May 14.

The Management Company also authorises public diffusion of said Information Prospectus through the Internet.

In witness whereof this certificate is issued in Madrid, September 23, 2003.

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**CHAPTER 0**  
**SUMMARY OF THE INFORMATION PROPECTUS**

**DENOMINATION AND INCORPORATION OF THE FUND**

The Fund's name is FONDO DE TITULIZACION DE ACTIVOS, FTPYME SANTANDER 1 (hereinafter also the "**Fund**").

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

**NATURE OF THE FUND**

The Fund shall be a separate capital, with no legal personality and shall have the nature of being opened and renewable by the asset, pursuant to the provisions of sections 1 and 4 of Royal Decree 926/1998.

The purpose of the Fund shall be to acquire the credit rights (hereinafter the "**Credit Rights**") assigned to the Fund by the entity BANCO SANTANDER CENTRAL HISPANO,

S.A. (hereinafter also “**BSCH**”, the “**BANK**” or the “**Assignor**”) and to issue the Notes (hereinafter the “**Notes**”) with charge to the same.

### **MANAGEMENT COMPANY**

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

### **SECURITIZATION NOTES ISSUED WITH CHARGE TO THE FUND**

#### **Features:**

- Amount of the Issue: one thousand eight hundred million Euro (€1,800,000,000), comprised by eighteen thousand (18,000) Notes, grouped into five (5) Class (hereinafter, each of them the “**Class**” and all of them “**Classes**”). The face amount shall be distributed among the five (5) Class, each of them with the following total face amount:
  - Class A: one thousand and fourteen million three hundred thousand Euro (€1,014,300,000).
  - Class B1(G): five hundred and thirty seven million one hundred thousand Euros (€537,100,000).
  - Class B2: one hundred and thirty four million three hundred thousand Euro (€134,300,000)
  - Class C: twenty seven million Euros (€27,000,000).
  - Class D: eighty seven million three hundred thousand Euro (€87,300,000).
- Face value: 100,000 Euro per Note
- Issue Price: 100,000 Euro per Note, free of taxes and subscription expenses for the subscriber.
- Reimbursement price: 100,000 Euro per Note.

- Quarterly variable interest rate: 3 month EURIBOR in Euros plus a margin for each of the Class:
  - 0.25% for Class A Notes.
  - 0.00% for Class B1(G) Notes
  - 0.40% for Class B2 Notes
  - 0.90% for Class C Notes
  - 1.80% for Class D Notes.
  
- Interest payment terms: quarterly on February 15, May 15, August 15 and November 15 of every year (hereinafter as defined in section II.10.3 of the Prospectus, each of them the “**Payment Date**” and all of them the “**Payment Dates**”) or, as the case may be, the following business day (pursuant the TARGET, Madrid Calendar) (hereinafter, the “**Business Day**”) until full repayment.

Notwithstanding the above the first interest payment for the Notes of all Class shall be November 17, 2003.

- Final maturity date: The Note standard or early repayment date.
- Legal maturity date: November 15, 2034 or, should this not be a Business Day, the following Business Day, notwithstanding the possibility of early repayment of the same under the terms and conditions provided by section III.8.1 hereof.

## **Note Repayment:**

### General Repayment Rules

The principal amount of Class A Notes, Class B1(G) Notes, Class B2 Notes (hereinafter, Class B1(G) and B2 Notes shall also be jointly called “**Classes B**”), Class C Notes and Class D Notes shall be repaid pursuant to the repayment rules herein described, unless there were not enough available funds according to the established preference order.

Repayment of the principal amount of Class A Notes shall be made quarterly, at each Payment Date after the end of the Renewal Period (as defined in section IV.1.c.2.(1) hereof, in terms of the Available Funds for Repayment as defined in section II.11.3.g).

Once Class A Notes have been repaid, all Available Funds for Repayment shall be quarterly used for repayment of Class B1(G) and Class B2 Notes principal amount until full repayment thereof.

Once Class B1(G) and B2 Notes have been repaid, all Available Funds for repayment shall be quarterly used for repayment of Class C Notes principal amount until full repayment thereof.

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

#### Early Repayment Rules

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

- (i) On the date when the Credit Rights principal amount balance pending repayment (hereinafter the “**Credit Rights Outstanding Balance**”) is under ten percent (10%) of the initial balance of the Credit Rights, provided the sale of Credit Rights outstanding repayment, together with the balance at the time in the Treasury Account allows a full cancellation of all outstanding obligations with the Note holders and respecting the payments prior to these the priority order of which is preferent pursuant to the provisions of section V.5.2.1.2 hereof;
- (ii) When the issued Notes are fully repaid;
- (iii) When due to an amendment to the current regulations or to the happening of exceptional circumstances, in the Management Company’s opinion there was a substantial alteration in the Fund or the Fund’s financial balance was permanently damaged;
- (iv) If the Assignor exercised the repurchase right over the whole of the remaining Credit Rights held by the Fund, pursuant to the provisions of section IV.1.d)

hereof, provided the sale of Credit Rights outstanding repayment, together with the balance at the time in the Treasury Account allows a full cancellation of all outstanding obligations with the Note holders and respecting the payments prior to these the priority order of which is preferent pursuant to the provisions of section V.5.2.1.2 hereof;

- (v) In the case provided by section 19 of Royal Decree 926/1998, establishing the duty to early repay the Fund in the event that four (4) months had passed since a determining event took place for forced replacement of the Management Company, due to the latter being declared under early receivership or bankruptcy, and not having found a new management company prepared to undertake the Fund's management;
- (vi) When a default in payment showing a serious and permanent unbalance regarding any of the Notes or any of the unsubordinated loan takes place, or it is foreseen to take place;
- (vii) After eighteen (18) months since the last Credit Rights' maturity

**Credit Risk Ratings (“ratings”) provisionally appointed:**

	<b>FITCH</b>	<b>MOODY'S</b>
• Class A Notes:	AAA	Aaa
• Class B1(G) Notes:	AAA	Aaa
• Class B2 Notes:	AA	Aa2
• Class C Notes:	A	A2
• Class D Notes:	BBB	Baa1.

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

**State Guarantee:**

Class B1(G) Notes shall be guaranteed by the State Guarantee (hereinafter the “**Guarantee**”), which shall guarantee, waiving the benefit of excussion, payment of interest



and principal amount, in case of early repayment of the Notes, of the Class B1(G) Notes (hereinafter also the “**Guaranteed Class**”).

Chapter V hereof sets forth the terms of the Guarantee.

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

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

The Management Company must forward to the *Dirección General del Tesoro y Política Financiera*: (i) a copy of this Prospectus; (ii) an authorised copy of the Fund’s Deed of Incorporation; (iii) a BSCH certificate indicating that the Loans meet the terms and conditions of the Collaboration Framework Agreement enclosed to the Order of December 28, 2001, and that at least ninety nine percent (99%) of the same, both at the time of the Fund’s incorporation and on every date of inclusion of New Credit Rights within the Renewal Period, are loans granted to PYMES pursuant to the Recommendation of April 3, 1996 of the European Commission or another one replacing it; (iv) a copy of the Rating Agents’ letters informing of the ratings given to each of the Note Classes; and (v) an authorised copy of the notary’s deed for the Note subscription disbursement granted by the Management Company.

**Organised Secondary Market where application for listing shall be submitted:**

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

**CREDIT RIGHTS PORTFOLIO COMPRISING THE FUND’S ASSETS**

At least ninety nine percent (99%) of the Credit Rights amount assigned to the Fund at the time of its incorporation or after, derive from loan transactions granted by the BANK, formalised either in public deed or in commercial policy to non financial small businesses (hereinafter, “**PYMES**”) with address in Spain and that have applied for the funds for financing projects connected with their business. At least ninety nine percent (99%) of this Credit Rights amount and of the total volume incorporating the Fund has been granted to PYMES with address in Spain pursuant to the definition of the European Commission (Recommendation of April 3, 1996).

Credit Rights might be classed into initial Credit Rights (hereinafter the “**Initial Credit Rights**”) that the Fund purchases at the time of incorporation and new Credit Rights (hereinafter the “**New Credit Rights**”) that it may acquire afterwards. This means that the Fund’s assets shall be modified after the incorporation as a result of the full or partial repayment of the Initial Credit Rights and the subsequent purchases of New Credit Rights.

All Credit Rights must individually meet at the time of the Fund’s incorporation and after each acquirement of New Credit Rights all the individual securitization requirements of section IV.1.a) hereof.

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

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

Credit Rights, further to the classing into Initial Credit Rights and New Credit Rights may be classed, under the guarantee, into Credit Rights inherent to loans with a real estate mortgage guarantee (hereinafter the “**Credit Rights Inherent to Mortgage Loans**”) and Credit Rights inherent to non-mortgage loans (hereinafter the “**Credit Rights inherent to Non-Mortgage Loans**”).

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

**Credit Rights assignment:**

a) *Initial Credit Rights Assignment:*

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

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

Covenants for the Assignment of Credit Rights Inherent to Non Mortgage Loans and Covenants for Issue and Subscription of CTH shall

also be jointly called “**Covenants for the Assignment of Credit Rights**”.

b) *New Credit Rights Assignment*

In order to renew the Fund’s assets the Management Company for and on behalf of the Fund shall quarterly acquire from the BANK New Credit Rights for a limited term of nine (9) subsequent Payment Dates and counting as from the first Payment Date (inclusive) of the Fund (hereinafter and as defined in section IV.1.c.2.(1) hereof, the “**Renewal Period**”), for an amount equivalent to the assets that have been regularly or early repaid, either fully or partially, and the Bad Loans, as defined in section II.11.3.f) hereof.

The surplus over the amounts corresponding to Credit Rights repaid up to the total Bad Loans amount shall come from the Excess Margin and the remnant, as the case may be, of the Loan for Initial Expenses.

Under no circumstances will the BANK repurchase from the Fund the Bad Loans under the above paragraph. The BANK shall in no way be liable for the success of the same. Bad Loans shall remain with the Fund’s portfolio.

Under no circumstances shall an amount over the Available Funds for Repayment, as defined in section II.11.3.g), be used for purchase of New Credit Rights.

New Credit Rights Inherent to Non-Mortgage Loans Assignment shall be performed by an assignment agreement of Credit Rights Inherent to Non-Mortgage Loans, formalised in Public Deed, containing identical covenants as the Credit Rights Inherent to Non-Mortgage Loans Assignment Agreements, save for those regarding identification of the Credit Rights assigned (hereinafter, the “**Credit Rights Inherent to Nont-Mortgage Loans Assignment Agreement**”)

Assignment to the Fund of New Credit Rights Inherent to Mortgage Loans shall be performed by the BANK's issue of CTH for subscription by the Management Company on behalf of the Fund by a public deed containing the same covenants as the Covenants for Issue and Subscription of Mortgage Transfer Certificates, save for those relating to identification of the assigned Credit Rights (hereinafter the **"Deed of CTH Issue"**).

The procedure to be followed for selection of New Credit Rights that the Management Company may purchase during the renewal Period shall be the procedure described in section IV.1.c.4) hereof.

The provided rota for an estimate pre-payment date of eight percent (8%) shall be between one hundred million (100,000,000) and one hundred and thirty million (130,000,000) Euro, representing a percentage that shall be between 5.5% and 7.2% over the nominal amount of all Classes.

Upon every New Credit rights Purchase, the Management Company must submit to the CNMV the following documentation:

1. By Cifradoc, details of the New Credit rights assigned to the Fund and their main features.
2. Management Company's statement, also signed by the BANK, that the New Credit Rights meet all the Securitization Requirements described in section IV.1.a) and have the features described in sections IV.1.b.2 and IV.1.b.3 (the latter regarding Credit Rights Inherent to Mortgage Loans) hereof and of Clauses 8.2 and 8.3 of the Deed of Incorporation, as well as those provided by section IV.1.b.4 hereof and by Clause 8.4 of the Deed of Incorporation regarding the CTH, as the case may be.

The BANK shall also reiterate the statements contained in section IV.1.b.1 hereof.

3. Copy of the Credit Rights Inherent to Non-Mortgage Loans Assignment Agreement and of the Deed of CTH Issue.
4. Annual Audit Report under the same terms as those provided for the Initial Credit Rights Assignment, for New Credit Rights purchases that, as the case may be, are carried out until November 15, 2004 and until November 15, 2005.
5. Asset homogeneity certificate.

**Assigning Entity:**

BANCO SANTANDER CENTRAL HISPANO, S.A.

**Assignment Price:**

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

The Fund shall pay to the BANK the assigning price of New Credit Rights on each relevant Payment Date.

**Assignor's liability:**

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

The Assignor shall only be liable for the Credit Rights existence and legitimacy at the time of the assignment and under the terms and conditions set forth in the Deed of Incorporation, as well as for the capacity it makes the assignment in and the representations set forth in section IV.1.b) hereof.

**Rights granted by Credit Rights:**

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

**Assignor's repurchase right:**

In the event foreseen in section IV.1.d) hereof, the Assignor shall be expressly empowered by the Management Company to exercise, on a Payment Date and over all of the assigned assets, the right to repurchase the Credit Rights.

**WARNINGS****Deeming nature of some information:**

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

**Default and early repayment of Credit Rights:**

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

**Hidden faults:**

Regarding Credit Rights replaced by hidden faults, in case that the replacing Credit Right(s) Outstanding Balance is under the replaced Credit Right Outstanding Balance, the BANK must repay the fund the difference considering face value, accrued but not due interest and any unpaid and bad debt amount regarding said Credit Right by deposit in the Treasury Account on the relevant date, instead of applying it to the repayment of the Notes.

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

**CREDIT IMPROVEMENT**

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

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



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

- (i) Commercial loan agreement with a subordinated nature for an amount of twenty eight million a hundred and eighty nine thousand and six hundred euros (€28.189.600) (hereinafter and as defined in section V.3.2. hereof, the **“Loan of Initial Expenses”**) which shall be used for the financing of the expenses of the Fund’s incorporation and Note issue, to partly finance the acquisition of Credit Rights and endow the initial reserve fund (hereinafter and as defined in section V.3.5 hereof, the **“Initial Reserve Fund”**);
- (ii) Interest financial swap agreement (hereinafter and as defined in section V.3.4 hereof, indistinctly, the **“Swap”** or the **“Interest Financial Swap”**) pursuant to the ISDA 1992 Agreement model.  
Entering into the Interest Financial Swap responds to the need to eliminate or mitigate the interest rate risk that takes place in the Fund by the fact that the Credit Rights are subject to variable interest with different reference indexes and different review and settlement periods to the variable interest set forth for each of the Note Classes issued charged to the Fund (hereinafter the **“Basic Risk”**).;
- (iii) With the purpose to cover the time periods the Treasury takes in making the payments of interest covered by the Guarantee effective, the Management Company, for and on behalf of the Fund, and the BANK shall enter into a Credit facility agreement (hereinafter and as defined in section V.3.6 hereof the **“Liquidity Facility Agreement”**) by which the BANK shall grant a liquidity facility for the relevant payments of the Guaranteed Class B1(G) for the amount of twelve million Euro (EUR 12,000,000).
- (iv) Account opening agreement at guaranteed interest rate(hereinafter and as defined in section V.3.1 hereof, the **“Treasury Account Variable Interest Rate Reinvestment Agreement”**) by which the BANK shall guarantee that the interest rate for the amounts deposited by the Fund through its Management Company in the Treasury Account shall be the

interest rate established for the Notes for the Interest Accrual Period following the last interest due settlement date of the Treasury Account.

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

- (v) The Ministry of Finance shall grant a guarantee (hereinafter and as defined in section V.3.3, the **“Guarantee”**) to the Fund for an amount of five hundred and thirty seven million and one hundred thousand Euro (EUR 537,100,000), equivalent to twenty nine point eighty four percent (29.84%) of the addition of the nominal amount of all Classes Notes, as guarantee of payment of interest and principal amount in case of early repayment;
- (vi) Reserve Fund: The Reserve Fund shall be used, on each Payment Date, to meet the payment duties contained in the payment priority order provided by section V.5.2.1.2 hereof.

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

The Reserve Fund will be available for the payment of principal at the last Payment Date and in the event of settlement and extinction of the Fund.

- (vii) 65 basic point Excess Margin belonging to the portion of interest of the Credit Rights portfolio held in the structure over the necessary amounts to pay the interest belonging to the Note holders on each Payment Date, calculated on the basis of the average reference interest rate for the Credit Rights portfolio and for the Notes as at September 1<sup>st</sup>, 2003.

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

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

### **PAYMENT PRIORITY ORDER**

The payment priority order contained in section V.5.2.1.2 hereof is shown below.

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

- 1.- Payment of the Fund's regular and extraordinary expenses, whether the Management Company provides them or not and duly supported, including the Management Company's management fee (0.025% yearly, calculated on the basis of the Note Principal Outstanding Balance), and the remaining service fees and expenses. In this order only the expenses the BANK has advanced or provided on account of the Fund and the amounts that should be returned, all of them duly supported, shall be paid in favour of the BANK and in connection with the Credit Rights management.
- 2.- Payment to the BANK of the Note Swap net amount.
- 3.- Payment of interest accrued on Class A Notes.
- 4.- Payment of interest accrued on Classes B Notes pursuant to the following order: (i) firstly payment of interest accrued and not paid to Class B2 Notes on previous Payment Dates and, as the case may be, payment of interest accrued on the Liquidity Facility granted by the BANK and reimbursement to the Government of the amounts the Fund had paid because of the Guarantee drawdown for payment of interests and (iii) once said payments are made payment of interest due on Notes of Class B1(G) and of Class B2 on the current Payment Date. Payments to be made regarding sub-sections (i) and (ii), shall be distributed, in any of said sub-sections, in a manner proportional between the balances of each of the elements that must be paid.

- 5.- Payment of interest accrued on Class C Notes.
- 6.- Payment of interest accrued on Class D Notes.
- 7.- Withholding of a sufficient amount to keep the required Reserve Fund.
- 8.- Purchase of New Credit Rights during the Renewal Period and Repayment of the Class A Notes on the Payment Dates subsequent to the end of the Renewal Period.
- 9.- Repayment of Classes B Notes on the Payment Dates subsequent to the end of the Renewal Period, once Class A has been fully repaid.
- 10.- Repayment of Class C Notes on the Payment Dates subsequent to the end of the Renewal Period, once Classes B have been fully repaid.
- 11.- Repayment of Class D Notes on the Payment Dates subsequent to the end of the Renewal Period, once Class C has been fully repaid.
- 12.- Payment of the amount due for termination of the swap, as the case may be, in the event of the BANK's default.
- 13.- Payment of interest and principal amount of the Subordinated Loan for Initial Expenses.
- 14.- Payment to the BANK of the fixed fee for the management of Credit Rights.
- 15.- Payment to the BANK of the remuneration for financial brokerage.

**Exceptional rules of the Fund's payment priority:**

If the BANK was replaced as manager of the Loans by another entity not included in the BANK's consolidated group, a fee in favour of the third party, new manager, shall accrue, which shall have the place indicated in item 1 in said priority order, and therefore an

amendment in the enumeration of subsequent payments contained in the previous items will take place.

Should, on two (2) subsequent Payment Dates the repayment of Class A Notes and Classes B Notes not be finished and the Credit Rights Outstanding Balance with accumulated default over ninety (90) days and under twelve (12) months was over thirteen percent (13%) of the Credit Rights Outstanding Balance, payment of the Notes shall be advanced from the eighth (8<sup>th</sup>) and ninth (9<sup>th</sup>) place to the fifth (5<sup>th</sup>) and sixth (6<sup>th</sup>) place respectively in the payment priority order. This exceptional rule shall only apply to the Class A and Classes B Notes repayment, so that regular payment priority rules shall be used again when Class A and Classes B Notes are fully repaid.

Further, if on two (2) subsequent Payment Dates repayment of Class C Notes had not started because Class A and Classes B are not fully repaid or, having started the payment of Class C it was not finished and the Credit Rights Outstanding Balance with accumulated default over ninety (90) days and under twelve (12) months was over eight percent (8%) of the Credit Rights initial balance, payment of the Notes shall be advanced from the eighth (8<sup>th</sup>) and ninth (9<sup>th</sup>) place, in case they had not been respectively repaid and tenth (10<sup>th</sup>) to the sixth (6<sup>th</sup>), seventh (7<sup>th</sup>) and eighth (8<sup>th</sup>) place in the payment priority order.

Cases provided by the last two (2) paragraphs shall only take place once the Renewal Period is over.

## **ACTIONS**

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

## **NATURE OF THIS INFORMATION**

This information has the nature of INFORMATION PROSPECTUS for the purposes of the provisions of Royal Decree 291/1992 on issues and public offerings for sale of securities and later developments and is registered at the Official Registries of the Securities Exchange National Commission (in Spanish, *Comisión Nacional del Mercado de Valores*, hereinafter “CNMV”) on September 23, 2003.

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

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

## CHAPTER I

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

#### 1.1 People undertaking liability for the Prospectus' contents

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

MR. IGNACIO ORTEGA GAVARA, of legal age, with D.N.I. number 803.030-P, acting for and on behalf of SANTANDER CENTRAL HISPANO TITULIZACION, SGFT, S.A. in his capacity as General Manager and by the powers granted by the Board of Directors in their meeting of July 31, 2003 undertakes liability for this Prospectus' contents.

SANTANDER CENTRAL HISPANO TITULIZACION, SGFT, S.A. with registered office at Madrid, Paseo de la Castellana, 75, 28046 Madrid, with Tax Identification number A-80481419 is the promoter of the FONDO DE TITULIZACION DE ACTIVOS, FTPYME SANTANDER 1, and will be in charge of its management and legal representation.

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

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

#### 1.2 Supervising bodies

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

This full Prospectus of the Fund's incorporation and securitization Note issue has been assessed and registered with the CNMV's official registries on September 23, 2003.

The CNMV's registration of the Prospectus does neither involve recommendation of subscription of the securities the same refers to nor any kind of statement on the issuer's solvency or the profitability of the issued or offered securities.

Pursuant to the provisions of section Three and Schedule II of the Order December 28, 2001, on September 2, 2003 the Management Company has entered into a Collaboration Agreement with the *Dirección General de Política de la Pequeña y Mediana Empresa*.

### **1.3 Audit Report**

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

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



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

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

## CHAPTER II

### INFORMATION REGARDING THE SECURITIES ISSUED CHARGED TO THE ASSET SECURITIZATION FUND

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

**II.1.1. Corporate agreements and legal requirements.**

**a) Corporate agreements**

***Credit Rights assignment agreement:***

The BANK's Executive Committee agreed at its meeting of August 18, 2003 to make an assignment to the Fund of credit rights inherent to loans to PYMES.

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

***Agreement for the Fund's incorporation:***

The Board of Directors of SANTANDER CENTRAL HISPANO TITULIZACION, SGFT, S.A. in its meeting of July 3, 2003 agreed:

- a) On the incorporation of the FONDO DE TITULIZACION DE ACTIVOS, FTPYME SANTANDER 1.
- b) The Fund's acquisition of the Credit Rights assigned by the BANK.
- c) The issue of the Notes with charge to the aforementioned Fund.

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

b) **Registration by the CNMV.**

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

This Prospectus of the Fund's incorporation and Notes issue has been assessed by the CNMV and registered with its official registries on September 23, 2003.

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

After the CNMV's date of assessment and registration of this Prospectus and before five (5) business days as from that date, the Notes subscription term not being opened yet, the Management Company together with the BANK shall grant the Deed of Incorporation of the FONDO DE TITULIZACION DE ACTIVOS, FTPYME SANTANDER 1 and issue of the Securitization Notes.

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

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

- 1) The assignment of the Credit Rights Inherent to Non Mortgage Loans so that the Company acquires them on behalf of the Fund and groups them in said Fund, by means of which said Credit Rights shall be assigned to the Fund.

2) The issue by the BANK of Mortgage Transfer Certificates pursuant to the Additional Provision Five of the Act 3/1994 of April 14, as amended by section 18 of the Act 44/2002, of November 22 on Measures for the Reform of the Financial System, in terms of which the current applicable law to mortgage shares is applied to the CTH issue in everything applicable applying to the CTH, for the Management Company to subscribe them on behalf of the Fund.

New Credit Rights Inherent to Non Mortgage Loans assignment shall be carried out by means of new assignment agreements formalised in public deed.

New Credit Rights Inherent to Mortgage Loans shall be carried out by means of a public deed containing the issue of CTH by the BANK and subscription by the Management Company on behalf of the Fund.

**d) Agreements regarding granting of the Guarantee.**

Pursuant to the provisions of section Two of the Order of December 28, 2001, on September 2, 2003 the Management Company has entered into a Collaboration Agreement with the *Dirección General de Política de la Pequeña y Mediana Empresa*.

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

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

The Notes issued for the charge of the Fund shall only be represented by book entries and the Fund's Deed of Incorporation shall have the effects provided by section 6 of the Securities Exchange Act.

The Management Company, for and on behalf of the Fund, shall immediately apply for the granting of the Deed of Incorporation, and once the Notes have been paid, for inclusion of this Securitization Notes issue into the AIAF, Fixed Interest Securities Market (hereinafter "**AIAF**"), whose nature of securities official secondary market has been acknowledged. It is expected that final listing in the AIAF takes place no later than forty (40) days after the date of payment (hereinafter and as defined in section II.18.5 hereof, the "**Payment Date**").

In the event that in the referred period the Notes listing with AIAF did not take place, the Management Company, for and on behalf of the Fund, shall publish this circumstance explaining the reasons in a national diffusion newspaper.

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

## **II.2 Government authorisation prior to the issue.**

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

The CNMV has not issued any warning or consideration regarding the Fund's incorporation and the Notes issue.

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

The Management Company has entrusted the appraisal of the Notes credit risk to MOODY'S INVESTORS SERVICES ESPAÑA, S.A. (hereinafter "MOODY'S") and to FITCH RATINGS ESPAÑA, S.A.U. (hereinafter "FITCH") (both of them jointly the "Rating Agents") companies acknowledged by the CNMV for the purposes of the provisions of Royal Decree 926/1998 and operating pursuant to the methods, criteria and quality control of MOODY'S and FITCH respectively.

### **Bond issue rating**

On September 19, 2003 FITCH and MOODY'S respectively, considering the granting of the State Guarantee have given an interim rating AAA/Aaa for Class A Notes, AAA/Aaa for Class B1(G) Notes, AA/Aa2 for Class B2 Notes, A/A2 for Class C Notes and BBB/Baa2 for Class D Notes (hereinafter, the "ratings").

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

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

**Schedule 3** hereto encloses a copy of the letters informing of the interim ratings by MOODY'S and FITCH.

### **Considerations on the ratings.**

The rating measures the Fund's capability for the payment of interests on each Payment Date and the capital payment throughout the whole loan's life and, in any case, prior to the Legal Maturity Date. In summary it is an appraisal of the

probability that the Note holders get the relevant payments on the foreseen dates.

a) **MOODY'S rating**

The rating scales used by MOODY'S for long and short term debt issues are the following:

LONG TERM

Aaa

Aa

A

Baa

Ba

B

Caa

Ca

C

SHORT TERM

Prime-1

Prime-2

Prime-3

MOODY'S applies numerical modifiers 1, 2 and 3 to each of the long term rating class comprised between Aa and C. Modifier 1 indicates values on the upper band of each generic class of rating, modifier 2 indicates values on the medium band and modifier 3 values on the lower band.

Described below is the meaning given by MOODY'S to the ratings used in this Prospectus.

- Aaa** Notes rated as “Aaa” as considered as the best possible quality. They involve the lowest investment risk and are generally called as of “top guarantee”. Payment of interest is guaranteed by a broad margin or an exceptionally steady one and the principal amount is secure.
- Aa2** Notes rated under “Aa2” have a high quality consideration from every point of view. Together with group Aaa, group Aa Notes are what is commonly known as “high level” notes. They are rated under the best Notes because either their margins of protection may not be as high as the Aaa securities or the variability of the protection items may be broader or there may be other items present that may result in the long term risk having a higher degree than in Aaa securities. Numerical modifier 2 indicates that the Notes are on the medium band of class Aa.
- A2** “A2” rated Notes have many favourable attributes for investment and are considered as “medium-high degree” bonds. Numerical modifier 2 indicates that the Notes are on class A medium band. Factors giving security to the principal amount and to interest payment are deemed to be adequate but there may be other items that show a possibility to become weaker in future.
- Baa1** “Baa1” rated Notes are deemed to be “medium degree bonds”. Security regarding interest payment and principal amount is proper at present but there may be a lack of certain protection items and they may not be very trustworthy in the very long term. This kind of Notes lacks outstanding attributes for investment and it also has some speculation features. Numerical modifier 2 indicates that the Notes are on Class B2aa upper band.



MOODY'S rating takes into account the Note issue structure, the legal aspects thereof and of the Fund issuing them, the chosen Credit Rights features and the regularity and continuity of the transaction's flows.

MOODY'S rating is neither an appraisal of the probability that Debtors make early capital repayments, nor to what extent said early repayments differ from that originally planned. The rating does in no way mean a rating of the actuarial performance.

The rating, as well as any suspension or review of the same:

- (i) Is made by MOODY'S on the basis of numerous information it gets. MOODY'S does neither guarantee its accuracy nor its comprehensiveness, and therefore MOODY's may by no means be deemed liable for the same; and
- (ii) They are not and therefore may not be construed as an invitation, recommendation or encouragement to the investors so that they carry out any kind of transaction on the Notes and, in particular, to purchase, preserve, encumber or sell said Notes.

MOODY'S may at any time review, suspend or withdraw the ratings in terms of any information MOODY'S becomes aware of. Said situations, which will not be cases for the Fund's early repayment shall be immediately informed both to the CNMV and to the Note holders pursuant to the provisions of section III.5.

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

**b) FITCH rating**

The rating scales FITCH uses for long and short term debt issues are the following:

LONG TERM	SHORT TERM
AAA AA+ AA	F1+
AA- A+ A	F1
A- BBB+	F2
BBB BBB-	F3
BB+ BB BB- B+ B B-	B
CCC+ CCC CCC- CC C	C
DDD DD D	D

Described below is the meaning FITCH gives to the rating used in this Prospectus.

**AAA** Top credit quality. “AAA” ratings show the lowest credit risk expectations. They are only given in cases when there is an exceptionally strong power to confront punctual repayment of

principal amount and interest on the financial bonds. It is very unlikely that this power is adversely affected by foreseeable events.

**AA** Very high credit quality. “AA” ratings show that there is a very low credit risk expectation. Power to punctually repay principal amount and interest is very strong. This power is not very vulnerable to foreseeable events.

**A** High credit risk. “A” ratings involve a low credit risk expectation. Power to punctually repay principal amount and interest is strong. Nevertheless this power may be more vulnerable to changes in circumstances and financial conditions in comparison with higher ratings.

**BBB** Good credit quality. “BBB” ratings mean that there is a low credit risk expectation. Power to punctually repay principal amount and interest is adequate although adverse changes in circumstances and financial conditions may affect this power. It is the lowest rating within the “investment level” class.

FITCH could add “+” or “-“ to a rating in order to indicate a relative position within the rating classes. However this cannot be added to “AAA” long term rating class, to classes under “CCC” or to short term ratings other than F1.

FITCH rating regarding the credit risk is an opinion on the Notes capacity to meet periodical interest and principal payments. Said rating is made on the basis of the shared credit quality, of the credit improvement and of the Notes issue legal and financial aspects.

FITCH rating is not an appraisal of the risk that investors make early payments or fully repay the shared credits principal amount. The rating

does in no way mean an appraisal of the performance level investors receive.

For the analysis FITCH has relayed on the accuracy and comprehensiveness of the information provided by the Management Company, the auditors, the lawyers and other experts.

FITCH rating may be reviewed suspended or withdrawn in terms of any information FITCH becomes aware of, lack of information, or for any other reason. Said rating is not a recommendation for the Notes acquisition, sale or preservation.

#### **Management Company's undertakings.**

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

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

#### **II.4 Offered Notes nature and denomination**

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

##### **II.4.1 Legal Regime of the securities, specifying procedures guaranteeing accuracy and effectiveness of their first holder rights and of the subsequent holder's rights.**

**Effects produced on the financial service of each of the Class of securities issued charged to the Fund by the forced bond with said securities interest and principal payment calendar and the deposit and collection flows from the assets subject to securitization through the Fund.**

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

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

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

With the purpose to consolidate its financial structure and to obtain the broader possible coverage for the risks inherent to the issue the Management Company, for and on behalf of the Fund shall enter into, *inter alia*, the agreements set forth below. For that purpose, in order to meet the Fund's operation in the terms provided by the Deed of Incorporation and of the regulations in force at the time, it may extend or amend said agreements, replace each of the Fund's service suppliers in terms of the same and even, if necessary, enter into additional agreements.

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

- (i) Initial Expenses Loan, which shall be used to fund the Fund's incorporation expenses and the Note issue, to partly finance Credit Rights acquisition and to endow the Initial Reserve Fund;
- (ii) Interest Financial Swap, pursuant to ISDA 1992 Agreement form.;
- (iii) Liquidity Facility Agreement, in terms of which the BANK shall grant a liquidity facility for Guaranteed Class B1(G) relevant payments;

- (iv) Variable Interest Rate Reinvestment Agreement (Treasury Agreement) in terms of which the BANK shall guarantee a variable profitability for the amount the Fund deposits through its Management Company in the Treasury Account;

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

#### **II.4.2 Other effects and risks**

**a) Credit Rights risk of default:**

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

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

**b) Credit Right early repayment risk:**

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

**c) Limited liquidity:**

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

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

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

**d) Profitability:**

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

**e) Interest for delay:**

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

**f) Limited information:**

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

**g) Hidden faults:**

Regarding Credit Rights replaced by hidden faults, in case that the replacing Credit Right(s) Outstanding Balance is under the replaced Credit Right Outstanding Balance, the BANK must repay the fund the difference considering face value, accrued but not due interest and any unpaid and bad debt amount regarding said Credit Right by deposit in the Treasury Account on the relevant date, instead of applying it to the repayment of the Bonds.

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

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

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

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

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

- (i) **Class A:** with a full face amount of one thousand and fourteen million three hundred thousand Euro (€1,014,300,000), it is comprised by ten thousand one



hundred and forty three (10,143) Notes with a face value of one hundred thousand Euro (€100,000) each (hereinafter “**Class A Notes**”).

- (ii) **Class B1(G):** with a full face amount of five hundred and thirty seven million one hundred thousand Euro (€537,100,000), it is comprised by five thousand three hundred and seventy one (5,371) Notes with a face value of one hundred thousand Euro (€100,000) each (hereinafter “**Class B1(G) Notes**”).
- (iii) **Class B2:** with a full face amount of one hundred and thirty four million three hundred thousand Euro (€134,300,000), it is comprised by one thousand three hundred and forty three (1,343) Notes with a face value of one hundred thousand Euro (€100,000) each (hereinafter “**Class B2 Notes**”).
- (iv) **Class C:** with a full face amount of twenty seven million Euro (€27,000,000), it is comprised by two hundred and seventy (270) Notes with a face value of one hundred thousand Euro (€100,000) each (hereinafter “**Class C Notes**”).
- (v) **Class D:** with a full face amount of eighty seven million three hundred thousand Euro (€87,300,000), it is comprised by eight hundred and seventy three (873) Notes with a face value of one hundred thousand Euro (€100,000) each (hereinafter “**Class D Notes**”).

Class B1(G) and B2 Notes shall also be jointly called “**Classes B Notes**”

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

## **II.7 Face value and Euro cash for each Note**

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

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

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

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

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

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

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

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

**II.10 Interest rate clause**

**II.10.1 Nominal Interest Rate**

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

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

**a) Interest accrual.**

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

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

**b) Nominal Interest Rate**

Nominal interest rate determined for each Interest Accrual Period shall be the result of adding: (i) three (3) month or two (2) month EURIBOR prime rate for the first Interest Accrual Period or, if necessary, a replacement described in section c) below and (ii) a margin for each of the Class:

- 0.25% for Class A Notes
- 0.00% for Class B1(G) Notes
- 0.40% for Class B2 Notes
- 0.90% for Class C Notes
- 1.80% for Class D Notes.

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

**c) Reference interest rate definition**

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

- (i) EURIBOR rate (*Euro Interbank Borrowing Offered Rate*) is the money market reference interest rate for the Euro, in three (3) month deposits or in two (2) month deposits for the first Interest Accrual Period, of maturity. Three (3) month or two (2) month EURIBOR rate for the first Interest Accrual Period shall be the result of the REUTERS monitor, page “EURIBOR01” (or any other page that might replace this service), at 11:00 hours a.m., C.E.T. time (Central European Time, Brussels time, Central Europe) at the time of Fixing the Rate described below. REUTERS monitor, page “EURIBOR01” in the REUTERS MONITOR MONEY RATES SERVICE.
- (ii) In the event of absence of rates pursuant to the provisions of section (i) above, the replacing reference interest rate shall be the interest rate resulting from obtaining the simple arithmetical average of the offering interbank interest rates for tree (3) and two (2) month Euro deposit transactions (EURIBOR) for the first Interest Accrual Period at the Time of Fixing the Rate by the entities detailed below:
  - Banco Santander Central Hispano, London Branch
  - Bank of America N.T.&S.A., London Branch
  - J.P. Morgan Securities Ltd.

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

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

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

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

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

**d) Time for Rate Fixing**

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

The Notes’ nominal interest rate for the first Interest Accrual Period shall be determined in the way provided by section c) above, on the basis of the reference interest rate set forth in said section, at 11:00 a.m. (C.E.T. time) of the date of granting of the Deed of Incorporation or, should this date be a holiday in the TARGET calendar, on the immediately prior Business Day, and the public shall be informed of it in the announcement of the Fund’s incorporation and Note issue by means of publishing it in a broad diffusion newspaper in Spain, on the following calendar day to the granting of the Deed of Incorporation.

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

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

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

Payment Date (in theory)	Rate Fixing Date	3 moths Euribor	0,25	0,00	0,4	0,9	1,8
			Class A Notes	Class B1(G) Notes	Class B2 Notes	Class C Notes	Class D Notes
15-01-02	11-01-02	3.345	3.595	3.345	3.745	4.245	5.145
15-02-02	13-02-02	3.358	3.608	3.358	3.758	4.258	5.158
15-03-02	13-03-02	3.374	3.624	3.374	3.774	4.274	5.174
15-04-02	11-04-02	3.414	3.664	3.414	3.814	4.314	5.214
16-05-02	13-05-02	3.430	3.680	3.430	3.830	4.330	5.23
17-06-02	13-06-02	3.470	3.720	3.470	3.870	4.370	5.27
15-07-02	11-07-02	3.414	3.664	3.414	3.814	4.314	5.214
16-08-02	13-08-02	3.340	3.590	3.340	3.740	4.240	5.14
16-09-02	12-09-02	3.315	3.565	3.315	3.715	4.215	5.115
15-10-02	11-10-02	3.226	3.476	3.226	3.626	4.126	5.026
15-11-02	13-11-02	3.174	3.424	3.174	3.574	4.074	4.974
16-12-02	12-12-02	2.930	3.180	2.930	3.330	3.830	4.73
15-01-03	13-01-03	2.830	3.080	2.830	3.230	3.730	4.63
16-02-03	13-02-03	2.741	2.991	2.741	3.141	3.641	4.541
17-03-03	13-03-03	2.545	2.795	2.545	2.945	3.445	4.345
15-04-03	11-04-03	2.522	2.772	2.522	2.922	3.422	4.322
16-05-03	13-05-03	2.464	2.714	2.464	2.864	3.364	4.264
16-06-03	12-06-03	2.124	2.374	2.124	2.524	3.024	3.924
15-07-03	11-07-03	2.129	2.379	2.129	2.529	3.029	3.929
18-08-03	14-08-03	2.138	2.388	2.138	2.538	3.038	3.938
	1-09-03	2.151	2.401	2.151	2.551	3.051	3.951

For the first Interest Accrual Period two (2) month Euribor shall be used. Given that two (2) month Euribor as at September 1st, 2003 is 2.142% the rate to be applied to

Class A Notes shall be 2.392%, for Class B1(G) Notes it shall be 2.142%, for Class B2 Notes 2.542%, for Class C Notes 3.042% and Class D Notes 3.942%.

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

Class A interest payments takes third place in the payment priority order established in section V.5.2.1.2 hereof.

Classes B interest payments takes fourth place in the payment priority order established in section V.5.2.1.2 hereof.

Class C interest payments takes fifth place in the payment priority order established in section V.5.2.1.2 hereof.

Class D interest payments takes sixth place in the payment priority order established in section V.5.2.1.2 hereof.

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

Interest for Notes of all Class shall be paid on February 15<sup>th</sup>, May 15<sup>th</sup>, August 15<sup>th</sup>, and November 15<sup>th</sup> of every year (each of them the "**Payment Date**") until full repayment thereof by the procedure described in section II.11 hereof.

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

The first interest payments for Notes of all Class shall take place on November 17<sup>th</sup>, 2003, accruing at the relevant nominal interest rate since the subscribers' Disbursement Date, inclusive, until November 17<sup>th</sup>, 2003, not inclusive.

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

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

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

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

Where:

I= Interest to be paid on a certain Payment Date

P= Notes Principal Amount Outstanding Balance on the date when the relevant Determination Period for said Payment Date starts.

R= Nominal interest rate in annual percentage

d= Number of effective days belonging to each Interest Accrual Period.

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



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

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

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

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

Delayed interest amounts shall accrue in favour of the holders an interest equal to that applied to the relevant Class Notes during the Interest Accrual Period(s) until the Payment Date when payment thereof takes place, with no interest for delay and not involving a capitalization of the debt.

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

In order to easy for the subscribe the understanding of the applicable nominal interest rate fixing and the amount to be received per Note on every Payment Date, enclosed in section II.10.1.e) hereof is a practical case as an example, as well as the *Cuadros Teóricos del Servicio Financiero del Empréstito* (Theoretical Tables of the Loan Financial Service).

## **II.11 Securities repayment**

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

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

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

Principal amount payments for the Class A Notes takes the eighth (8<sup>th</sup>) place in the payment priority order provided by section V.5.2.1.2.8 hereof.

Principal amount payments for the Classes B2 and B1(G) Notes takes the ninth (9<sup>th</sup>) place in the payment priority order provided by section V.5.2.1.2.8 hereof once Class A Notes have been repaid.

Principal amount payments for the Class C Notes takes the tenth (10<sup>th</sup>) place in the payment priority order provided by section V.5.2.1.2.8 hereof once Classes A, B2 and B1(G) Notes have been repaid.

Principal amount payments for the Class D Notes takes the eleventh (11<sup>th</sup>) place in the payment priority order provided by section V.5.2.1.2.8 hereof once Classes A, B2, B1(G) and C Notes have been repaid.

Principal amount payments belonging to a Class shall be pro-rate between themselves up to the limit of the Available Funds for Repayment.

**II.11.3 Repayment**

a) **Final Maturity Date**

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

b) **Legal Maturity Date**

The legal maturity date (hereinafter, the “**Legal Maturity Date**”) and final Note repayment shall be November 15 2034 or, should this not be a business Day, the following Business Day, notwithstanding that the Management Company, for and on behalf of the Fund and pursuant to the provisions of section II.11.3.g hereof early repays this issue, in which case the Payment Date when it shall take place shall be the Notes Legal Maturity Date.

c) **Repayment Dates**

Repayment Dates (hereinafter each of them the “**Repayment Date**” and all of them jointly the “**Repayment Dates**”) shall fall on the Interest Payment Dates, that is, on February 15<sup>th</sup>, May 15<sup>th</sup>, August 15<sup>th</sup> and November 15<sup>th</sup> of every year (or the following Business Day, pursuant to the provisions hereof) until full repayment.

First Class A Notes repayment shall be the Payment Date after the end of the Renewal Term , i.e., February 26, 2003, except in case of interruption of the Renewal Term.

d) **Notes Outstanding Principal Amount Balance**

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

e) **Fixing Dates and Fixing Terms.**

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

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

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

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

The Amount Accrued for Repayment of Notes of the five Class A, B1(G), B2, C and D equally shall be equal to the positive difference between the addition of the Outstanding Principal Amount Balances for Notes of the five Class A, B1(G), B2, C and D on the Fixing Date prior to each Payment Date and the Credit Rights Outstanding Balance (as described below), deducing from the Credit Rights Outstanding Balance the full amount of principal of the loans owed by Credit Rights (both matured and not matured) with a delay in payment of amounts due for a term equal or over twelve (12) months, as well as the principal amounts owed by Credit Rights (both matured and not matured) once all legal actions for recovery of said amounts are exhausted, even when said twelve (12) month term is not over (hereinafter the “**Bad Loans**”).

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

**g) Available Funds for Repayment**

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

- a) the Amount Accrued for Repayment,
- b) In terms of the liquidity on that Payment Date, the Available Funds remnant once the amounts applied to items 1, 2, 3, 4, 5, 6 and 7 of the payment priority order have been deduced.

Until the end of the Renewal Period, the Fund shall quarterly purchase from the Assignor for a limited nine (9) Payment Dates term, New Credit Rights and the Available funds for Repayment of the Notes shall be only used to purchase New Credit Rights.

Once the Renewal Period is over all the Available Funds for Repayment shall be used for repayment of the Notes pursuant to the payment priority order described in section V.5.2.1.2.

The Renewal Period shall early end when any of the circumstances described in section IV.1.c.2)(1) hereof takes place.

During the Renewal Period the remnant left, as the case may be, once New Credit rights have been purchased, shall be deposited in the Treasury Account.

**h) Capital Insufficiency**

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

Capital Insufficiency during the Renewal Period is enough cause for termination of said Renewal Period, as provided by section IV.1.c.2) hereof.

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

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

**i) Standard Repayment Rules**

Principal amount of Class A, Classes B2, Class C and Class D Notes shall be repaid pursuant to the following rules, unless there were not enough available funds in the Treasury Account.

▪ **Class A Notes Repayment:**

Class A Notes principal amount repayment shall be made quarterly on every Payment Date after the end of the Renewal Term, in terms of the Available Funds for Repayment, until full repayment.

First repayment payment for Class A Notes shall be the Payment Date after the end of the Renewal Term, i.e., February 15, 2006, except in case of interruption of the Renewal Term.

▪ **Classes B Notes Repayment**

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

- **Class C Notes Repayment**

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

- **Class D Notes Repayment**

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

**j) Early Repayment Rules**

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

- (i) On the date when the Credit Rights Outstanding Balance is under ten percent (10%) of the Credit Rights initial balance, provided the sale of Credit Rights outstanding repayment, together with the balance at the time in the Treasury Account allows a full cancellation of all outstanding obligations with the Note holders and respecting the payments prior to these the priority order of which is preferent pursuant to the provisions of section V.5.2.1.2 hereof;
- (ii) When the issued Notes are fully repaid;
- (iii) When due to either an amendment in current regulations or to exceptional circumstances there was, in the Management Company's opinion, a substantial alteration or a permanent damage to the Fund's financial balance;

- (iv) If the Assignor enforced the repurchase right over all of the remaining Credit Rights held by the Fund, pursuant to the provisions of section V.1.d) hereof, pursuant to the provisions of section IV.1.d) hereof, provided the sale of Credit Rights outstanding repayment, together with the balance at the time in the Treasury Account allows a full cancellation of all outstanding obligations with the Note holders and respecting the payments prior to these the priority order of which is preferent pursuant to the provisions of section V.5.2.1.2 hereof;
- (v) In the case provided by section 19 of Royal Decree 926/1998, establishing the duty to early settle the Fund in case four (4) months had passed since an event determining forced replacement of the Management Company takes place, due to the latter being declared under receivership or bankruptcy and not having found a new management company prepared to take charge of the Fund's management;
- (vi) When there is a default showing a serious and permanent unbalance either in connection with any of the Notes or with any non-subordinated loan or when this is foreseen to happen
- (vii) After eighteen (18) months since the last Credit Rights' maturity.

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

The issue's financial service shall be made through the BANK in its capacity as Payment Agent.

Interest and repayment payments shall be made upon either the legal Note holders' submission of the document evidencing property or the relevant certificate issued by the entity in charge of the accounting registry.

**a) Practical case for fixing nominal interest rate.**



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

• Three (3) month euribor rate:	2.151%
• Margin:	0.250%
	-----
• Interest amount per Note:	2.401%
• Interest period per Note:	89 days (*)
• Note Outstanding Balance:	100,000 Euro

$$\frac{2.401 \times 89 \times 100.000}{100 \times 360} = 593.580556 \text{ Euro}$$

- Round up to the closest cent of Euro: 593.58 Euro.

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

Therefore the amount of interest to be received per every Class A Note would be Euro 593.58 on a Note Outstanding Balance of Euro 100,000. The example would be identical for Classes B, Class C and Class D, only 0.25% Class A margin would have to be replaced for that relevant to each Class.

**b) Loan financial service table.**

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

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

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

- (i) Credit Rights portfolio interest rate: 3.94%
- (ii) Credit Rights portfolio default: 0.87 % yearly
- (iii) Credit Rights portfolio bad debts: 0% yearly
- (iv) Notes Disbursement Date is September 26<sup>th</sup>, 2003.

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

2.401%	For Class A
2.151%	For Class B1(G)
2.551%	For Class B2
3.051%	For Class C
3.951%	For Class D

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

<b><u>TACP</u></b>	<b>8%</b>	<b>16%</b>
<b><u>CLASS A</u></b>		
AV. LIFE	3.70	3.32
TIR	2.4227	2.4227
DURATION	3.39	3.04
FINAL LIFE	08-05-09	08-05-08
<b><u>CLASS B1(G)</u></b>		
AV. LIFE	7.94	6.53
TIR	2.1684	2.1684
DURATION	7.07	5.89
FINAL LIFE	08-08-14	08-08-12
<b><u>CLASS B2</u></b>		
AV. LIFE	7.94	6.53
TIR	2.5755	2.5755
DURATION	6.92	5.78
FINAL LIFE	08-08-14	08-08-12
<b><u>CLASS C</u></b>		
AV. LIFE	10.87	8.87
TIR	3.0861	3.0861
DURATION	8.92	7.48
FINAL LIFE	08-08-14	08-08-12
<b><u>CLASS D</u></b>		
AV. LIFE	10.87	8.87
TIR	4.0099	4.0099
DURATION	8.44	7.13
FINAL LIFE	08-08-14	08-08-12

Said figures have been calculated using the following formulae:

***Notes average life:***

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

***Where:***

**A**= Average for every issued Notes Class in years

**B**= Principal amount to be repaid for every Notes Class on every Payment Date, according to the relevant amount to be repaid for every Note Class, pursuant to the provisions of section II.11.3 hereof and considering that the portfolio's repayment profile on the date when Notes start to be repaid (end of the Renewal Term) shall be equal to the current portfolio's repayment profile.

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

**C**= Total volume in Euro for every Class A, B1(G), B2, C and D of Notes.

**Note duration (adjusted Macaulay formula).**

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

**Where:**

**D**= Duration of each of the Notes Class in years

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

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

**PE**= issue Price of the Notes, 100.000 euros.

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

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

- It is assumed that the Notes principal amount repayment is made pursuant to the general rules set forth in section II.11.3 hereof. The Prepayment annual constant rate assumes constants at 8% and 16% along the loan life and as aforesaid, real early repayment is continuously changing.
- Reference Interest Rate is assumed to be constant at 2.151% as at September 1st, 2003.
- The Notes interest rates are assumed to be constant at:

2.401%	For Class A
2.151%	For Class B1(G)
2.551%	For Class B2
3.051%	For Class C
3.951%	For Class D

- It is assumed that the Management Company, on behalf of the Fund, early settles the Fund in the way provided by section III.8.1 hereof when the Credit Rights Outstanding Balance is under ten percent (10%) of the Credit Rights initial balance.
- It is assumed that the Notes principal amount repayment is made pursuant to the general rules set forth in section II.11.3 hereof, and considering that the portfolio repayment profile on the date when Notes start to be repaid (end of the Renewal Term) shall be equal to the current portfolio repayment profile.

**WARNING:**

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

DATE	CLASS A REPAYME NT	CLASS A GROSS INT	TOTAL CLASS A	CLASS B1(G) REPAYM	CLASS B1(G) GROSS INTEREST	TOTAL CLASS B1(G)	CLASS B2 REPAYMENT	CLASS B2 GROSS INT	TOTAL CLASS B2	CLASS C REPAYM	CLASS C GROSS INT	TOTAL CLASS C	CLASS D REPAYME NT	CLASS D GROSS INT	TOTAL CLASSD
26-09-03															
15-11-03	0.00	333.47	333.47	0.00	298.75	298.75	0.00	354.31	354.31	0.00	423.75	423.75	0.00	548.75	548.75
15-02-04	0.00	613.59	613.59	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-04	0.00	600.25	600.25	0.00	537.75	537.75	0.00	637.75	637.75	0.00	762.75	762.75	0.00	987.75	987.75
15-08-04	0.00	613.59	613.59	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-04	0.00	613.59	613.59	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-05	0.00	613.59	613.59	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-05	0.00	593.58	593.58	0.00	531.78	531.78	0.00	630.66	630.66	0.00	754.28	754.28	0.00	976.78	976.78
15-08-05	0.00	613.59	613.59	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-05	0.00	613.59	613.59	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-06	10,350.94	613.59	10,964.52	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-06	9,960.02	532.14	10,492.16	0.00	531.78	531.78	0.00	630.66	630.66	0.00	754.28	754.28	0.00	976.78	976.78
15-08-06	9,083.57	488.96	9,572.53	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-06	8,563.94	433.23	8,997.16	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-07	8,120.18	380.68	8,500.86	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-07	7,767.30	320.07	8,087.37	0.00	531.78	531.78	0.00	630.66	630.66	0.00	754.28	754.28	0.00	976.78	976.78
15-08-07	7,316.00	283.20	7,599.20	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-07	6,996.65	238.31	7,234.96	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-08	6,647.54	195.38	6,842.92	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-08	6,385.94	151.23	6,537.16	0.00	537.75	537.75	0.00	637.75	637.75	0.00	762.75	762.75	0.00	987.75	987.75
15-08-08	5,920.08	115.40	6,035.48	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-08	5,612.83	79.08	5,691.90	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-09	5,310.04	44.64	5,354.68	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-09	1,964.98	11.66	1,976.64	4,719.91	531.78	5,251.68	4,719.03	630.66	5,349.69	0.00	754.28	754.28	0.00	976.78	976.78
15-08-09	0.00	0.00	0.00	7,207.03	523.75	7,730.78	7,205.69	621.16	7,826.84	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-09	0.00	0.00	0.00	6,873.60	484.14	7,357.74	6,872.32	574.18	7,446.50	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-10	0.00	0.00	0.00	6,405.61	446.35	6,851.96	6,404.41	529.38	6,933.79	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-10	0.00	0.00	0.00	6,089.63	397.74	6,487.36	6,088.50	471.73	6,560.22	0.00	754.28	754.28	0.00	976.78	976.78
15-08-10	0.00	0.00	0.00	5,681.54	377.67	6,059.21	5,680.49	447.94	6,128.42	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-10	0.00	0.00	0.00	5,404.52	346.44	5,750.96	5,403.52	410.90	5,814.42	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-11	0.00	0.00	0.00	5,066.07	316.73	5,382.80	5,065.13	375.68	5,440.81	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-11	0.00	0.00	0.00	4,831.12	279.46	5,110.58	4,830.22	331.48	5,161.71	0.00	754.28	754.28	0.00	976.78	976.78
15-08-11	0.00	0.00	0.00	4,449.21	262.32	4,711.53	4,448.38	311.17	4,759.55	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-11	0.00	0.00	0.00	4,202.25	237.86	4,440.11	4,201.47	282.17	4,483.63	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-12	0.00	0.00	0.00	3,867.58	214.77	4,082.35	3,866.86	254.78	4,121.64	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-12	0.00	0.00	0.00	3,651.47	189.30	3,840.77	3,650.79	224.58	3,875.37	0.00	762.75	762.75	0.00	987.75	987.75
15-08-12	0.00	0.00	0.00	3,306.05	173.43	3,479.48	3,305.44	205.77	3,511.20	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-12	0.00	0.00	0.00	3,093.06	155.26	3,248.32	3,092.49	184.22	3,276.71	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-13	0.00	0.00	0.00	2,873.44	138.26	3,011.69	2,872.90	164.06	3,036.96	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-13	0.00	0.00	0.00	2,726.89	118.47	2,845.36	2,726.38	140.59	2,866.97	0.00	754.28	754.28	0.00	976.78	976.78
15-08-13	0.00	0.00	0.00	2,490.29	107.47	2,597.76	2,489.82	127.56	2,617.38	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-13	0.00	0.00	0.00	2,341.32	93.78	2,435.11	2,340.89	111.32	2,452.21	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-14	0.00	0.00	0.00	2,127.48	80.91	2,208.39	2,127.08	96.06	2,223.14	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-14	0.00	0.00	0.00	1,994.53	66.96	2,061.50	1,994.16	79.52	2,073.68	0.00	754.28	754.28	0.00	976.78	976.78
15-08-14	0.00	0.00	0.00	10,597.39	58.25	10,655.65	10,614.06	69.20	10,683.23	100,000.00	779.70	100,779.70	100,000.00	1,009.70	101,009.70
	100,000.00	9,096.39	2.4227%	100,000.00	17,365.87	2.1684%	100,000.00	20,596.64	2.5755%	100,000.00	33,696.60	3.0861%	100,000.00	43,636.60	4.0099%

FLOWS PER NOTE WITHOUT WITHOLDING FOR THE HOLDER (IN EUROS) TACP=16%

DATE	CLASS A REPAYME NT	CLASS A GROSS INT	TOTAL CLASS A	CLASS B1(G) REPAYMENT	CLASS B1(G) GROSS INT	TOTAL CLASS B1(G)	CLASS B2 REPAYMEN T	CLASS B2 GROSS INT	TOTAL CLASS B2	CLASS C REPAYM	CLASS C GROSS INTEREST	TOTAL CLASS C	CLASS D REPAYME NT	CLASS D GROSS INTEREST	TOTAL CLASS D
26-09-03															
15-11-03	0.00	333.47	333.47	0.00	298.75	298.75	0.00	354.31	354.31	0.00	423.75	423.75	0.00	548.75	548.75
15-02-04	0.00	613.59	613.59	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-04	0.00	600.25	600.25	0.00	537.75	537.75	0.00	637.75	637.75	0.00	762.75	762.75	0.00	987.75	987.75
15-08-04	0.00	613.59	613.59	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-04	0.00	613.59	613.59	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-05	0.00	613.59	613.59	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-05	0.00	593.58	593.58	0.00	531.78	531.78	0.00	630.66	630.66	0.00	754.28	754.28	0.00	976.78	976.78
15-08-05	0.00	613.59	613.59	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-05	0.00	613.59	613.59	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-06	14,074.58	613.59	14,688.16	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-06	13,157.17	510.04	13,667.21	0.00	531.78	531.78	0.00	630.66	630.66	0.00	754.28	754.28	0.00	976.78	976.78
15-08-06	11,829.10	446.50	12,275.60	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-06	10,919.61	373.92	11,293.53	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-07	10,143.52	306.91	10,450.44	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-07	9,444.33	236.70	9,681.02	0.00	531.78	531.78	0.00	630.66	630.66	0.00	754.28	754.28	0.00	976.78	976.78
15-08-07	8,694.43	186.73	8,881.16	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-07	8,092.22	133.38	8,225.60	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-08	7,494.43	83.72	7,578.15	0.00	549.70	549.70	0.00	651.92	651.92	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-08	6,150.61	36.92	6,187.52	1,276.52	537.75	1,814.27	1,276.28	637.75	1,914.03	0.00	762.75	762.75	0.00	987.75	987.75
15-08-08	0.00	0.00	0.00	9,610.01	542.68	10,152.69	9,608.22	643.60	10,251.82	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-08	0.00	0.00	0.00	8,883.79	489.86	9,373.65	8,882.14	580.96	9,463.10	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-09	0.00	0.00	0.00	8,198.33	441.02	8,639.35	8,196.80	523.06	8,719.86	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-09	0.00	0.00	0.00	7,636.82	383.04	8,019.87	7,635.40	454.31	8,089.71	0.00	754.28	754.28	0.00	976.78	976.78
15-08-09	0.00	0.00	0.00	6,996.82	353.98	7,350.79	6,995.51	419.85	7,415.36	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-09	0.00	0.00	0.00	6,492.40	315.52	6,807.91	6,491.19	374.24	6,865.43	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-10	0.00	0.00	0.00	5,920.91	279.83	6,200.74	5,919.81	331.92	6,251.73	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-10	0.00	0.00	0.00	5,479.96	239.22	5,719.17	5,478.94	283.76	5,762.70	0.00	754.28	754.28	0.00	976.78	976.78
15-08-10	0.00	0.00	0.00	5,000.76	217.16	5,217.91	4,999.83	257.61	5,257.44	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-10	0.00	0.00	0.00	4,629.47	189.67	4,819.14	4,628.61	225.02	4,853.63	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-11	0.00	0.00	0.00	4,238.21	164.22	4,402.43	4,237.42	194.84	4,432.26	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-11	0.00	0.00	0.00	3,929.69	136.33	4,066.02	3,928.96	161.76	4,090.72	0.00	754.28	754.28	0.00	976.78	976.78
15-08-11	0.00	0.00	0.00	3,549.00	119.32	3,668.32	3,548.34	141.60	3,689.94	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-11-11	0.00	0.00	0.00	3,266.74	99.81	3,366.55	3,266.13	118.47	3,384.60	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-02-12	0.00	0.00	0.00	2,948.91	81.85	3,030.77	2,948.36	97.18	3,045.54	0.00	779.70	779.70	0.00	1,009.70	1,009.70
15-05-12	0.00	0.00	0.00	2,713.63	64.22	2,777.85	2,713.12	76.26	2,789.39	0.00	762.75	762.75	0.00	987.75	987.75
15-08-12	0.00	0.00	0.00	9,228.03	50.73	9,278.76	9,244.93	60.27	9,305.20	100,000.00	779.70	100,779.70	100,000.00	1,009.70	101,009.70
	100,000.00	8,137.23	2.4227%	100,000.00	14,284.11	2.1684%	100,000.00	16,941.51	2.5755%	100,000.00	27,509.85	3.0861%	100,000.00	35,624.85	4.0099%

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

For the event that the annual nominal interest rates applicable to the five Class, Class A, B1(G), B2, C and D quarterly variable, kept constant throughout the whole loan’s life, at rates of 2.401%, 2.151%, 2.551%, 3.051% and 3.951%, said rates would translate in Profitability Internal Rates (hereinafter “TIR”) for the holder of 2.423%, 2.168%, 2.576%, 3.086% and 4.010% gross yearly, as shown in the table contained in section II.12 hereof, given the effect implying interest quarterly payment, calculated as profitability internal rate not considering the tax effect and assuming in any case the values and hypothesis shown in said Section.

TIR calculation has been made using the following formula:

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

**Where:**

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

A<sub>j</sub>= Total repayment amounts and interest investors will receive:

(A<sub>1</sub>.....A<sub>n</sub>)

nd= Number of days between the issue’s Disbursement Date and the days February 15, May 15, August 15 and November 15 of every year not inclusive.

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

For the event that the Notes variable nominal interest rate keeps constant throughout the whole loan’s life at a rate of 2.401% for Class A, at 2.151% for Class B1(G), at 2.551% for Class B2, at 3.051% for Class C and at 3.951% for Class D, this rate shall



translate in the effective rates (TIR) for the whole issue of 2.5024% assuming the hypothesis mentioned in Section II.12 of the Prospectus as the issue's liquid amount, once issue expenses have been deduced, to the values updated as at the issue date of all of the payments for interest, repayment and cancellation expenses.

The foreseen expenses are as follows:

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

	<b>Euros</b>
• CNMV1:Rates .....	91.517,58
• AIAF Rates: .....	52.200,00
• Iberclear Rates: .....	635,68
• Rating Agents: .....	248,240,00
• Other (legal advice, press, print, notary and audit): .....	174.247,57
<b>Subtotal (0,031%):.....</b>	<b>566,840,83</b>

**b) Issue expenses:**

	<b>Euros</b>
• Management Company's Management fee: .....	150.000,00
• Underwriting and placement fees:	
* Class A (0,020%): .....	202.860,00
* Class B2 (G) (0,000%):.....	0,00
* Class B2 (0,050%): .....	67.150,00
* Class C (0,100%): .....	27.000,00
* Class D (0,200%): .....	174.600,00
<b>Subtotal (0,035%):.....</b>	<b>621.610,00</b>

**TOTAL GENERAL (0,066%):..... 1.188.450,83**

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

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<sup>1</sup> 0,14‰ of National Section (maximum 37.517,58), and 0,03‰ of the total issue by the listing process.

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

**II.15.1 No Assigning Entity's guarantees.**

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

**II.15.2 State Guarantee**

The Ministry of Finance shall grant a guarantee to the Fund for an amount of five hundred and thirty seven million one hundred thousand (€537,100.000), equivalent to twenty nine and eighty four percent (29.84%) of the addition of the face value of all Classes Notes, in guarantee of interest and capital payment in case of early repayment.

The Guarantee shall keep in force and with full effects until final reimbursement of the payment duties inherent to Notes belonging to the Guaranteed Class. In any case, the Guarantee shall mature on November 15, 2034. Should this date not be a Business Date, it shall mature on the immediately following Business Day.

The Guarantee will be legally claimed subject to the following: (i) checking by and registration with the CNMV of the Prospectus; (ii) granting of the Fund's Deed of Incorporation (iii) confirmation as final by the Rating Agents, before the Subscription Period starts, of the provisional ratings given to each of the Classes, (iv) that the Issue's Management, Underwriting and Placement Agreements are not terminated and (v) remittance to the *Dirección General del*

*Tesoro y Política Financiera* of the documentation mentioned in the following paragraph.

The Management Company must forward to the *Dirección General del Tesoro y Política Financiera*: (i) a copy of this Prospectus; (ii) an authorised copy of the Fund's Deed of Incorporation; (iii) a BSCH certificate indicating that the Loans meet the terms and conditions of the Collaboration Framework Agreement enclosed to the Order of December 28, 2001, and that at least ninety nine percent (99%) of the same, both at the time of the Fund's incorporation and on every date of inclusion of New Credit Rights within the Renewal Period, are loans granted to PYMES pursuant to the Recommendation of April 3, 1996 of the European Commission or another one replacing it; (iv) a copy of the Rating Agents letters informing of the ratings given to each of the Note Classes; and (v) an authorised copy of the notary's deed for the Note subscription disbursement granted by the Management Company.

## **II.16 Securities circulation**

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

## **II.17 Issued securities listing**

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

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

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

Final listing in AIAF shall take place no later than forty (40) days after the Disbursement Date.

In the event that in forty (40) days term the Notes listing with AIAF did not take place, the Management Company shall immediately inform the Note holders as well as of the reasons that have resulted in this default, all of it pursuant to the provisions of section III.5 hereof.

## **II.18 Applications for subscription or acquisition**

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

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

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

### **II.18.2 Note legal nature**

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

- (i) Class A and B1(G) Notes meet selection criteria to be admitted as guarantee assets for transactions with the Central European Bank.
- (ii) Being appropriate for investment of the insurance companies in fulfilment of their technical provisions, pursuant to the provisions of the Private Insurance Ordering and Supervision Regulations approved by Royal Decree 2486/1998 of November 20.
- (iii) Being appropriate for investment of Reciprocal Guarantee Companies, pursuant to the Act 1/1994 of March 11, on Legal Regime of Reciprocal Guarantee Companies and Royal Decree 2345/1996 of November 8, regarding administrative authorisation rules and solvency requirements for Reciprocal Guarantee Companies.
- (iv) Being appropriate for investment of Pension Funds pursuant to the provisions of the Royal Decree 1.307/1.988 of September 30, by which the Regulation of Retirement Plans and Pension Funds is approved.
- (v) Being appropriate for investment coefficient account of Collective Investment Institutions pursuant to the provisions of the Regulations of Act 46/1984 of December 26, ruling Collective Investment Institutions approved by Royal Decree 1393/1990 of November 2<sup>nd</sup>.
- (vi) Being appropriate for investment of Asset Investment Funds in Government Debt “Fondtesoro Renta” FIMMoney Market Asset Investment Funds relating to the State’s Debt “Fondtesoro Renta FIAMM” Asset Investment Funds in State Debt “Fondtesoro Plus”, FIM, all of it under the terms provided by Order of May 28, 1999 amending the Order of June 7, 1990, on rules for subscription of Collaboration Agreements relating to State Debt Investment Funds.

### **II.18.3 Subscription or acquisition date or term**

The subscription term (hereinafter the “**Subscription Term**”) shall last for eight (8) hours, between 9:00 and 17:00 hours (GMT) of the same Business Day when publishing of the Fund’s incorporation advertisement and of the Notes issue takes

place, in the way provided by section III.5.3.b.b' hereof. Said publishing is foreseen to take place on September 25, 2003.

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

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

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

Investors who have been awarded the Notes must pay to the relevant Underwriting Entity on September 26, 2003 (hereinafter the **Disbursement Date**) before 13:00 hours Madrid time, with value that same day, the issue price (the hundred percent (100%) of its face value) per each Note awarded under subscription.

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

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

The Underwriting Entities shall deliver to the subscribers the Notes they have so requested, in a term not over fifteen (15) days since the Disbursement Date, a document evidencing the subscription of the Notes awarded and the cash amount they have paid for said subscription. Said evidencing document shall not be deemed as a trading security, its validity being limited to the date when the book entry in the relevant entry book takes place.

#### **II.19 Security placement and award**

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

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

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

The BANK will carry out the placement of the national tranche and Merrill Lynch International (hereinafter “**Merrill Lynch**”) and Depfa Bank plc (hereinafter “**Depfa**”) will carry out the placement of the international tranche (hereinafter, all together, the “**Underwriting Entities**”) and for the following amounts (in millions of Euro):

Underwriting Entities	Class A Notes	Class B1(G) Notes	Class B2 Notes	Class C Notes	Class D Notes
BSCH	1,014.3		134.3	27	87.3
Merrill Lynch		532.1			
Depfa		5,0			
Total	1,014.3	537.1	134.3	27	87.3

The BANK shall receive an underwriting and placement fee over the face amount that has insured by the National Tranche Management, Underwriting and Placement Agreement described in Chapter V. This fee will be equal to the following percentages: 0,20% over the face amount of the Class A, 0,050% over the face amount of Class B2, 0,100% over the face amount Class C and 0,200% over the face amount of Class D. The total fee for the BANK will be of 471.610 euros.

Depfa and Merrill Lynch shall no receive any fee regarding the International Tranche Underwriting and Placement Agreement.

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

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

## **II.19.2 Issue Managing Entities**

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

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

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

### ***REPRESENTS***

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



*In witness whereof, I issue this document in Madrid, on September 8, 2003.*

---

*BANCO SANTANDER CENTRAL HISPANO, S.A.*

*By Mr. Javier Pazos Aceves*

On the other hand, Merrill Lynch has been appointed by the Management Company as Managing Entity for the Note placement in the International Tranche. We enclose below the signed statement of the individual with enough representative powers, which is also enclosed hereto as **Schedule 5**.

*Mr. Iñigo García Palencia, for and on behalf of MERRIL LYNCH INTERNATIONAL, as Management Entity, with address at 2 King Edward Street, London EC1A 1HQ, duly empowered for that purpose, and in connection with the incorporation of the Asset Securitization Fund FTPYME Santander 1 and the securities issue for an amount of one thousand eight hundred Euro (EUR 1,800,000,000)*

***REPRESENTS***

- I.*** *That the necessary check-ups have been carried out in order to prove veracity and comprehensiveness of the Prospectus' information.*
- II.*** *That, as a result of these check-ups, there are no circumstances in conflict with or altering the Prospectus information, and that the latter does not omit significant facts or information that may be for the investor's concern.*
- III.*** *That the above does neither reach nor concern the information subject to the audit report enclosed to the Prospectus.*

*In witness whereof I issue this document at Madrid, on September 17, 2003.*

---

*MERRILL LYNCH INTERNATIONAL*

*By Mr. Iñigo García Palencia*

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

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

The Underwriting Entities of the Note issue shall undertake the duties contained in the National Tranche Management, Underwriting and Placement Agreement and in the International Tranche Underwriting and Placement Agreement and that will basically be the following: 1) commitment to subscribe the Notes that were not subscribed once the Subscription Period is closed, up to the amounts set forth for each Underwriting Entity in the agreement itself; 2) seeking placement in subscription by third parties of the Note issue; 3) payment to the Payment Agent by Merrill Lynch and Depfa, on the Disbursement Date with value that same date, of the face amount insured by every one of them, the Payment Agent subsequently paying to the Fund, before 15:00 hours of that same date, with value that same date, the total amount for the Note issue subscription, deducing the sum of the underwriting and placement total fee; 4) commitment to pay interest for delay set forth in the agreement for the case of delay in payment of amounts due; and 5) delivery to subscribers of a document evidencing the subscription should they request so.

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

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

Not applicable

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

The Notes shall be incorporated as such by their registration in the relevant accounting registry, with the usual terms and procedures in the entity in charge of the same, Iberclear.

The Underwriting Entities shall deliver a document evidencing the subscription of the subscribers of the allocated Notes and the effective amount that they have disbursed for said subscription, to the subscribers of the Notes that requested so, in a period not longer than fifteen (15) days since the Disbursement Date. Said evidencing document shall not be considered a security and its validity shall be limited until the date of the relevant entry in the relevant registry of entries.

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

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

The questions, discrepancies, litigation and claims that may arise due to the Fund's incorporation and the Note issue with charge to the same pursuant to the provisions of

the Deed of Incorporation (regarding their terms and conditions) shall be acknowledged and solved, with express waive of the jurisdiction any of the parties may be entitled to, by the Courts and Tribunals of Madrid (capital).

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

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

### **II.22.1 Individuals or legal persons residents of Spain**

#### **a) Income Tax**

Profit obtained by Note holders having the condition of taxpayers by the Income Tax, both as interest and with the occasion of the transfer, reimbursement or repayment of the same, shall be deemed to be asset capital profits by assignment to third parties of own capitals under the terms of section 23.2 of the Act 40/1998 of December 9 on Income Tax and other Tax Rules.

Said profits shall be subject to withholding on account of Income Tax of the receivers, pursuant to the provisions of Royal Decree 214/1999, of February 5, approving the Regulations for Income Tax regarding withholdings and deposits on account, pointing out the following:

- Capital profits inherent to the assignment to third parties of own capitals are subject, in general, to withholding at the rate of fifteen percent (15%).
- However, there is no duty to withhold over profits inherent to financial assets transfer or reimbursement with a explicit

profit meeting the following requirements (as provided by this issue):

- a) Being represented by book entries
- b) Being traded in a Spanish securities official secondary market.

**b) Companies Tax**

The Notes profits obtained by entities deemed as Income Tax payers shall be included in the taxable basis of the Income Tax in the way provided by Title IV of the Act 43/1995 of December 27 on Income Tax.

Said profits shall be subject to withholding on account of the Companies Tax by the receiver, pursuant to the provisions of Chapter II, Title IV of Royal Decree 537/1997 of April 14, approving the Regulations for the Companies Tax. However, the Regulations set forth that said profits shall be exempt of withholding, providing they meet the following requirements –as provided by this issue- and pursuant to the procedure set forth for that purpose by the Ministry of Finance, nowadays ruled in the Ministerial Order of December 22, 1999 (BOE of December 20, 1999):

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

**II.22.2 Individuals or legal persons non residents of Spain**

Profit obtained by Note holders having the condition of taxpayers by the Income Tax of Non Residents, both as interest and with the occasion of the transfer, reimbursement or repayment of the same, shall be deemed to be profits obtained in Spain, with or without a permanent address, under the terms of section 12 of the Act 40/1998 of December 9 on Income Tax of Non Residents and other Tax Rules.

**a) Profit obtained by permanent address**

The Notes profits obtained by a permanent address in Spain shall pay pursuant to the rules of Chapter III of said Act 41/1998, notwithstanding the provisions of the Covenants to avoid double taxing that Spain has signed and that may determine not taxing on the relevant profits or the application of reduced rates. Said profits shall be exempt of withholdings on account of the Income Tax of Non Residents under the terms indicated above for taxpayers by the Spanish Companies Tax.

**b) Profits obtained with no permanent address**

Notes profits obtained by individuals or entities non resident of Spain acting, for that purpose, with no permanent address, shall pay pursuant to the rules of Chapter IV of the Act 41/1998, of which regime the following items might be pointed out, notwithstanding the provisions of the covenants to avoid double taxing signed by Spain and that might determine no taxing on the relevant profits or the application of reduced rates:

- Taxable base shall be quantified over the full amount of the profit obtained, calculated pursuant to the rules of the Act 40/1998, the reductions of said Act not applying for that purpose. In the event of transfer, reimbursement or repayment accessory purchase or sale expenses shall be taken into account for profit calculation, provided they are duly supported. Taxation shall be separate for every full or partial profit accrual subject to lien. There can be no compensation whatsoever among the profits.
- Tax shall be calculated applying to the above taxable base the general rate of fifteen percent (15%)
- Said profits shall be subject to withholding on account of Income Tax of Non Residents, except in the cases when tax payment or origin of the exemption are evidenced. The withholding amount shall be equivalent to the payable tax pursuant to the above criteria.

- Said profits shall be subject to withholding on account of the Income Tax of Non Residents except in the cases when tax payment or origin of the exemption is evidenced. The withholding amount shall be equivalent to the payable tax pursuant to the above criteria.

Profits obtained from the Note issue hereof by individuals or entities non resident of Spain acting, for that purpose, with no permanent address, shall be exempt when the receiver is resident of another Member State of the European Union. In no case shall this exemption apply when profits are obtained through the countries or territories statutorily rated as tax havens.

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

Withholding exclusion on said profits shall be subject to the procedure established by the Ministry of Finance, which currently is that provided by the Ministry of Finance Order of April 13, 2000.

In any event, payment of the gross coupon by the Payment Agent shall be subject to the applicable legislation at the time. In particular, currently a special procedure is in force, approved by the Ministry of Finance Order of April 13, 2000 on the procedure to make effective the withholdings for non residents at the relevant withholding rate for every case or to exclude the withholding, when financial entities with address or represented in Spain that are depositaries or manage collection of said securities profits participate in the payment procedure.

Pursuant to this rule, at the time of dividend distribution, the company shall withhold the general withholding rate of the Income Tax and the Companies Tax (currently fifteen percent (15%)) and shall transfer the liquid amount to the depositary entities. The depositary entities evidencing in the established way the

right to reduced rates application or the exclusion of their clients withholdings shall immediately receive, for payment of the same, the excess amount withheld.

**c) Indirect taxation on the Note transfer.**

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

**d) Wealth Tax**

Note holders as at December 31<sup>st</sup> of every year that are individuals subject to the tax due to a personal duty must include them for their face value in the Wealth Tax Return, where they shall pay tax pursuant to the general rules. In case said securities are traded in any organised market –as provided in this case- they shall be accounted for the average trading value of every year's fourth quarter.

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

**e) Death Tax**

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

## **II.23 Purpose of the transaction**

### **II.23.1 Use of the issue's net amount**



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

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

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

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

**II.25.1 Individuals and legal persons details:**

- a) SANTANDER CENTRAL HISPANO TITULIZACIÓN, SGFT, S.A. acts as the Fund's Management Company.
- b) BANCO SANTANDER CENTRAL HISPANO, S.A is the Credit Rights Assigning Entity.
- c) BANCO SANTANDER CENTRAL HISPANO, S.A acts as Managing Entity and Underwriting Entity of the National Tranche placement.
- d) MERRILL LYNCH INTERNATIONAL acts as advisor in the Fund's financial structure, as well as Managing Entity and Underwriting Entity of the International Tranche placement.
- e) DEPFA BANK PLC acts as Underwriting Entity of the International Tranche placement.
- f) SANTANDER CENTRAL HISPANO TITULIZACIÓN, S.G.F.T., S.A, acts as legal and financial advisor on the transaction's structure.
- g) SQUIRE, SANDERS & DEMPSEY. acts as legal advisor on the transaction's structure and of the Managing and Underwriting Entities in the Spanish legislation aspects.

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

*D. IGNACIO ORTEGA GAVARA, for and on behalf of SANTANDER CENTRAL HISPANO TITULIZACIÓN, SGFT, S.A., with address at Madrid, Paseo de la Castellana 75 and regarding the incorporation of FONDO DE TITULIZACIÓN DE ACTIVOS, FTPYME SANTANDER 1, for an amount of Euro one thousand eight hundred million (€ 1,800,000,000) and in compliance with the provisions of item II.25.2 of Circular 2/1994 of March 16, of the Spanish Securities Exchange Commission developing in turn Royal Decree 291/1992 of March 27.*

**STATES**

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

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

*In witness whereof I issue this document in Madrid, on September 18, 2003.*

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

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

### **II.25.3 Credit Rights Assigning Entity's statements**

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

## CHAPTER III

### GENERAL INFORMATION ON THE ASSET SECURITIZATION FUND

#### **III.1 Legal background and purpose of the Fund.**

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

The Fund shall be a separate capital, with its own legal personality and shall be open and renewable by the assets pursuant to articles 1 and 4 of Royal Decree 926/1998.

The Fund shall be incorporated with the purpose to be a vehicle to group Credit Rights and to issue Class A, B1(G), B2, C and D with charge to the same.

Pursuant to the Additional Provision Five of the Law 3/1994 of April 14, adjusting the Spanish legislation regarding credit entities to the Second Banking Co-ordination directive and other amendments being introduced regarding the financial system, amended by Act 44/2002 in case of bankruptcy of the Credit Rights Assignor, the business of assignment and issue may only be charged in case of fraud. The Fund will enjoy the full right of separation under the terms provided by articles 908 and 909 of the Code of Commerce. The same separation right will the Fund have in case of receivership or similar situations of the Assignor.

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

The Fund's denomination is FONDO DE TITULIZACIÓN DE ACTIVOS, FTPYME SANTANDER 1.

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

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

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

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

To that end, the Management Company shall be liable for the Note holders and remaining creditors for all damages caused by default in its legal duties or in the provisions of the Deed of Incorporation. Further it shall be liable in the applicable sanctioning order, pursuant to the provisions of the Act 19/1992, which in turn refers to Act 46/1984 of December 26 ruling Collective Investment Institutions (CII) (hereinafter the "Act 46/1984").

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

Additionally, they may file a sanction proceeding with the CNMV in the cases provided by Act 19/1992.

### **III.3.1.1 Management Company actions**

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

- (i) To exercise the rights inherent to the Fund's Credit Rights holding and, in general, to carry out all management and provision actions necessary for the proper performance of the Fund's management and legal representation;
- (ii) To perform the financial management of the assets with diligence and accuracy, notwithstanding the management functions undertaken by the Assignor as Manager pursuant to the provisions of section IV.2 hereof and to carry out accountancy with due separation between the Management Company and the Fund;
- (iii) To check that the income amount effectively received by the Fund matches the amounts the Fund must receive pursuant to each of the Credit Rights conditions and to the conditions of the different agreements;
- (iv) To validate and control the information it receives from the Manager (as defined in section IV.2.1 hereof) on the Loans, both regarding collection of standard fees, principal amount early cancellations, payments received from unpaid fees and situation and control of bad debts;
- (v) To calculate available funds and fund movements it will have to make once they have been applied pursuant to the relevant payment priority, ordering fund transfer between asset and liabilities accounts and the

relevant payment instruction, including those appointed in order to satisfy the Note financial service.

- (vi) To calculate and settle the amounts that for interest and fees it must receive and pay for the different asset and liabilities financial accounts, as well as the fees to be paid for the different agreed financial services and the amounts that for principal amount reimbursement and for interest each of the Note Class must get;
- (vii) In the event that ratings to BSCH debt appointed by the Rating Agents at any time in the life of the Notes, should go under the ratings set forth in the Guaranteed Interest Rate Reinvestment Agreements (Treasury Account), Swap Agreements, Liquidity Facility and Management, Underwriting and Placement of the Issue, to carry out the actions provided in connection with these Agreement described in sections V.3 and V.4 hereof;
- (viii) To meet its calculation duties provided by this Prospectus and by the different agreements connected to the Fund's incorporation and described in section V.3 hereof;
- (ix) To closely follow up the Manager's actions for recovery of bad debts, giving instructions, where applicable, to file the execution proceeding and, as the case may be, on the position to take in property auction. To exercise the relevant actions when circumstances so requiring occur;
- (x) To keep the Fund's accounts with due separation of the Management Company itself; to carry out account submission and to meet the tax duties or of any other legal order the Fund should carry out;
- (xi) To provide the holders of Notes issued with charge to the Fund, the CNMV, the *Dirección General del Tesoro y Política Financier*, the *Dirección de Política de la Pequeña y Mediana Empresa* and the Rating Agents all the information and notices provided by the current law and, in particular, those included in this Deed of Incorporation and in the Prospectus;
- (xii) In order to enable the Fund's operation under the terms provided by the Deed of Incorporation, in this Prospectus and in the regulations in force

at the time, to extend or amend the agreements entered into on behalf of the Fund, to replace each of the Fund's service suppliers in terms of the same and even, if necessary, to enter into additional agreements, including new facility agreements, all of its subject to the legislation in force at the time, to the prior authorisation, if necessary, of the CNMV or competent administration body and to notifying it to the Rating Agents, and provided said actions do not involve a decrease of the Notes rating and do not go against the Note holders interests. Any amendment of the Deed of Incorporation shall be previously notified to the Rating Agents, shall be formalised in a public deed and shall be notified to the CNMV in order to inform the public as a relevant event or supplement of the Prospectus.

- (xiii) To appoint and replace, as the case may be, the account auditor carrying out the Fund's annual accounts audit;
- (xiv) To prepare and submit to the CNMV and to the competent bodies all the documents and information that must be submitted pursuant to the provisions of the current regulations, of the Deed of Incorporation and of this Prospectus, or that requested from it, as well as to prepare and forward to the Rating Agents the information they may reasonably require;
- (xv) To make the appropriate decisions in connection with the Fund's settlement, including the decision of the Note issue early maturity and Fund settlement pursuant to the provisions hereof;
- (xvi) As the case may be, to duly inform the *Dirección General del Tesoro y Política Financiera* of the amount the State must pay in terms of the guarantee granted, as well as of the remaining Management Company's duties inherent to granting of the State Guarantee and, as the case may be, to enforce the Guarantee.
- (xvii) Not to carry out actions that may deteriorate the Notes rating and trying to take the measures at its reasonable reach for the Notes rating not to be adversely affected at any time.
- (xviii) To manage the Fund in a manner that its net worth is always null.



### **III.3.1.2 Management Company diligence level**

#### **a) Diligence Level**

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

#### **b) Availability of means**

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

#### **c) Code of behaviour**

The Management Company shall fulfil the applicable code of behaviour.

The Management Company has an Internal Code of Behaviour in application of the provisions of Chapter II of Royal Decree 629/1993 of

May 3<sup>rd</sup>, on rules for action of securities exchanges and compulsory registrations of which the CNMV has been informed.

**d) No conflict**

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

**III.3.1.3 Management Company's replacement**

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

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

This document shall enclosed the new management company's document duly authorised and registered as such with the CNMV special registries where the latter states its disposition to accept this function and issues the relevant authorisation. The CNMV must approve the Management Company's waiver and the appointment of a new management company as the Fund's Management Company. Under no circumstances may the Management Company waive its functions while all requirements and measures necessary in order for

the replacement company to fully undertake its functions in connection with the Fund have been met. The Management Company may neither waive its functions if due to said replacement the rating given to each of the Note Class issued with charge to the Fund would decrease. All expenses generated as a result of said replacement shall be either for the Management Company's account or, in its default, for the new management company's account. In no case may they be charged to the Fund.

- (ii) In the event that the Management Company incurs any of the causes for winding up foreseen in number 1 of section 260 of the Companies Act, the Management Company will be replaced. The Management Company shall inform the CNMV of any of these causes happening. In this case, the Management Company shall be under the obligation to meet the provisions of section (i) above prior to its winding up.
- (iii) In the event the Management Company is declared under receivership, bankruptcy or meeting of creditors, or its authorisation was cancelled, it must appoint a replacement management company. Replacement must be effective before a four (4) month term is over since the date when the event determining the replacement. Should the Management Company not find another management company prepared to undertake the Fund's management and representation, or should the CNMV not deem the proposal appropriate, this body may entrust management to another management company prepared to undertake it. If four (4) months pass since the event determining replacement took place and neither the Management Company nor, as the case may be, the CNMV had appointed a new management company, the Fund shall be early settled and the Notes repaid, for the purpose of which the proceedings provided by section III.8 hereof must be filed.
- (iv) Rating Agents must be informed of the Management Company's replacement and of the new management company's appointment, approved by CNMV pursuant to the provisions of the above

paragraphs. This information will be published within a fifteen (15) day term by an advertisement in two Spanish newspapers and in the AIAF Market official gazette.

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

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

As consideration for the functions the Management Company must perform the Fund shall pay a management fee equal to 0.025% yearly, with a minimum sixty thousand (60,000) euros per year and maximum three hundred thousand (300,000) euros per year that shall accrue on the effective days of each Interest Accrual Period, it shall be quarterly paid on each of the Payment Dates and shall be calculated on the Notes Outstanding Principal Amount Balance on the first date of the Fixing Term prior to the relevant Payment Date. The fee accrued since the Fund's dated of incorporation until the first Note Payment Date shall be proportionally adjusted to the days passed between both dates, being calculated on the face amount of the Notes issued.

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

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

**Where:**

**A** = Fee to be paid on a certain Payment Date

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

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

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

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

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

The Fund is a separate capital, with no legal personality and is open and renewable by the assets, pursuant to section 4.1.b) of Royal Decree 926/1998. This means that the Fund's assets will be modified after the incorporation as a result of the full or partial repayment of the Initial Credit Rights and the acquisitions of New Credit Rights.

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

With the purpose to renew the Fund's assets, the Management Company, for and on behalf of the Fund shall quarterly acquire, within the Renewal Period, on each

Payment Date, New Credit Rights to replace those that have been standard or early repaid, so that the Fund's net worth keeps on being null.

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

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

### **III.4.1 Fund's Net Worth**

#### **III.4.1.1 Assets**

##### **a) At origin**

On the date of granting of the Fund's Deed of Incorporation it shall have as main assets:

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

##### **b) As a result of the Fund's operation**

As of the date of granting of the Deed of Incorporation, of signing of the Asset Assignment Agreements and the assignment to the Fund of the New Credit Rights, the Fund shall have as main assets:

- \* The Outstanding Balance Credit Rights as a result of the amounts accrued by the Loans principal amount repayment and by the acquisition of New Credit Rights. In cases of early repayment by Debtors, the early repayment fees that may be collected shall be for the Fund.
- \* The standard nominal interest rate accrued on the Credit Rights calculated at the Loans nominal interest rate.
- \* Nominal interest for delay accrued on the Credit Rights, calculated at the interest rate for delay applied to the Loans.
- \* The Net Amounts to be received, as the case may be, by the terms of the Interest Financial Swap described in section V.3.4 below.
- \* Any amounts or assets received by judicial or notarial execution of the Loans guarantees or by the sale or exploitation of the properties awarded to the Fund as execution of the mortgage guarantees, or as management and interim possession of the property (under execution process), acquisition at breakout sale price or amount defined by court decision. Likewise all the possible rights or compensations that may result in favour of the BANK, including those inherent to any right supplementing the Loans and, in particular, all the fees provided by the Loans that were paid by the Debtors.
- \* The amounts comprising the Initial Reserve Fund.
- \* The remaining balances of the Treasury Account described in section V.3.1 hereof and the relevant interest accrued.
- \* As the case may be, the amounts received charged to the Guarantee or the amounts drawn down charged to the Liquidity Facility described in sections V.3.3 and V.3.6 respectively.

- \* Unpaid activated initial expenses.
- \* Any amounts belonging to the Fund inherent to other agreements entered into by the Management Company on behalf of the Fund.

### **III.4.1.2 Liabilities**

#### **a) At origin**

On the date of granting of the Deed of Incorporation and of entering into the Credit Rights Assignment Agreements, the Fund shall have as main liabilities:

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

#### **b) As a result of the Fund's operation**

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

- \* The Class A, B1(G), B2, C and D Notes Principal Amount Outstanding Balance pursuant to the provisions of Chapter II hereof.
- \* The unpaid balances of the Loan for Initial Expenses.
- \* The net amounts to be paid, as the case may be, under the terms of the Financial Swap described in section V.3.4.
- \* The amounts, as the case may be, drawn down charged to the Guarantee outstanding return described in section V.3.3.
- \* The amounts, as the case may be, drawn down charged to the Liquidity Facility outstanding return described in section V.3.6.



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

#### **III.4.2 Fund income inherent to its operation**

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

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

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

### **III.4.3 Expenses for the charge of the Fund.**

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

- \* All the expenses inherent to the Fund's incorporation and those inherent to the compulsory assessments, registrations and government authorisations.
- \* Expenses inherent to official advertising by the Notes subscription offer.
- \* Expenses inherent to the preparing and execution of the Deed of Incorporation hereof and of the agreements, as well as the fees and expenses included in the same.
- \* Rating Agents fees for the Note rating and maintenance of said ratings.
- \* Expenses inherent to the Note issue and repayment.
- \* Expenses relating the Notes account book keeping by their representation by book entries and listing with the AIAF.
- \* Expenses inherent to the Credit Rights and Fund remnant assets sale for settlement of the same, including those inherent to obtaining a credit facility.
- \* Necessary expenses to request the Loans enforcement.

- \* Expenses inherent to the Fund's and Credit Rights' management.
- \* Fees charged to the Fund by the service and financial agreements entered into.
- \* Expenses inherent to advertisements and notices relating to the Fund and/or the Notes.
- \* Audit and legal advice expenses.
- \* In general, any other expenses of the fund or the Management Company for and on behalf of the same.

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

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

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

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

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

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

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

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

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

**a) In connection with each of the Notes Classes:**

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

**b) In connection with Credit Rights**

1. Credit Rights Outstanding Balance.
2. Interests both accrued and collected.

3. Amount of the default fees for the Loans as at the date of said report.

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

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

**d) In connection with the Loans' early repayment:**

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

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

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

**f) During the Renewal Term, in connection with New Credit Rights assignments.**

Under no circumstance, the assignment of the New Credit Rights shall imply a reduction of the rating of the Notes.

Upon each new acquisition of New Credit Rights, the Management Company must submit the following documentation to the CNMV:

- (i) By Cifradoc, detailed of New Credit Rights assigned to the Fund and their main features.
- (ii) Management Company's written statement also signed by the BANK, that said New Credit Rights meet all the Securitization Requirements established in section IV.1.a) and that they have the features described in sections IV.1.b.2 and IV.1.b.3 (the latter regarding Credit Rights Inherent to Mortgage Loans) hereof and the Clauses 8.2 and 8.3 of the

Deed of Incorporation, as well as those provided by section IV.1.b.4 hereof and by Clause 8.4 of the Deed of Incorporation regarding the CTH, as the case may be.

The BANK shall also reiterate the representations contained in section IV.1.b.1 hereof.

- (iii) Copy of the Credit Rights Inherent to Non-Mortgage Loans Assignment Agreement and of the Deed of CTH Issue.
- (iv) Annual Audit Report under the same terms as those provided for the assignment of Initial Credit Rights for New Credit Rights acquisitions that, as the case may be, may be carried out until November 15, 2004 and until November 15, 2005.
- (v) Asset homogeneity certificate.

Enclosed as **Schedule 9** hereto is the document form where the Credit Rights fields are detailed, which shall be filled in each case, as well as the Management Company's and the BANK's written statement text relating the fulfilment by New Credit Rights of the Securitization Requirements that shall be submitted to the CNMV. For those purposes the Management Company has adhered to the CNMV Cifradoc System for telematic communication of the New Credit Rights details through remittance of computer files.

In the same way, the Management Company will deliver to the Rating Agents the information set forth in sections a), b), c), d) above and in the section III.5.3.b)b'') below.

### **III.5.3 Duty to inform of relevant events.**

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

**a) Standard regular notices.**

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

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

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

**b) Extraordinary notices**

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

**b'') Remaining notices**

The Fund through its Management Company shall also inform the Note holders of any relevant event that may take place in connection with Credit Rights, Notes, Fund and with the Management Company itself, that may significantly affect the Notes trading and, generally speaking, of any relevant amendment to the Fund's assets or liabilities and also of a possible decision to early repay the Notes for any of the reasons provided by the Information Prospectus. In this event, the Notary's Deed of Settlement and Proceedings referred to in Section III.8.1 of the Information Prospectus shall be submitted to the CNMV.

**c) Procedure**

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



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

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

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

**d) Information to the Spanish Securities Exchange Commission**

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

### **III.6 Fund's Taxation Regime**

We describe below a brief extract of the Fund's general applicable taxation regime and that must be understood notwithstanding the territorial peculiarities and of the applicable regulations that may apply at the time of obtaining or ordering the relevant profits.

The tax regime applicable to the Asset Securitization Funds is the general regime contained in the Act 43/1995 of December 27, on the Companies Tax and in the rules developing it, with the specific peculiarities inherent to the provisions of Act 19/1992 of July 7, on the regime for Companies and Real Estate Investment funds and on Mortgage Securitization Funds, by the Act 3/1994 of April 14 and by Royal Decree

926/1998 of May 14, ruling the asset securitization funds and the securitization funds management companies that, in brief, define the following fundamental principles:

- 1) The Asset Securitization Funds are passive autonomous subjects of the Companies Tax, subject in taxation to the general regime for determination of the taxable base, as well as to the general rate of the tax of thirty five percent (35%) and to the standard rules on deductions of the rate, loss clearing and remaining substantial items of the tax depiction.
- 2) The movable goods profits for Securitization Funds are subject to the general withholding regime on account of the Companies Tax, with the peculiarity the in section 57, k) of the Regulations, approved by Royal Decree 537/1997 of April 14, it states not subject to withholdings *"the profits of mortgage shares, loans or other credit rights involving income of the Securitization Funds"*.
- 3) Section 5.10 of Act 19/1992 provides that the mortgage securitization funds incorporation is exempt from the item "corporate transactions" thus predetermining subjection to the same.

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

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

Credit Rights transfer to the Fund provided by the Deed and the Assignment Agreements and New Assignment Agreements of Credit Rights, in the way aforementioned is a transaction subject to and exempt from the Value Added

Tax, pursuant to the provisions of section 20.one,18, e) of the Act 37/1992 of December 28.

Granting and assignment of guaranties is subject to the general tax regime with no exceptions.

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

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

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

- (i) It shall define the Credit Rights assigned by the BANK to the Fund, the regime provided for management thereof and collection management and, as the case may be, the rules for replacement thereof. It shall also detail the legal and economic-financial rules defining them and the balances, profits, financial flows, collection conditions, maturity dates and repayment systems.
- (ii) It shall accurately define the features of the Notes to be issued, as well as of the credits and contributions.
- (iii) It shall set forth the remaining rules the Fund must subject to, defining the transactions the Management Company may carry out on behalf of the Fund with the purpose to increase assurance or regularity in payment of the Notes, to neutralise the differences in interest rates between the assets included in the Fund and the Notes or, generally speaking, to change the financial features of all or some of said assets.
- (iv) It shall establish the rules pursuant to which the Fund's settlement process shall be ruled.

- (v) It shall indicate the Initial Credit Rights Assignor and the New Credit Rights Assignor.
- (vi) It shall specify the Fund's temporary life limit as well as its Maximum Amount.
- (vii) It shall provide the mechanism by which the investors rights shall be safeguarded in case of hidden faults, false statements or negligence concerning the Credit Rights.

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

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

### **III.8 Fund's settlement and extinction**

#### **III.8.1 Fund's early settlement**

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

- (i) On the date when the Credit Rights Outstanding Balance is under ten percent (10%) of the Credit Rights initial balance, provided the sale of Credit Rights outstanding repayment, together with the balance at the time in the Treasury

Account allows a full cancellation of all outstanding obligations with the Note holders and respecting the payments prior to these the priority order of which is preferent pursuant to the provisions of section V.5.2.1.2 hereof;

- (ii) When issued Notes are fully repaid.
- (iii) When due to an amendment to the current regulations or to the happening of exceptional circumstances, in the Management Company's opinion there was a substantial alteration or the Fund's financial balance was permanently damaged.
- (iv) If the Assignor exercised the repurchase right over the whole of the remaining Credit Rights held by the Fund, pursuant to the provisions of section IV.1.d) hereof, provided the sale of Credit Rights outstanding repayment, together with the balance at the time in the Treasury Account allows a full cancellation of all outstanding obligations with the Note holders and respecting the payments prior to these the priority order of which is preferent pursuant to the provisions of section V.5.2.1.2 hereof;
- (v) In the case provided by section 19 of Royal Decree 926/1998 establishing the duty to early settle the Fund in case four (4) months have passed since an event determining forced replacement of the Management Company takes place, because of the latter being declared under receivership or bankruptcy, and not having found a new management company prepared to undertake the Fund's management.
- (vi) When a default in payments showing a serious and permanent unbalance regarding any of the Notes or any of the unsubordinated loans takes place or its is foreseen to take place.
- (vii) After eighteen (18) months since the last Credit Rights' maturity.

### **III.8.2 Fund's extinction**

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

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

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

- (i) to sell the Credit Rights for a price that may not be under the market price. To this extent, the Managing Company shall request offers from, at least, five (5) of the more active companies in the relevant assets, and the Managing Company shall not sell such assets at a lower price than that of the best offer received. The BANK shall have a right of pre-emption to acquire said Credit Rights under the conditions set forth by the Management Company. In order to exercise said right of pre-emption the BANK shall have a five (5) Business Days term as of the date when the Management Company informs of the conditions for the Credit Rights sale. The above right of pre-emption does not involve, under no circumstances, an agreement or statement of repurchase of Credit Rights by the BANK;
- (ii) to cancel the agreements that are not necessary for the Fund's settlement process;
- (iii) to agree on a facility that shall be fully and immediately used for early repayment of the Notes issue. Return of said facility shall only be guaranteed by the interest and principal amount flows inherent to Credit Rights outstanding repayment and the produce of the sale of the remaining assets of the Fund's assets;

- (iv) in the event that the above actions were insufficient or that there were remnant assets, it shall sell the remaining assets of the Fund's assets. The Management Company shall be empowered to accept the offers that in its opinion cover the market value of the asset in question and are paid cash. In order to fix the market value, the Management Company may obtain the appraisal reports it deems necessary.

The Management Company, once the reserve for extinction initial expenses is made, shall immediately apply all the amounts it obtains from the sale of the Fund's assets to payment of the different items, in the relevant way, amount and priority order, as provided by section V.5.2.1.2 hereof, with the exception of the duty to keep the Reserve Fund and save for the amounts drawn down, as the case may be, of the agreed facility that shall be fully used for early repayment of the issue.

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

In any event the Management Company, for and on behalf of the Fund, shall not make the extinction of the Fund and cancellation of its registration with the relevant government registries until it has settled the Fund's remnant assets and distribution of the Fund's available funds, following the payment priority order provided by section V.5.2.1.2 hereof, with the exception of the appropriate reserve to meet the initial extinction expenses.

Once the six (6) month term as of the Fund's remnant assets and the distribution of available funds is over, the Management Company shall grant a Notary's Deed stating (i) that the Fund is extinguished as well as the causes provided by the Deed of Incorporation and by this Prospectus that caused

extinction thereof, (ii) the information procedure to the Note holders and the CNMV, and (iii) distribution of the Fund's available amounts following the payment priority order provided by section V.5.2.1.2 hereof. This shall be advertised in a Spanish newspaper and it shall meet the remaining relevant government requirements. The Management Company shall submit said notarial document to the CNMV.



## CHAPTER IV

### INFORMATION ON THE FEATURES OF THE ASSETS SECURITIZED THROUGH THE FUND

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

At least ninety nine percent (99%) of Credit Rights volume and the total volume the Fund is incorporated with have been granted to PYMES with address in Spain, pursuant to the European Commission definition (Recommendation of April 3, 1996), that is, that meet the following requirements: (i) staff under two hundred and fifty (250) employees, (ii) annual turnover under forty million Euro (EUR 40,000,000) or a general annual balance under twenty seven million Euro (EUR 27,000,000) and (iii) not being held in twenty five percent (25%) or more by a company that cannot be defined as a small business. The BANK intends to take said Credit Rights out of its balance by assigning them to the Fund.

Credit Rights might be classed in (i) Initial Credit Rights the Fund acquires at the time of incorporation, (ii) New Credit Rights the Fund may acquire later. This means the Fund's assets shall be modified after incorporation as a result of the full or partial repayment of Initial Credit Rights and subsequent New Credit Rights acquisition.

- a)** All Credit Rights shall individually meet all the individual securitization requirements (hereinafter the "**Individual Securitization Requirements**") detailed below:
- (i) that it is a bilateral loan granted by BSCH to a non-financial small business with address in Spain;
  - (ii) that it is denominated and is to be paid in Euro;

- (iii) that it is guaranteed by real guarantee (real estate mortgage) or by personal guarantee (bond);
- (iv) that it accrues interest at a fixed or variable rate referenced in some market index;
- (v) that it has a maturity date not later than July 1st, 2032;
- (vi) that, in case they are loans financed by *Instituto de Crédito Oficial (ICO)*, said loan meets the conditions set forth in the agreements entered into between BSCH and said entity;
- (vii) that at the time of assignment and regarding New Credit Rights, the Debtor has met all its payment obligations under the underlying loan and has paid at least twelve (12) monthly instalments or four (4) quarterly instalments;
- (viii) that it has been produced during the ordinary course of BSCH business;
- (ix) that BSCH is its holder, free from charges and claims;
- (x) that it meets, at the time of granting, BSCH granting policy criteria;
- (xi) that it is a loan regarding which BSCH has not received any claim or clearing notice prior to the assignment to the Fund;
- (xii) that Debtor's payments inherent to the loan are not subject to any tax deduction or withholding;
- (xiii) that there is no obstacle for free assignment to the Fund;
- (xiv) that it involves a valid and binding payment duty for the Debtor and it is a liability pursuant to its own terms (except for the case of liability limitation due to insolvency);

- (xv) that at the time of assignment to the Fund the Debtor is not under any meeting of creditors situation;
- (xvi) that Credit Rights principal amount and interest instalments are monthly or quarterly settled and there is no clause allowing deferred payment of interest or principal amount or payment at maturity;
- (xvii) that Credit Right settlement is made by automatic direct debiting authorised by the Debtor at the time of entering into the transaction;
- (xviii) that is governed by the Spanish law;
- (xix) that it is documented in public deed or in agreement granted by a notary public. BSCH shall keep, as applicable, a first copy of the deed of incorporation or of the notarised agreement;
- (xx) that the initial repayment term is not under one year;
- (xxi) that no loan provides a maximum limit in the applicable interest rate;
- (xxii) that no loan has been granted to property developers for construction or rehabilitation of housings and/or commercial premises to be sold;
- (xxiii) that all the loans are completely disposed;
- (xxiv) that no person has a preferrent right to the Fund regarding the loans;
- (xxv) that, in the moment of the assignment and regarding the Initial Credit Rights, the Debtor is update regarding the payment obligations under the underlying loan and has paid at least two (2) instalments.

Also Credit Rights jointly must meet at the time of the Fund's incorporation and after each New Credit Rights acquisition the following global securitization requirements

(hereinafter the "**Global Securitization Requirements**") which, together with the aforementioned Individual Securitization Requirements shall be the securitization requirements (hereinafter the "**Securitization Requirements**"):

- (i) that the Loans average weighted maturity is not over fifteen (15) years,
- (ii) that the Outstanding Balance percentage of Credit Rights guaranteed with a mortgage over the Credit Rights Outstanding Balance is not under seventy five percent (75%),
- (iii) that the Credit Rights Outstanding Balance with quarterly instalments is not over twenty percent (20%) of the Credit Rights Outstanding Balance,
- (iv) that Credit Rights as a whole meet the requirements provided by Order of December 28, 2001,
- (v) that there is no Debtor the representation of whom in the set of Credit Rights assigned is over zero point five percent (0.5%) of the Credit Rights Outstanding Balance,
- (vi) that the Credit Rights average weighted interest rate is over the Notes reference interest rate applicable from time to time, plus a margin of zero point seventy five percent (0,75%).
- (vii) that the aggregate Outstanding Balance belonging to Debtors with a representation in the set of Credit Rights over zero point one percent (0.1%) is not over five percent (5%) of Credit Rights Outstanding Balance,
- (viii) that the aggregate Outstanding Balance belonging to Debtors of the same financial activity sector is not over seventeen percent (17%) of Credit Rights Outstanding Balance,

- (ix) that the aggregate Outstanding Balance belonging to Debtors of the three (3) financial activity sector with the highest representation in the set of Credit Rights is not over forty percent (40%) of Credit Rights Outstanding Balance,
- (x) that the principal amount outstanding repayment belonging to Debtors of the Autonomous Community with the highest representation in the set of Credit Rights is not over twenty five percent (25%) of Credit Rights Outstanding Balance, and
- (xi) that the aggregate Outstanding Balance belonging to Debtors of the three (3) Autonomous Communities with the highest representation in the set of Credit Rights is not over fifty percent (50%) of Credit Rights Outstanding Balance.

Further to the classification distinguishing between Initial Credit Rights and New Credit Rights, Credit Rights may be classed, in terms of the guarantee, into Credit Rights inherent to Mortgage Loans and Credit Rights inherent to Non-Mortgage Loans.

The preliminary Loan portfolio of which Initial Credit Rights shall come from that shall be assigned to the Fund at the time of incorporation is comprised by twenty three thousand one hundred and one (23,101) Loans, the outstanding principal amount of which as at September 1, 2003 amounted to two thousand and three million nine hundred and thirty three thousand three hundred and eighty eight Euros and thirty two cents (EUR 2,003,933,388.32). The outstanding capital of the Mortgage Loans as at September 1<sup>st</sup>, 2003 represents eighty four point thirty six percent (84.36%) of the outstanding capital of said preliminary Loan portfolio. The main features of said Loans are described in section IV.4 hereof.

The Audit Report enclosed as **Schedule 4** hereto regards all of the Loans subject to this securitization.

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

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

**b.1) In connection with the BANK:**

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

**b.2) In connection with Credit Rights:**

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

**b.3) In connection with the Mortgage Loans:**

- (1) That each of the Mortgage Loans is guaranteed by real estate mortgage constituted over full domain of each and every of the properties in question, the mortgaged properties not being under prohibitions to draw down, conditions subsequent or any other limitation to domain.
- (2) That all Mortgage Loans are notarised in public deed and all the mortgages are duly incorporated and registered at the relevant Property Registries. Registration of the mortgaged properties is in force and with no contradictions.

- (3) That the Mortgage Loans are not documented in securities, whether nominative, to order or bearer's securities .
- (4) That the Mortgage Loans are not affected to any issue of mortgage notes or mortgage shares
- (5) That the mortgaged properties in terms of the Mortgage Loans are not under the situation of excluded goods to be admitted as guarantee pursuant to article 31.1.d) of Royal Decree 685/1982.
- (6) That the Mortgage Loans are not among the credits excluded in article 32 of Royal Decree 685/1982.
- (7) That all mortgage deeds regarding the Mortgage Loans are duly deposited in the files of the BANK, adjusted to that purpose, at the Management Company's request, for and on behalf of the Fund, and all Mortgage Loans are clearly identified, both in computer support and in deeds.
- (8) That it is not aware of any litigation in connection with the Mortgage Loans that may be against the validity of the same or that may give rise to application of article 1,535 of the Code of Civil Procedure, or of the existence of any circumstances that may give rise to the inefficiency of the purchase agreement of the mortgaged property as guarantee of the Mortgage Loans.
- (9) That on the issue date it has not received any notice for early repayment of the Mortgage Loans.
- (10) That it is not aware of any circumstance preventing form legal claim of the mortgage guarantee.

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



- (1) That CTH are issued under market conditions and, pursuant to the Act 2/1981, Royal Decree 685/1982 with the exception of Section 2, Royal Decree 1289/1991, Additional Provision Five of the Act 3/1994, of April 14, as amended by article 18 of Act 44/2002, of November 22, on Measures for Reformation of the Financial System in terms of which the current legislation applying to mortgage holdings is applied to the CTH issue, regarding everything applicable and remaining applicable legislation, meet all the requirements provided by them.
- (2) That the CTH are issued by the same term remaining until the maturity and by the same interest rate of each of the relevant Mortgage Loan.
- (3) That is not aware of the fact that any of the Debtor of the Mortgage Loans is being holder of any credit right against the BANK by means of which it is attributed the right to exercise the compensation that could negatively affect to the right attributed to the CTH.
- (4) That, in the issue date, outstanding balance of each Mortgage Loan is equivalent to the amount of capital of the relevant CTH and that, in turn, the total capital of the CTH will be at least equivalent to the face value of the issue of the Notes.
- (5) That the Mortgage Loans are not affected to any issue of mortgage loans or mortgage shares, different from the issue of CTH and, up to the issue of these, the Mortgage Loans will be not affected to any issue of mortgage certificates (*cédulas hipotecarias*), mortgage notes, mortgage shares or other CTH.
- (6) That, after the issue of the Notes, the outstanding balance of the mortgage certificates issued by the BANK is not bigger than the ninety percent (90%) of the sum of no repayment amounts of the mortgage loans of its portfolio, deducting those affected to other mortgage securities.

**c) Credit Rights assignment.**

**c.1) Initial Credit Rights assignment.**

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

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

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

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

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

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

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

- **CTH Issue**

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

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

- **Representation of Mortgage Transfer Certificates**

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

Both in the cases of having to replace any of the Mortgage Transfer Certificates, pursuant to the Deed of Incorporation, and in case the Management Company, for and on behalf of the Fund legally claims a Mortgage Loan under a certain Mortgage Transfer Certificate pursuant to the provisions of Clause 6.1.2 of the Deed of Incorporation, as well as, if the fund was early repaid, in the cases and under the terms of Clause 5 of the Deed of Incorporation and section III.8 hereof the sale of said Mortgage Transfer Certificates should take place, the Assignor

undertakes to divide into fractions, as the case may be, any multiple security into as many individual or global securities as necessary, to replace it or exchange it in order to achieve the above goals.

- **CTH transfer and registration**

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

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

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

The following data shall also be entered in said book:

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

- **Capital Transfers**

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

The preliminary Loan portfolio from where Initial Credit Rights that are going to be assigned to the Fund shall come is comprised by seventeen thousand ninety seven (17,097) Loans with mortgage guarantee, the outstanding capital of which, as at September 1<sup>st</sup>, 2003 amounted to one thousand six hundred and ninety million five hundred and fifty four thousand six hundred and forty eight Euro and twenty two cents (EUR 1,690,554,648.22) and six thousand and four (6,004) Loans with personal guarantee, the outstanding capital of which as at September 1<sup>st</sup>, 2003 amounted to three hundred and thirteen million three hundred and seventy eight thousand seven hundred and forty Euro and ten cents (EUR 313,378,740.10).

The Loans that shall be finally securitized shall have an outstanding capital of one thousand eight hundred million Euro and one cent (EUR 1,800,000,01) , corresponding to twenty thousand seven hundred and forty two (20.742) loans.

3) **Credit Rights assignment price:**

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

The price must be fully paid before 15:00 hours (Madrid time) of the same Business Day, with value on that same date, when the Notes issue is fully disbursed (September 26, 2003) pursuant to the provisions of clause 6.13 of the Deed of Incorporation. Payment shall be made by order issued by the Management Company to the BANK for it to charge into the treasury account opened with the BANK under the Fund's name (hereinafter the "**Treasury Account**") the amount of the price for the Credit Rights purchase.

**c.2) New Credit Rights assignment.**

(1) **Renewal Term.**

With the purpose to renew the Fund's assets, the Management Company for and on behalf of the Fund, shall quarterly purchase from the BANK New Credit Rights for a limited term of nine (9) subsequent Payment Dates as of the first Payment Date (inclusive) of the Fund (the "**Renewal Term**") for an amount equivalent to those that have been regularly or early repaid, either fully or partially, and the Bad Loans.

The surplus over the amounts belonging to repaid Credit rights up to the full amount of Bad Loans shall come from the Excess Margin and the remnant, as the case may be, of the Loan for Initial Expenses.

Under no circumstances shall the BANK repurchase from the Fund the Bad Loans under the above paragraph. The BANK shall by no means be liable for the success of the same remaining with the Fund's portfolio (registered in the Order Accounts).

Under no circumstances an amount over the Available Funds for Repayment, as defined in section II.11.3.g), shall be used to purchase New Credit rights.

In principle, the total amount of Available Fund for Repayment shall be used to such effect, which shall be rounded down should it be impossible to obtain an exact figure due to the addition of the New Credit Rights.

New Credit Rights purchases within the Renewal Term shall be made on every Payment Date. As an exception, the purchase shall not take place, the Renewal Term being over, if any of the following circumstances arise during said Renewal Term:

- a).- that the BANK is under insolvency, receivership, bankruptcy or any other meeting of creditors condition,
- b).- that there is a Capital Insufficiency defined as the positive difference between the Amount Accrued for Repayment and the Available Funds for Repayment.

- c).- that the available amount in the reserve fund described in section V.3.5 hereof (hereinafter the "**Reserve Fund**") is under the amount of the required Reserve Fund,
- d).- that during two (2) subsequent Payment Dates the Credit Rights Outstanding Balance is equal or under ninety percent (90%) of the Notes Outstanding Balance,
- e).- that the BANK leaves management of the Loans to which Credit Rights are inherent,
- f).- Swap termination unless replaced by an equivalent agreement without a negative effect in the rating of the Notes,
- g).- that the Fund is under insolvency or bankruptcy.

The Renewal Term shall temporarily be suspended while the amount of the Credit Rights Outstanding Balance in default for over ninety (90) days is equal or over two percent (2%) of the Credit Rights principal amount. During suspension, the Available Funds for Repayment shall be deposited in the Treasury Account.

2) **New Credit Rights assignment.**

New Credit Rights Inherent to Non-Mortgage Loans assignment shall be carried out by means of an Assignment Agreement of Credit Rights Inherent to Non-Mortgage Loans formalised in Public Deed, containing identical covenants as the Credit Rights Inherent to Non-Mortgage Loans Assignment Covenants, save for those regarding identification of the Credit Rights assigned.

Assignment to the Fund of New Credit Rights Inherent to Mortgage Loans shall be performed by the BANK's issue of CTH for subscription by the

Management Company on behalf of the Fund by a public deed containing the same covenants as the Covenants for Issue and Subscription of CTH, save for those relating to identification of the assigned Credit Rights

The Deed of Incorporation defines in detail the BANK's duty to assign in future New Credit Rights selected by the Management Company pursuant to the terms and conditions provided by this Prospectus and the Deed of Incorporation.

The provided rota for an estimate pre-payment date of eight percent (8%) shall be between one hundred million (100,000,000) and one hundred and thirty million (130,000,000) Euro, representing a percentage that shall be between 5.5% and 7.2% over the nominal amount of all Classes.

Upon every New Credit rights Purchase, the Management Company must submit to the CNMV the following documentation:

1. By Cifradoc, details of the New Credit Rights assigned to the Fund and their main features.
2. Management Company's statement, also signed by the BANK, that the New Credit Rights meet all the Securitization Requirements described in section IV.1.a) and have the features described in sections IV.1.b.2) and IV.1.b.3) (the latter regarding Credit Rights Inherent to Mortgage Loans) hereof and of Clauses 8.2 and 8.3 of the Deed of Incorporation, as well as those provided by section IV.1.b.4 hereof and by Clause 8.4 of the Deed of Incorporation regarding the CTH, as the case may be.

The BANK shall also reiterate the statements contained in section IV.1.b.1 hereof and in Clause 8.1 of the Deed of Incorporation.

3. Copy of the Credit Rights Inherent to Non-Mortgage Loans Assignment Agreement and of the Deed of CTH Issue.



4. Annual Audit Report under the same terms as those provided for the Initial Credit Rights Assignment, for New Credit Rights purchases that, as the case may be, are carried out until November 15, 2004 and until November 15, 2005.
5. Asset homogeneity certificate.

For the above purposes the Management Company has adhered to the CNMV's Cifradoc system for telematic information of the New Credit Rights details by the remittance of computer files.

The assignment shall be full and unconditional and shall be made for the whole remaining term until full maturity of the New Credit Rights, since the Payment Date when they are purchased and payment by the Fund.

3) **New Credit Rights Assignment Price.**

The Fund shall pay the BANK the assignment price on each relevant Payment Date. The assignment price shall be at par, and shall be the amount equivalent to the face value of the principal amount outstanding payment of the New Credit Rights grouped into the Fund on the relevant Payment Date.

The maximum amount that the Management Company shall use on a Payment Date during the Renewal Period for the acquisition of New Credit Rights shall be the amount of the Available Funds for Repayment on said Payment Date. The remnant left, as the case may be, shall be deposited in the Fund's Treasury Account.

**c.3) Assignor's liability.**

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

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

**c.4) Credit Rights Assignment Formalisation**

On the Fund's Date of Incorporation the Management Company, for and on behalf of the Fund, shall enter into with BSCH the Covenants for Assignment of Credit Rights Inherent to Non-Mortgage Loans and the Covenants for Issue and Subscription of CTH (hereinafter jointly the "**Credit Rights Assignment Covenants**") contained in the Deed of Incorporation.

**(1) Purpose**

The Credit Rights Assignment Agreements purpose is:

- (i) assignment to the Fund by BSCH of the Initial Credit Rights on the Fund's Date of Incorporation and
- (ii) establishing BSCH duty to assign in future the New Credit Rights selected by the Management Company pursuant to the provisions of section IV.1.c.4.(2) below, all of it under the terms and conditions provided by the Deed of Incorporation.

**(2) Procedure for purchase of New Credit Rights**

The procedure to be followed to select the New Credit Rights that the Management Company may acquire during the Renewal Period is the following:

- (a) Quarterly, seven (7) Business Days in advance of every Payment Date (hereinafter the “**Offer Dates**”) BSCH shall send to the Management Company by computer a computer file with details of all the possible New Credit Rights it holds.

BSCH shall guarantee to the Management Company that said possible New Credit Rights meet, each and every one of the Individual Securitization Requirements provided by section IV.1.a) hereof and that they have the features described in sections IV.1.b.2) and IV.1.b.3) (the latter regarding Credit Rights Inherent to Mortgage Loans) hereof and in Clauses 8.2 and 8.3 of the Deed of Incorporation, as well as those of section IV.1.b.4) hereof and by Clause 8.4 of the Deed of Incorporation regarding the CTH, as the case may be.

The BANK shall also reiterate the statements contained in section IV.1.b) hereof and Clause 8.1 of the Deed of Incorporation.

- b) Among all the Loans included in the computer file forwarded by BSCH, the Management Company shall choose at random New Credit Rights for the closest amount possible to those repaid regularly or early and the Bad Loans, with the purpose to renew the Fund’s assets. Said random selection must in any case meet the Global Securitization Requirements provided by section IV.1 hereof.

The Management Company shall provide BSCH with a computer file with details of the New Credit Rights selected.

- c) On each of the nine (9) Payment Dates of the Renewal Period, BSCH and the Management Company for and on behalf of the Fund, shall formalise the assignment of the New Credit Rights selected by the Management Company in the way provided by section IV.1.c.4.(3) hereof.

**(3) Applicable legislation to the assignment of Credit Rights**

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

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

Under article 1.527 of the Spanish Civil Code, the debtor that before being aware of the assignment pays the creditor shall be free from the liability. For that purpose, under the Credit Rights Assignment Agreements, the Assignor must notify (either by itself or by means of a notary) the assignment when necessary or required pursuant to the terms of said Credit Rights, to the respective Debtors within a five (5) Business Day term following entering into the relevant agreement for assignment of Credit Rights, or at any time after if so required by the Management Company. Once assignment has been notified to the Debtors, the latter shall only be free from their liabilities by payment to the Payment Agent. Pursuant to article 1.198 of the Spanish Civil Code, the Debtor that has agreed on the assignment may not charge to the fund the compensation it would have had against the Assignor.

In case the Management Company cancelled the mandate granted to the Assignor as Credit Rights Manager, as mentioned in section IV.2.1 hereof, the former may require from the outgoing Manager to notify the relevant Debtors of the assignment of Credit Rights Inherent to Non-Mortgage Loans and of the CTH Issue, as well as that the payments inherent to the same may only be freeing if they are paid into the relevant account appointed by the Management

Company. In case the Assignor had not met the Management Company's requirement within the five (5) Business Days following receipt, the Management Company shall make the aforementioned notice, notwithstanding the contractual liability the Assignor might have incurred as a result of said default.

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

**(4) Credit Rights assignments terms and conditions**

Each Credit Rights assignment shall be made, under the relevant Credit Rights assignment agreement, under the following conditions:

- (i) Assignment of each of the Credit Rights shall comprise the capital outstanding reimbursement on the Fund's Date of Incorporation (in case of Initial Credit Rights) or in the relevant Payment Date on which they are acquired (in case of New Credit Rights) and all of the outstanding interests.

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

- (ii) Assignment to the Fund of Credit Rights shall be full and unconditional and for the full remaining term until maturity of the same.

- (iii) Credit Rights assignment shall also comprise the assignment of any of the real or personal guarantees provided as guarantee of each of the Credit Rights (hereinafter the “**Guarantees**”) and of the rights accessory to the same.
- (iv) Assignment of New Credit Rights Inherent to Non Mortgage Loans shall be put into a public deed.

Assignment of New Credit Rights Inherent to Mortgage Loans shall be formalised by Deed of CTH Issue and Subscription.

- (v) While the respective Debtor is not notified of the assignment of a Credit Right Inherent to Non-Mortgage Loans, the BANK shall file on its own behalf and on behalf of the Fund the necessary legal actions (including, as the case may be, those regarding Guarantee enforcement) against said Debtor by reason of the Credit Right in question. Once said notice is made, the Management Company (or the empowered attorneys it appoints) must file said actions for and on behalf of the Fund.
- (vi) In case that any of the Credit Rights was concerned by a hidden fault due to not adjusting on the date of assignment to the Fund to the Securitization Requirements provided by section IV.1.a) hereof and the statements contained in sections IV.1.b.2), IV.1.b.3) and IV.1.b.4), as the case may be, or that on that date they do not meet the features informed by the BANK to the Management Company, the party being aware of said circumstance shall notify in writing to the other party. Both parties must, within the five (5) following Business Days, repair the hidden fault or, if said hidden fault cannot be mended, replace the concerned Credit Right by another one or others with total Outstanding Balance equal or under, the selection of which must be made in the way provided by section IV.1.c4)(2) above.

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

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

- (vii) The BANK shall be liable against the Fund for any damages it suffers as a result of the exercise of the right to compensation by any of the Debtors. The BANK must pay the Fund an amount equal to the amount

that would have been subject to compensation by the relevant Debtor plus, as the case may be, the interest accrued by said amount since the date when compensation took place (inclusive) until the date of payment by the BANK to the Fund (exclusive) calculated at the rate provided by the relevant Credit Right.

- (viii) The BANK shall not have any repurchase liability of the Credit Rights save for the provisions of section IV.1.c.4)(4)(vi) above.

**d) Assignor's repurchase right.**

The BANK, in its capacity as Credit Rights Assignor is expressly empowered by the Management Company to enforce the repurchase right of Credit Rights in case the Credit Rights Outstanding Balance is under ten percent (10%) of the initial balance of the Credit Rights.

In any event enforcement of the repurchase right must take place on a Payment Date and fall over the total assets assigned.

**d.1) Price for exercise of the repurchase right**

The price that the BANK must pay to the Fund as a result of the exercise of the repurchase right shall be equal to the addition of the repurchase price of each of the Loans. The repurchase price for each of the Loans shall be:

- (i) For Loans that have no default in payment or bad debts: its Outstanding Balance on the Payment Date when the repurchase right becomes effective together with the standard interest accrued and not due until said Payment Date; and
- (ii) For Loans with amounts in default and/or bad debts: the price indicated by a third party, appointed by mutual agreement between the BANK and the Management Company, on the basis of the recovery expectations.



In any event, the price the BANK pays to the Fund when exercising the repurchase right must be enough for the Fund to be able to fully meet all the payment duties that it had on that date with the Note holders, observing the payment priority order provided by section V.5.2.1.2 hereof.

**d.2) Exercise of the repurchase right**

Once the repurchase right is exercised, the BANK shall be surrogated in the position of holder of the repurchased assets and shall be entitled to receive any amounts accrued by the same as from said moment.

The BANK must inform the Management Company of its intention to exercise the repurchase right at least thirty (30) days in advance of the Payment Date when said repurchase right is going to be exercised.

The Management Company undertakes to grant the repurchase documents of the assets for and on behalf of the Fund. The expenses for granting the same shall be for the BANK's account.

The exercise of the repurchase right by the BANK shall result in the Fund's extinction pursuant to the provisions of section III.8.1 hereof.

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

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

In particular Credit Rights give the following rights:

- a) the total amounts accrued by the Credit Rights capital or principal amount repayment,
- b) the total amounts accrued by the Credit Rights standard interests,

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

All the above rights shall accrue in favour of the Fund as of the date of granting of the Deed of Incorporation.

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

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

**IV.2.1 Management**

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

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

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

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

## **IV.2.2 Duration**

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

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

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

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

The Manager, in turn, may voluntarily waive to enforce management and administration of the Credit Rights should it be possible pursuant to the current legislation at the time and provided that (i) it was authorised by the Management Company, (ii) the Management Company had appointed a new Manager, (iii) the Manager had compensated the Fund for damages caused by the waiver and the replacement, and (iv) no negative impact affected the rating of the Notes.

If for any of the reasons provided by this section the BANK's replacement in its task as Manager of said Credit Rights took place by an entity not belonging to the BANK's

consolidated group, the replacement entity shall be entitled to receive a management fee that shall take number 1 in the priority order provided by section V.5.2.1.2 hereof.

#### **IV.2.3.Subcontracting**

The BANK may sub-contract any of the services it has undertaken to supply to the Management Company, on behalf of the Fund, save for those that cannot be delegated pursuant to the current legislation. Said subcontracting may under no circumstances involve an increase in the price to be paid by the Fund, through its Management Company, to the BANK for service supply and not give rise to review to decrease the Notes rating.

Notwithstanding any sub-contracting or delegation the BANK is neither exempt nor freed by means of said sub-contracting or delegation from any of its liabilities undertaken under the Deed of Incorporation.

#### **IV.2.4 BANK's liability**

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

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

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

#### **IV.2.5 Agreement, deeds, document and file custody**

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

The Manager shall reasonably provide access, at all times, to said agreements, deeds, documents and registries for the Management Company or for the Fund's Account Auditor, duly authorised by the same. Also and if requested by the Management Company, it shall provide within the seven (7) Business Days following said application and free from charges, a copy or a photocopy of any of said agreements, deeds and documents.

The Manager waives under any circumstances the privileges granted by law in his capacity as the Fund's collection manager and custody of the Loan agreements and, in particular, those provided by sections 1730 and 1780 of the Spanish Civil Code and 276 of the Code of Commerce.

#### **IV.2.6 Collection Management**

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

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

#### **IV.2.7 Interest rate fixing**

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

#### **IV.2.8 Fund advance**

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

#### **IV.2.9 Insurance Policies**

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

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

#### **IV.2.10 Information**

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

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

#### **IV.2.11 Credit Rights Debtor Subrogation**

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

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

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

Notwithstanding the above, the Management Company may, under exceptional circumstances, give instructions to the Manager or prior authorise it to agree with the Debtor, under the terms and conditions it deems appropriate, an amending novation of the Credit Right in question.

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



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

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

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

The relevant deeds of novation of the re-negotiated Loans shall be kept by the BANK pursuant to the provisions of Clause 9.5 of the Deed of Incorporation.

In the cases of Credit Right(s) re-negotiation the Manager shall punctually inform the Management Company, individually for every Credit Right, of the conditions resulting of the Credit Right re-negotiation.

Without prejudice the foregoing, the renegotiation faculty granted to the Manager in this section shall be subject to the following limitations:

- a) From the moment on which the average interest rate of the Credit Rights become lower than the reference interest rate for the Notes, applicable from time to time, plus a margin of zero point seventy five percent (0.75%), the interest rate of the Loans cannot be renegotiated.

- b) The amount corresponding to the capital or principal of the Notes assigned to the Fund to which the maturity date is applied cannot exceed ten percent (10%) of the capital or principal assigned to the Fund of all the Loans.
- c) Extension of the maturity date of a given Loan may take place insofar as the following requirements are observed:
  - That, in any case, the term in between maturity dates of principal of the Loan remains unaltered or is reduced and insofar as the same repayment system used.
  - That the new final maturity date or last repayment of the Loan is July 1, 2032, the latest.

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

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

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

##### **a) Executory action against the Debtors.**

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

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

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

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

**b) Action against the Manager**

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

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

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

**c) Actions in case of default of the Mortgage Loans**

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

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

- (i) To urge the relevant Assigning Entity as Manager so as it requests the mortgage execution.
- (ii) To appear with the same rights as the Assignor, as issuing entity of the Mortgage Transfer Certificates, in the action filed against the Debtor, appearing in person for that purpose at any execution proceeding filed by the Management Company.
- (iii) If the Assignor does not file proceedings within the sixty (60) calendar days following the notary's summons for payment of the debt, the Management Company, for and on behalf of the Fund, shall

subsidiarily be empowered to file the Mortgage Loan mortgage action, both for capital and interest and the Assignor shall be liable for issuing a certificate of the Mortgage Loan current balance.

- (iv) In case the action filed by the Assignor is on halt, the Fund, duly represented by the Management Company, as holder of the relevant Mortgage Transfer Certificate may subrogate in the position of the former and continue the executory action, with no need for the term indicated to be over.

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

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

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

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

#### **IV.2.14 Service supply fee.**

BSCH shall get a fee for managing the Loans. Should BSCH be replaced in management of said Loans by another entity not belonging to the BANK's consolidated group, the replacing entity shall be entitled to receive a management fee that shall take nr. 1 place in the priority order provided by section V.5.2.1.2 hereof.

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

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

#### **IV.2.15 Other expenses and fees.**

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

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

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

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

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

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

***Facility investment and default***

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

Outstanding Credit Rights		Default Credit Rights	
Date	Balance	Doubtful*	% Default Rate
12-31-00	10,354.3	81.8	0.79%
06-30-01	11,785.1	84.8	0.72%
06-30-02	11,589.8	93.8	0.81%
12-31-02	10,988.9	93.4	0.85%
06-30-03	11,125.7	96.8	0.87%

\* Credit Rights rated as doubtful pursuant to Circular 4/1.991 of Banco de España

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

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

The preliminary Loan portfolio from which shall come the Initial Credit Rights to be assigned to the Fund at the time of incorporation is comprised by twenty three thousand one hundred and one (23,101) Loans, the outstanding principal amount of which, as at September 1st, 2003 amounted to two thousand and three million nine hundred and thirty three thousand three hundred and eighty eight Euro and thirty two cents (EUR 2,003,933,388.32).

<b>Loan portfolio as at 1/9/2003</b>		
	<b>Loan number</b>	<b>Outstanding Principal (Euro)</b>
Mortgage	17,097	1,690,554,648.22
Personal	6,004	313,378,740.10
<b>Total</b>	<b>23,101</b>	<b>2,003,933,388.32</b>

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

The principal amount Outstanding Balance or the Loan instalments outstanding maturity Outstanding Balance as at September 1, 2003 is within a rank of seven Euro and thirty six cents (7.36) and three million two hundred and forty four thousand nine hundred and ninety Euro and eighty seven cents (EUR 3,244,990.87).

The following table shows Loan distribution by outstanding principal amount.



**LOAN OUTSTANDING BALANCE**

Interval (Euros)	Outstanding Balances (thousand Euro)		Loans	
		%	nr	%
7,36 - 49.999,99	282.242,08	14,08	11.286	48,85
50.000,00 - 99.999,99	466.418,66	23,27	6.563	28,41
100.000,00 - 149.999,99	304.544,90	15,19	2.533	10,96
150.000,00 - 199.999,99	173.672,80	8,66	1.011	4,37
200.000,00 - 249.999,99	120.062,14	5,99	540	2,33
250.000,00 - 299.999,99	70.605,07	3,52	258	1,11
300.000,00 - 349.999,99	51.198,63	2,55	159	0,68
350.000,00 - 399.999,99	43.747,89	2,18	117	0,50
400.000,00 - 449.999,99	49.875,75	2,48	118	0,51
450.000,00 - 499.999,99	44.492,26	2,22	94	0,40
500.000,00 - 549.999,99	34.136,25	1,70	65	0,28
550.000,00 - 599.999,99	28.020,55	1,39	49	0,21
600.000,00 - 649.999,99	27.309,70	1,36	44	0,19
650.000,00 - 699.999,99	20.230,71	1,00	30	0,12
700.000,00 - 749.999,99	16.654,00	0,83	23	0,09
750.000,00 - 3.244.990,87	270.721,91	13,50	211	0,91
<b>Totals:</b>	<b>2.003.933.388,32</b>	<b>100,00</b>	<b>23.101</b>	<b>100,00</b>

**Maximum**

**outstanding balance:** 3.244.990,87 Euro

**Minimum outstanding  
balance:**

7,36 Euro

**Average outstanding**

**balance:** 86.746,60 Euro

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

The preliminary portfolio loans have been granted for amounts between a minimum Euro a thousand two hundred and sixty one Euros and fifty two cents (€1,261.52) and a maximum thirteen million five hundred and forty two thousand and two Euros and eighty three cents (€ 13,542,002.83). The portfolio average initial amount is of a hundred and twenty eight three hundred and ninety two Euros and twenty three cents (€128,392.23).

The following table shows the Loans statistical relation.

<b>LOAN INITIAL AMOUNTS</b>
-----------------------------

Interval (Euro)	Amounts		Loans	
	(Thousand Euro)	%	nr	%
1.261,52 - 49.999,99	236.139,56	7,96	7.507	32,49
50.000,00 - 99.999,99	559.558,18	18,86	7.763	33,60
100.000,00 - 149.999,99	387.855,79	13,07	3.229	13,97
150.000,00 - 199.999,99	287.823,15	9,70	1.715	7,42
200.000,00 - 249.999,99	191.743,06	6,46	854	3,69
250.000,00 - 299.999,99	89.929,43	3,03	332	1,43
300.000,00 - 349.999,99	124.300,19	4,19	399	1,72
350.000,00 - 399.999,99	79.324,72	2,67	215	0,93
400.000,00 - 449.999,99	54.207,91	1,82	128	0,55
450.000,00 - 499.999,99	86.972,55	2,93	186	0,80
500.000,00 - 549.999,99	42.094,07	1,41	80	0,34
550.000,00 - 599.999,99	23.964,39	0,80	42	0,18
600.000,00 - 649.999,99	85.438,92	2,88	141	0,61
650.000,00 - 699.999,99	28.818,03	0,97	43	0,18
700.000,00 - 749.999,99	22.397,54	0,75	31	0,13
750.000,00 - 13.542.002,83	665.421,41	22,43	436	1,88
<b>Totals:</b>	<b>2.965.988.963,30</b>	<b>100,00</b>	<b>23.101</b>	<b>100,00</b>

**Maximum Initial**

**Amount:** 13.542.002,83 Euro

**Minimum Initial**

**Amount:** 1261,52 Euro

**Average Initial Amount:** 128.392,23 Euro

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

Approximately fifty percent (50%) of the Loan Portfolio for the Initial Credit Rights are variable interest rate Loans consisting for the most part of the addition to the one (1) year EURIBOR rate of an average margin of zero point eighty five percent (0.85%).

Forty four percent (44%) of the Loan Portfolio for the Initial Credit Rights are variable interest rate Loans where the interest rate is determined by adding to the Financial Entities IRPH an average margin of zero point sixty five percent (0.65%).

The global average margin of variable interest rate loans is one point forty five percent (1.45%) on EURIBOR.

The remaining six percent (6%) of the Loan portfolio are Mortgage Loans with an average fix interest rate of five point eighty percent (5.80%).

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

<b>LOAN CURRENT INTEREST RATES</b>				
<b>Interval</b>  <b>(%)</b>	<b>Outstanding Balance</b>		<b>Loans</b>	
	<b>(thousand Euro)</b>	<b>%</b>	<b>Nr</b>	<b>%</b>
Inferior a 3,50	605.184,84	30,19	5.165	22,37
3,50 - 3,99	481.300,69	24,02	4.708	20,38
4,00 – 4,49	414.540,24	20,69	4.570	19,78
4,50 - 4,99	273.010,61	13,62	3.341	14,46
5,00 – 5,49	132.836,09	6,63	2.151	9,31
5,50 - 5,99	38.583,70	1,93	686	2,97
6,00 – 6,49	19.956,11	1,00	416	1,80
Superior a 6,50	38.521,07	1,92	2.064	8,93
<b>Totals:</b>	<b>2.003.933.388,32</b>	<b>100,00</b>	<b>23.101</b>	<b>100,00</b>

**Weighted interest rate:** 3,94%  
**Maximum interest rate:** 13,00%  
**Minimum interest rate:** 1,00%

#### IV.4.5 Information on the Loans reference indexes

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

<b>LOAN TABLE BY REFERENCE INDEX</b>				
<b>Variable Interest Rate</b>	<b>Outstanding Principal Amount</b>	<b>% Principal amount</b>	<b>Loans</b>	<b>% Loans</b>
1 year Euribor	920.598,12	45,94%	10.190	44,12%
3 month Euribor	56.286,32	2,81%	179	0,77%
6 month Euribor	30.607,02	1,53%	196	0,85%
1 year Mortgage Euribor I.R.P.H.	756.780,05	37,76%	7.346	31,80%
I.CO. Pymes	122.828,79	6,13%	1.671	7,22%
<b>Fix interest rate</b>	<b>116.832,76</b>	<b>5,83%</b>	<b>3.519</b>	<b>15,24%</b>

	2.003.933,06	100,00%	23.101	100,00%
Loan global average margin	0,699175			

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

##### *Formalising date*

Loans included into the provisional portfolio have been formalised on dates between April 5, 1990 and June 12, 2003.

The portfolio's average seniority as at September 1, 2003 is of three (3) years. Average seniority is calculated as the weighted average (for the principal amount outstanding on each loan) of the number of months between the formalising date and the date when calculation is made.

LOAN FORMALISING DATE				
Interval	Outstanding Balance		Loans	
	(thousand Euro)	%	nr	%
5/04/1990 - 31/12/1997	84.429,94	4,21	1.463	6,33
1/01/1998 - 31/12/1998	199.199,61	9,94	2.739	11,85
1/01/1999 - 31/12/1999	334.222,66	16,67	4.553	19,70
1/01/2000 - 31/12/2000	413.618,40	20,64	4.919	21,29
1/01/2001 - 31/12/2001	665.637,97	33,21	7.323	31,69
1/01/2002 - 12/06/2003	306.824,77	15,30	2.104	9,10
<b>Totals:</b>	<b>2.003.933.388,32</b>	<b>100,00</b>	<b>23.101</b>	<b>100,00</b>

**Maximum formalising date:** 12/06/2003  
**Minimum formalising date:** 5/04/1990  
**Average formalising date:** 15/7/2000

##### *Final maturity date*

Loans included into the provisional portfolio have final maturity on dates between October 1<sup>st</sup>, 2003 and July 1<sup>st</sup>, 2032.

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

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

<b>LOAN MATURITY DATES</b>				
<b>Interval</b>	<b>Outsatnding Balances</b>		<b>Loans</b>	
	<b>(thousand Euro)</b>	<b>%</b>	<b>nr</b>	<b>%</b>
1/10/2003 - 31/12/2003	5.306,81	0,26	592	2,56
1/01/2004 - 31/12/2004	54.710,52	2,73	2.276	9,85
1/01/2005 - 31/12/2005	73.198,20	3,65	1.511	6,54
1/01/2006 - 31/12/2006	125.294,10	6,25	1.762	7,62
1/01/2007 - 31/12/2007	80.816,16	4,03	842	3,64
1/01/2008 - 31/12/2008	118.913,60	5,93	1.244	5,38
1/01/2009 - 31/12/2009	128.164,07	6,39	1.295	5,60
1/01/2010 - 31/12/2010	123.410,59	6,15	1.288	5,57
1/01/2011 - 31/12/2011	164.613,86	8,21	1.600	6,92
1/01/2012 - 31/12/2012	158.500,93	7,90	1.136	4,91
1/01/2013 - 31/12/2013	156.064,57	7,78	1.317	5,70
1/01/2014 - 31/12/2014	125.155,65	6,24	1.097	4,74
1/01/2015 - 31/12/2015	82.671,71	4,12	901	3,90
1/01/2016 - 31/12/2016	89.670,73	4,47	1.007	4,35
1/01/2017 - 31/12/2017	58.771,84	2,93	510	2,20
1/01/2018 - 31/12/2018	23.781,56	1,18	307	1,32
1/01/2019 - 31/12/2019	29.434,45	1,46	374	1,61
1/01/2020 - 31/12/2020	38.450,60	1,91	465	2,01
1/01/2021 - 31/12/2021	64.473,52	3,21	718	3,10
1/01/2022 - 31/12/2022	30.071,46	1,50	282	1,22
1/01/2023 - 31/12/2023	19.990,16	0,99	216	0,93
1/01/2024 - 31/12/2024	32.893,50	1,64	324	1,40
1/01/2025 - 31/12/2025	44.157,68	2,20	472	2,04
1/01/2026 - 31/12/2026	69.745,41	3,48	723	3,12
1/01/2027 - 31/12/2027	25.129,20	1,25	205	0,88
1/01/2028 - 31/12/2028	9.660,14	0,48	61	0,26
1/01/2029 - 31/12/2029	6.240,09	0,31	37	0,16
1/01/2030 - 31/12/2030	10.010,62	0,49	86	0,37
1/01/2031 - 31/12/2031	38.621,87	1,92	336	1,45
1/01/2032 - 1/07/2032	16.009,65	0,79	117	0,50
<b>Totals:</b>	<b>2.003.933.388,32</b>	<b>100,00</b>	<b>23.101</b>	<b>100,00</b>

**Maximum maturity date:** 1/07/2032  
**Minimum maturity date:** 1/10/2003  
**Average maturity date:** 20/9/2014

#### **IV.4.7 Purpose of the Loans assigned by the BANK**

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

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

LOANS CLASSING BY SECTORS				
Sector Description (Códigos)	Outstanding Balances		Loans	
	(thousand Euro)	%	Nr	%
01 Agricultura, ganadería, caza y actividades de los servicios r	77.448.280,97	3,85	1.209	5,22
02 Selvicultura, explotación forestal y actividades de los servi	1.673.483,59	0,08	26	0,11
05 Pesca, acuicultura y actividades de los servicios relacionado	6.044.479,67	0,30	57	0,24
10 Extracción y aglomeración de antracita, hulla, lignito y turb	227.765,79	0,01	3	0,01
11 Extracción de crudos de petróleo y gas natural; actividades d	396.678,60	0,01	6	0,02
13 Extracción de minerales metálicos	95.756,46	0,00	1	0,00
14 Extracción de minerales no metálicos ni energéticos	5.929.957,36	0,29	71	0,30
15 Industria de productos alimenticios y bebidas	51.439.150,30	2,56	508	2,19
16 Industria del tabaco	650.912,11	0,03	8	0,03
17 Industria textil	14.870.214,69	0,74	218	0,94
18 Industria de la confección y de la peletería	10.752.813,95	0,53	142	0,61
19 Preparación, curtido y acabado del cuero; fabricación de arti	5.500.530,85	0,27	100	0,43
20 Industria de la madera y del corcho, excepto muebles; cesteri	18.045.548,01	0,90	247	1,06
21 Industria del papel	8.585.771,48	0,42	60	0,25
22 Edición, artes graficas y reproducción de soportes grabados	20.349.531,56	1,01	220	0,95
23 Coquerías, refino de petróleo y tratamiento de combustibles	203.727,84	0,01	6	0,02
24 Industria química	14.685.873,65	0,73	147	0,63
25 Fabricación de productos de caucho y materias plásticas	12.999.035,46	0,64	117	0,50
26 Fabricación de otros productos minerales no metálicos	29.687.540,20	1,48	243	1,05
27 Metalurgia	11.704.330,41	0,58	128	0,55
28 Fabricación de productos metálicos, excepto maquinaria y equi	39.995.766,98	1,99	483	2,09
29 Industria de la construcción de maquinaria y equipo mecánico	23.369.275,21	1,16	222	0,96
30 Fabricación de maquinas de oficina y equipos informaticos	1.110.319,10	0,05	9	0,03
31 Fabricación de maquinaria y material eléctrico	6.419.388,94	0,32	91	0,39
32 Fabricación de material electrónico; fabricación de equipo y	5.427.586,70	0,27	26	0,11
33 Fabricación de equipo e instrumentos medico-quirúrgicos, de	2.383.551,06	0,11	34	0,14
34 Fabricación de vehículos de motor, remolques y semirremolques	9.647.722,46	0,48	62	0,26
35 Fabricación de otro material de transporte	2.061.844,00	0,10	19	0,08
36 Fabricación de muebles; otras industrias manufactureras	27.010.485,43	1,34	371	1,60
37 Reciclaje	1.865.604,53	0,09	17	0,07
40 Producción y distribución de energía eléctrica, gas, vapor y	2.838.939,47	0,14	29	0,12
41 Captación, depuración y distribución de agua	6.377.870,17	0,31	12	0,05
45 Construcción	181.233.066,52	9,04	2.273	9,83
50 Venta, mantenimiento y reparación de vehículos de motor, mot	62.445.030,41	3,11	749	3,24
51 Comercio al por mayor e intermediarios del comercio, excepto	144.996.551,22	7,23	1.726	7,47
52 Comercio al por menor, excepto el comercio de vehículos de mo	265.565.823,99	13,25	3.777	16,34
55 Hostelería	198.965.361,05	9,92	2.123	9,19
60 Transporte terrestre; transporte por tuberías	71.738.098,56	3,57	1.172	5,07
61 Transporte marítimo, de cabotaje y por vías de navegación int	946.362,84	0,04	10	0,04
62 Transporte aéreo y espacial	285.481,68	0,01	1	0,00
63 Actividades anexas a los transportes; actividades de agencias	22.177.474,85	1,10	273	1,18
64 Correos y telecomunicaciones	2.644.452,14	0,13	44	0,19
65 Intermediación financiera, excepto seguros y planes de pensio	1.230.958,10	0,06	3	0,01
67 Actividades auxiliares a la intermediación financiera	8.376.944,76	0,41	125	0,54
70 Actividades inmobiliarias	263.774.727,73	13,16	1.728	7,48
71 Alquiler de maquinaria y equipo sin operario, de efectos pers	4.999.200,58	0,24	68	0,29
72 Actividades informáticas	11.599.067,84	0,57	154	0,66
73 Investigación y desarrollo	1.202.411,56	0,06	7	0,03
74 Otras actividades empresariales	172.183.857,33	8,59	2.015	8,72
80 Educación	18.297.708,34	0,91	194	0,83
85 Actividades sanitarias y veterinarias, servicio social	83.317.527,93	4,15	889	3,84
90 Actividades de saneamiento publico	2.932.716,56	0,14	35	0,15
91 Actividades asociativas	794.249,84	0,03	8	0,03
92 Actividades recreativas, culturales y deportivas	34.363.082,76	1,71	375	1,62
93 Actividades diversas de servicios personales	30.028.955,81	1,49	459	1,98
95 Hogares que emplean personal domestico	34.538,92	0,00	1	0,00
<b>Totals:</b>	<b>2.003.933.388,32</b>	<b>100,00</b>	<b>23.101</b>	<b>100,00</b>

#### IV.4.8 Geographical distribution by Provinces

The following table shows, as at September 1, 2003, the Loan geographical distribution according to the Provinces where the debtors registered office is located.

<b>LOAN OUTSTANDING BALANCES BY PROVINCE</b>				
<b>Province</b>	<b>Outstanding Balances</b>		<b>Loans</b>	
	<b>(thousand Euro)</b>	<b>%</b>	<b>nr</b>	<b>%</b>
01 ALAVA	12.266,56	0,61	122	0,52
02 ALBACETE	13.341,66	0,66	247	1,06
03 ALICANTE	53.346,29	2,66	824	3,56
04 ALMERIA	22.086,93	1,10	310	1,34
05 AVILA	4.781,84	0,23	86	0,37
06 BADAJOZ	20.009,99	0,99	295	1,27
07 BALEARES	53.180,44	2,65	559	2,41
08 BARCELONA	200.467,95	10,00	1.879	8,13
09 BURGOS	9.233,23	0,46	124	0,53
10 CACERES	13.561,54	0,67	188	0,81
11 CADIZ	34.835,57	1,73	472	2,04
12 CASTELLON	27.732,64	1,38	229	0,99
13 CIUDAD REAL	15.488,49	0,77	231	0,99
14 CORDOBA	23.861,82	1,19	387	1,67
15 LA CORUÑA	17.345,98	0,86	257	1,11
16 CUENCA	6.665,03	0,33	90	0,38
17 GERONA	25.856,25	1,29	250	1,08
18 GRANADA	22.828,62	1,13	353	1,52
19 GUADALAJARA	4.471,61	0,22	58	0,25
20 GUIPUZCOA	51.456,94	2,56	577	2,49
21 HUELVA	11.530,50	0,57	203	0,87
22 HUESCA	10.097,62	0,50	129	0,55
23 JAEN	20.222,65	1,00	347	1,50
24 LEON	15.157,42	0,75	240	1,03
25 LERIDA	10.569,82	0,52	174	0,75
26 LA RIOJA	14.662,37	0,73	157	0,67
27 LUGO	4.556,11	0,22	73	0,31
28 MADRID	458.039,89	22,85	4.266	18,46
29 MALAGA	46.780,38	2,33	564	2,44
30 MURCIA	39.716,19	1,98	651	2,81
31 NAVARRA	24.632,77	1,22	204	0,88
32 ORENSE	6.128,75	0,30	73	0,31
33 ASTURIAS	32.122,99	1,60	363	1,57
34 PALENCIA	7.653,31	0,38	131	0,56
35 LAS PALMAS	127.385,25	6,35	1.395	6,03
36 PONTEVEDRA	22.709,21	1,13	300	1,29
37 SALAMANCA	15.406,89	0,76	187	0,80
38 TENERIFE	92.208,24	4,60	1.145	4,95
39 CANTABRIA	56.607,33	2,82	518	2,24
40 SEGOVIA	9.046,86	0,45	103	0,44
41 SEVILLA	76.857,66	3,83	1.068	4,62
42 SORIA	3.932,63	0,19	83	0,35
43 TARRAGONA	13.495,19	0,67	204	0,88
44 TERUEL	4.857,52	0,24	98	0,42
45 TOLEDO	27.695,98	1,38	387	1,67
46 VALENCIA	63.873,52	3,18	853	3,69
47 VALLADOLID	18.896,15	0,94	287	1,24
48 VIZCAYA	74.154,64	3,70	636	2,75
49 ZAMORA	4.646,86	0,23	76	0,32
50 ZARAGOZA	53.319,90	2,66	594	2,57
51 CEUTA	1.509,41	0,07	13	0,05
52 MELILLA	2.639,72	0,13	41	0,17
<b>Totals:</b>	<b>2.003.933.388,32</b>	<b>100,00</b>	<b>23.101</b>	<b>100,00</b>



#### IV.4.9 Information on the nature of PYME of the debtor businesses.

The following table shows distribution according to nature of PYME (small businesses pursuant to the definition of the European Commission pursuant to Recommendation of April 3, 1996) of the Debtor non financial businesses (or sole proprietors).

<b>Loan portfolio as at 15/07/2003</b>				
<b>Classification by kind of business</b>				
<b>Kind of business</b>	<b>Loans</b>	<b>%</b>	<b>Outstanding principal</b>	<b>%</b>
<b>PYME</b>	23.101	100,00	2.003.933.388,32	100,00
<b>Total Portfolio</b>	<b>23.101</b>	<b>100,00</b>	<b>2.003.933.388,32</b>	<b>100,00</b>

#### IV.4.10 Default in Loans assigned by BSCH

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

<b>DELAY IN PAYMENT OF INSTALMENTS</b>					
<b>Interval</b>	<b>Outstanding Balances</b>		<b>Loans</b>		
	<b>(thousand Euro)</b>	<b>%</b>	<b>Nr</b>	<b>%</b>	
<b>(days)</b>					
0 - 9	1.876.267,79	93,62	21.359	92,45	
10 - 19	40.608,09	2,02	455	1,96	
20 - 29	30.151,76	1,50	476	2,06	
30 - 39	11.971,76	0,59	175	0,75	
40 - 49	9.651,99	0,48	139	0,60	
50 - 59	14.773,99	0,73	200	0,86	
60 - 69	7.778,79	0,38	121	0,52	
70 - 79	6.651,91	0,33	88	0,38	
80 - 89	6.077,27	0,30	88	0,38	
<b>Totals:</b>	<b>2.003.933.388,32</b>	<b>100,00</b>	<b>23.101</b>	<b>100,00</b>	

## CHAPTER V

### INFORMATION ON THE ASSET SECURITIZATION FUND ECONOMIC AND FINANCIAL OPERATION

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

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

<b>BALANCE SHEET</b>			
<b>ASSETS</b>		<b>LIABILITIES</b>	
Credit Rights (*)	1.800.000.000,00 €	Class A Notes	1.014.300.000,00 €
Treasury Account	27.001.149,17 €	Class B1(G) Notes	537.100.000,00 €
		Class B2 Notes	134.300.000,00 €
		Class C Notes	27.000.000,00 €
Issue and Incorporation Expenses	1.188.450,83 €	Class D Notes	87.300.000,00 €
		Subordinated Loan	28.189.600,00 €
<b>Total Assets</b>	<b>1.828.189.600,00 €</b>	<b>Total liabilities</b>	<b>1.828.189.600,00 €</b>

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

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

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

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

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

- The amount drawn down on the Liquidity Facility, in case of drawdown (described in section V.3.6 below).

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

The amount of the Fund's assets and liabilities will decrease along the Fund's life as a result of the Credit Rights payment and the subsequent progressive repayment by the Management Company, on behalf of the Fund, of the Notes, of the amounts drawn down on the Loan for Initial Expenses, as the case may be, pursuant to the Payment Priority Order provided by section V.5.2.1.2 hereof.

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

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

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

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

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

**a) Credit Rights**

- (i) Volume of the Credit Rights portfolio. As at the Date of Incorporation the amount to be securitized shall be of about EUR 1,800,000,000, as shown in the above Balance Sheet.
- (ii) Interest Rate: the Credit Rights average interest rate is 3.94\*% yearly.
- (iii) TACP: 8% yearly, 0.69% monthly (\*), 16% yearly, 1.44% monthly (\*).
- (iv) Default percentage: 0.87% yearly, 0.07% monthly.
- (v) Bad debts: 0%

**b) Additional New Credit Rights**

- (i) End of the Renewal Term: November 15, 2005 (inclusive), that is, there is no early and final end of said Renewal Term.
  - (ii) There is no Repayment Deficit
  - (iii) Additional New Credit Rights average final maturity acquired during the Renewal Term: 11 years.

**c) Notes**

- (i) Volume: 1,800,000,000 Euro with no distinction of Classes A, B1(G), B2, C and D Notes.
- (ii) Interest rate: variable interest rate for the five Classes A, B1(G), B2, C and D Notes, assuming each of the Classes interest rate is constant at 2.401%, 2.151%, 2.551%, 3.051% and 3.951% respectively, considering a three months EURIBOR of 2.151%.
- (iii) Exercise by the issuer of the option for Early Repayment of all Classes Notes when the Credit Rights Outstanding Balance is under 10% of its initial amount.

**d) Supplementary agreements**

**d.1) Variable Interest Rate Reinvestment Agreement (Treasury Account)**

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\* The formule used is  $1-(1-TACP)^{1/12}$

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

Guaranteed profitability: 2.151% for amounts deposited with the Treasury Account (including the Reserve Fund). It is assumed that the EURIBOR interest rate applicable to each Payment Date shall be kept at 2,151 % for the whole issue's life.

**d.2) Subordinated Loan for Initial Expenses**

- \* Volume: 28,189,600.00 Euro that shall be used for funding the Fund's incorporation and the Notes issue (approximately 1,188,450.83 Euro) to partly fund Credit Rights acquisition (approximately 1,149.17 Euro) and to endow the Reserve Fund.
- \* Interest rate: interest rate of 2.901% (three (3) months Euribor plus margin of 0.75%)
- \* Repayment: the Loan's portion used to fund the Fund's incorporation expenses and the Notes issue expenses, shall be quarterly repaid, as those expenses are being repaid during the first three (3) years since the Fund's incorporation and the Notes issue. The portion of the Subordinated Loan used to partly fund the Credit Rights subscription, shall be repaid on the Payment Date after the Legal Maturity Date of said Credit Rights (July 1, 2034) or, as the case may be, on the early repayment date of the same. The remaining principal amount of the Subordinated Loan shall be repaid on each of the Payment Dates in an amount equal to the difference between the amounts of the balances required from the Reserve Fund as at the prior Fixing Date, and as at the current Fixing Date.

### **d.3) State Guarantee and Liquidity Facility Agreement**

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

### **d.4) Swap**

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

### **d.5) Reserve Fund**

The Reserve Fund shall be endowed with an initial amount of Euro 27,000,000 equivalent to 1.50% of the Issue's initial amount (Euro 1,800,000,000). It may quarterly decrease on each Payment Date once it reaches 3% of the Notes Outstanding Principal Amount Balance, keeping at said percentage until the Reserve Fund reaches the amount of Euro 18,000,000. From then on it shall keep constant at said level until the Fund's Legal Maturity Date, when it shall be used to meet the Fund's payment duties.

### **e) Fees**

The BANK shall get a quarterly loan management fee of six thousand Euros (€6,000) (VAT included).

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

**f) Standard expenses**

- (i) Management Company's fee: 0.025% yearly over the addition of all the Outstanding Principal Amount Balances of all Notes Classes, which cannot be under Euro sixty thousand (60,000) per year nor upper Euro three hundred thousand (300,000) per year.
- (ii) Expenses for Fund's annual audits, advertising and ratings maintenance.

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

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

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

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

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

Therefore said numeric chart is for mere information purposes.



FUND'S CASH FLOWS (in thousand Euro)

COBROS

26-09-03 1,800,000.00 Emisión de BT's  
28,189.60 Prestamo Subordinado A

26-09-03 1,800,000.00 Adquisicion de Derechos de Crédito (DC's)  
1,188.45 Gastos de Constitucion y Emision

(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
SALDO FONDO RESERVA	SALDO VIVO DC'S	FECHA	PRINCIPAL	INTERES SWAPS	INTERES REINVER.	TOTAL	GASTOS CTES.	INTERES A, B2, B1(G),C y D	PRINCIPAL A, B2, B1(G),C y D	INTERES PTMO. SUBDO	AMORT. PTMO. SUBDO	COMISIÓN FIJA SCH	COMISION VARIABLE SCH	TOTAL
27,000.00	1,800,000.00	15-11-03	0.00	19,877.66	124.98	20,002.64	511.64	6,056.30	0.00	112.02	99.04	6.00	13,217.64	20,002.64
27,000.00	1,800,000.00	15-02-04	0.00	17,217.28	363.55	17,580.83	563.42	11,143.59	0.00	208.25	99.04	6.00	5,560.52	17,580.83
27,000.00	1,800,000.00	15-05-04	0.00	16,529.07	352.18	16,881.26	560.96	10,901.34	0.00	203.01	99.04	6.00	5,110.91	16,881.26
27,000.00	1,800,000.00	15-08-04	0.00	16,585.11	355.06	16,940.17	563.42	11,143.59	0.00	206.79	99.04	6.00	4,921.34	16,940.17
27,000.00	1,800,000.00	15-11-04	0.00	16,266.97	347.97	16,614.95	563.42	11,143.59	0.00	206.05	99.04	6.00	4,596.84	16,614.95
27,000.00	1,800,000.00	15-02-05	0.00	15,979.30	353.02	16,332.33	563.42	11,143.59	0.00	205.32	99.04	6.00	4,314.96	16,332.33
27,000.00	1,800,000.00	15-05-05	0.00	15,138.16	338.34	15,476.50	559.73	10,780.21	0.00	197.91	99.04	6.00	3,833.61	15,476.50
27,000.00	1,800,000.00	15-08-05	0.00	15,324.85	344.10	15,668.95	563.42	11,143.59	0.00	203.85	99.04	6.00	3,653.05	15,668.95
27,000.00	1,800,000.00	15-11-05	0.00	18,870.67	337.01	19,207.69	563.42	11,143.59	0.00	203.11	99.04	6.00	7,192.52	19,207.69
27,000.00	1,730,404.98	15-02-06	104,989.54	17,465.48	374.47	122,829.50	563.42	11,143.59	104,989.54	202.38	99.04	6.00	5,825.52	122,829.50
27,000.00	1,661,370.49	15-05-06	101,024.46	15,940.00	352.26	117,316.72	527.08	10,157.01	101,024.46	195.07	99.04	6.00	5,308.06	117,316.72
27,000.00	1,598,271.17	15-08-06	92,134.62	15,511.84	348.65	107,995.10	498.94	9,879.51	92,134.62	200.91	99.04	6.00	5,176.09	107,995.10
27,000.00	1,537,873.28	15-11-06	86,864.02	14,615.56	331.40	101,810.98	470.10	9,314.18	86,864.02	200.18	0.00	6.00	4,956.50	101,810.98
27,000.00	1,479,748.07	15-02-07	82,362.98	13,814.07	326.13	96,503.18	442.91	8,781.19	82,362.98	200.18	0.00	6.00	4,709.91	96,503.18
27,000.00	1,422,490.28	15-05-07	78,783.75	12,610.42	306.20	91,700.37	414.39	8,005.96	78,783.75	193.65	0.00	6.00	4,296.62	91,700.37
27,000.00	1,367,408.14	15-08-07	74,206.20	12,288.12	306.49	86,800.81	392.47	7,792.42	74,206.20	200.18	0.00	6.00	4,203.55	86,800.81
27,000.00	1,313,159.14	15-11-07	70,967.07	11,584.15	297.12	82,848.33	369.24	7,337.10	70,967.07	200.18	0.00	6.00	3,968.75	82,848.33
27,000.00	1,260,249.26	15-02-08	67,426.04	10,926.74	292.16	78,644.94	347.03	6,901.65	67,426.04	200.18	0.00	6.00	3,764.04	78,644.94
27,000.00	1,207,758.75	15-05-08	64,772.54	10,039.83	278.06	75,090.43	324.50	6,346.89	64,772.54	195.83	0.00	6.00	3,444.67	75,090.43
27,000.00	1,158,402.67	15-08-08	60,047.37	9,624.29	276.19	69,947.85	305.65	6,090.49	60,047.37	200.18	0.00	6.00	3,298.16	69,947.85
25,784.72	1,110,394.43	15-11-08	56,930.89	9,035.07	266.82	66,232.77	286.85	5,722.05	56,930.89	200.18	0.00	6.00	3,086.80	66,232.77
24,168.92	1,063,837.91	15-02-09	53,859.77	8,467.71	256.02	62,583.50	269.03	5,372.73	53,859.77	191.17	0.00	6.00	2,884.80	62,583.50
22,620.35	1,017,789.12	15-05-09	51,619.04	7,674.83	233.52	59,527.39	250.52	4,877.83	51,619.04	173.35	0.00	6.00	2,600.65	59,527.39
21,168.77	973,711.57	15-08-09	48,386.18	7,425.66	226.14	56,037.99	236.02	4,739.29	48,386.18	167.71	0.00	6.00	2,502.79	56,037.99
19,784.34	930,417.58	15-11-09	46,147.62	6,949.00	211.71	53,308.33	220.87	4,463.42	46,147.62	156.95	0.00	6.00	2,313.47	53,308.33
18,494.17	889,312.81	15-02-10	43,005.63	6,490.23	200.18	49,696.04	206.43	4,200.31	43,005.63	146.68	0.00	6.00	2,130.99	49,696.04
18,000.00	849,116.81	15-05-10	40,884.25	5,868.18	181.18	46,933.61	191.70	3,826.14	40,884.25	132.65	0.00	6.00	1,892.87	46,933.61
18,000.00	810,870.62	15-08-10	38,144.47	5,664.05	179.01	43,987.53	180.17	3,722.02	38,144.47	133.45	0.00	6.00	1,801.42	43,987.53
18,000.00	773,425.76	15-11-10	36,284.61	5,288.90	173.51	41,747.02	168.23	3,504.54	36,284.61	133.45	0.00	6.00	1,650.19	41,747.02
18,000.00	737,532.55	15-02-11	34,012.36	4,927.86	170.53	39,110.75	156.87	3,297.66	34,012.36	133.45	0.00	6.00	1,504.40	39,110.75
18,000.00	702,250.20	15-05-11	32,434.96	4,441.89	160.85	37,037.70	145.26	3,002.53	32,434.96	129.10	0.00	6.00	1,319.85	37,037.70
18,000.00	669,266.70	15-08-11	29,870.88	4,273.42	161.46	34,305.76	136.07	2,918.82	29,870.88	133.45	0.00	6.00	1,240.54	34,305.76
18,000.00	637,287.54	15-11-11	28,212.85	3,981.00	156.42	32,350.28	126.72	2,748.51	28,212.85	133.45	0.00	6.00	1,122.74	32,350.28
18,000.00	607,418.68	15-02-12	25,965.97	3,701.10	153.67	29,820.74	117.89	2,587.66	25,965.97	133.45	0.00	6.00	1,009.76	29,820.74
18,000.00	578,473.79	15-05-12	24,515.07	3,372.11	145.83	28,033.01	109.28	2,386.58	24,515.07	130.55	0.00	6.00	885.53	28,033.01
18,000.00	552,082.04	15-08-12	22,196.00	3,206.26	145.51	25,547.77	102.09	2,299.84	22,196.00	133.45	0.00	6.00	810.38	25,547.77
18,000.00	526,856.06	15-11-12	20,766.06	2,990.30	141.05	23,897.41	95.14	2,173.29	20,766.06	133.45	0.00	6.00	723.47	23,897.41
18,000.00	502,993.59	15-02-13	19,291.54	2,783.98	139.18	22,214.70	88.64	2,054.89	19,291.54	133.45	0.00	6.00	640.17	22,214.70
18,000.00	479,705.69	15-05-13	18,307.64	2,509.30	131.99	20,948.92	82.06	1,881.48	18,307.64	129.10	0.00	6.00	542.64	20,948.92
18,000.00	458,220.93	15-08-13	16,719.16	2,414.52	133.59	19,267.26	99.75	1,840.53	16,719.16	133.45	0.00	6.00	468.38	19,267.26
18,000.00	437,545.51	15-11-13	15,719.06	2,251.34	130.51	18,100.91	94.52	1,745.20	15,719.06	133.45	0.00	6.00	402.67	18,100.91
18,000.00	418,630.73	15-02-14	14,283.34	2,095.70	128.80	16,507.84	66.72	1,655.58	14,283.34	133.45	0.00	6.00	362.75	16,507.84
18,000.00	400,516.35	15-05-14	13,390.81	1,892.31	122.04	15,405.15	61.84	1,522.81	13,390.81	129.10	0.00	6.00	294.59	15,405.15
0.00	384,144.11	15-08-14	185,473.26	3,021.02	123.94	188,618.22	80.82	1,497.80	185,473.26	133.45	0.00	6.00	1,426.90	188,618.22
			1,800,000.00	406,935.31	10,478.79	2,217,414.10	13,242.08	260,390.88	1,800,000.00	7,356.67	1,188.45	264.00	134,972.03	2,217,414.10

**FUND'S CASH FLOW (in thousand Euro)**

COBROS														
26-09-03		1,800,000.00		Emisión de BT's		26-09-03		1,800,000.00		Adquisicion de Derechos de Crédito (DC's)				
		28,189.60		Prestamo Subordinado A				1,188.45		Gastos de Constitucion y Emision				
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
SALDO FONDO RESERVA	SALDO VIVO DC'S	FECHA	PRINCIPAL	INTERES SWAPS	INTERES REINVER.	TOTAL	GASTOS CTES.	INTERES A, B2, B1(G),C y D	PRINCIPAL A, B2, B1(G),C y D	INTERES PTMO. SUBDO	AMORT. PTMO. SUBDO	COMISIÓN FIJA SCH	COMISION VARIABLE SCH	TOTAL
27,000.00	1,800,000.00	15-11-03	0.00	19,682.26	149.35	19,831.60	511.64	6,056.30	0.00	112.02	99.04	6.00	13,046.60	19,831.60
27,000.00	1,800,000.00	15-02-04	0.00	17,162.92	430.15	17,593.07	563.42	11,143.59	0.00	208.25	99.04	6.00	5,572.77	17,593.07
27,000.00	1,800,000.00	15-05-04	0.00	16,107.93	409.85	16,517.78	560.96	10,901.34	0.00	203.01	99.04	6.00	4,747.44	16,517.78
27,000.00	1,800,000.00	15-08-04	0.00	15,805.00	406.11	16,211.11	563.42	11,143.59	0.00	206.79	99.04	6.00	4,192.27	16,211.11
27,000.00	1,800,000.00	15-11-04	0.00	15,173.16	392.70	15,565.87	563.42	11,143.59	0.00	206.05	99.04	6.00	3,547.77	15,565.87
27,000.00	1,800,000.00	15-02-05	0.00	14,521.11	391.46	14,912.57	563.42	11,143.59	0.00	205.32	99.04	6.00	2,895.20	14,912.57
27,000.00	1,800,000.00	15-05-05	0.00	13,444.16	370.05	13,814.21	559.73	10,780.21	0.00	197.91	99.04	6.00	2,171.33	13,814.21
27,000.00	1,800,000.00	15-08-05	0.00	13,310.74	369.99	13,680.73	563.42	11,143.59	0.00	203.85	99.04	6.00	1,664.83	13,680.73
27,000.00	1,800,000.00	15-11-05	0.00	20,476.26	357.96	20,834.22	563.42	11,143.59	0.00	203.11	99.04	6.00	8,819.06	20,834.22
27,000.00	1,730,404.98	15-02-06	142,758.42	17,629.26	445.68	160,833.36	563.42	11,143.59	142,758.42	202.38	99.04	6.00	6,060.51	160,833.36
27,000.00	1,661,370.49	15-05-06	133,453.18	15,693.62	411.62	149,558.43	515.33	9,932.83	133,453.18	195.07	99.04	6.00	5,356.98	149,558.43
27,000.00	1,598,271.17	15-08-06	119,982.56	14,925.15	399.19	135,306.90	476.97	9,448.79	119,982.56	200.91	99.04	6.00	5,092.64	135,306.90
27,000.00	1,537,873.28	15-11-06	110,757.63	13,759.66	374.08	124,891.37	439.41	8,712.59	110,757.63	200.18	0.00	6.00	4,775.57	124,891.37
27,000.00	1,479,748.07	15-02-07	102,885.77	12,661.86	362.70	115,910.33	404.74	8,032.99	102,885.77	200.18	0.00	6.00	4,380.65	115,910.33
27,000.00	1,422,490.28	15-05-07	95,793.79	11,270.57	335.56	107,399.92	370.09	7,160.33	95,793.79	193.65	0.00	6.00	3,876.06	107,399.92
27,000.00	1,367,408.14	15-08-07	88,187.64	10,715.75	329.82	99,233.21	342.55	6,813.91	88,187.64	200.18	0.00	6.00	3,682.93	99,233.21
27,000.00	1,313,159.14	15-11-07	82,079.42	9,851.99	315.20	92,246.61	314.95	6,272.80	82,079.42	200.18	0.00	6.00	3,373.25	92,246.61
25,442.57	1,260,249.26	15-02-08	76,015.99	9,041.13	305.31	85,362.43	289.26	5,769.17	76,015.99	200.18	0.00	6.00	3,081.83	85,362.43
23,313.89	1,207,758.75	15-05-08	70,955.84	8,114.90	278.44	79,349.18	264.30	5,187.47	70,955.84	184.53	0.00	6.00	2,751.04	79,349.18
21,378.32	1,158,402.67	15-08-08	64,519.21	7,601.57	260.93	72,381.71	243.25	4,871.09	64,519.21	172.85	0.00	6.00	2,569.31	72,381.71
19,589.01	1,110,394.43	15-11-08	59,643.55	6,972.34	238.26	66,854.16	223.06	4,503.24	59,643.55	158.50	0.00	6.00	2,319.81	66,854.16
18,000.00	1,063,837.91	15-02-09	55,041.54	6,383.50	221.16	61,646.20	204.39	4,163.19	55,041.54	145.23	0.00	6.00	2,085.85	61,646.20
18,000.00	1,017,789.12	15-05-09	51,271.70	5,651.60	197.60	57,120.91	185.93	3,723.85	51,271.70	129.10	0.00	6.00	1,804.32	57,120.91
18,000.00	973,711.57	15-08-09	46,974.88	5,342.28	194.86	52,512.02	171.11	3,557.05	46,974.88	133.45	0.00	6.00	1,669.52	52,512.02
18,000.00	930,417.58	15-11-09	43,588.32	4,882.94	186.66	48,657.93	156.41	3,289.22	43,588.32	133.45	0.00	6.00	1,484.52	48,657.93
18,000.00	889,312.81	15-02-10	39,751.53	4,453.47	180.80	44,385.80	142.76	3,040.71	39,751.53	133.45	0.00	6.00	1,311.34	44,385.80
18,000.00	849,116.81	15-05-10	36,791.05	3,931.56	168.29	40,890.91	129.46	2,722.30	36,791.05	129.10	0.00	6.00	1,112.99	40,890.91
18,000.00	810,870.62	15-08-10	33,573.83	3,705.68	167.08	37,446.59	118.80	2,604.30	33,573.83	133.45	0.00	6.00	1,010.19	37,446.59
18,000.00	773,425.76	15-11-10	31,081.13	3,377.84	160.97	34,619.94	108.29	2,412.88	31,081.13	133.45	0.00	6.00	878.18	34,619.94
18,000.00	737,532.55	15-02-11	28,454.28	3,071.43	156.88	31,682.59	98.57	2,235.68	28,454.28	133.45	0.00	6.00	754.62	31,682.59
18,000.00	702,250.20	15-05-11	26,382.96	2,701.28	147.24	29,231.48	89.07	2,005.83	26,382.96	129.10	0.00	6.00	618.51	29,231.48
18,000.00	669,266.70	15-08-11	23,827.11	2,535.77	147.01	26,509.89	81.40	1,923.03	23,827.11	133.45	0.00	6.00	538.90	26,509.89
18,000.00	637,287.54	15-11-11	21,932.06	2,303.95	142.22	24,378.23	73.94	1,787.18	21,932.06	133.45	0.00	6.00	445.60	24,378.23
18,000.00	607,418.68	15-02-12	19,798.26	2,088.22	139.07	22,025.56	67.08	1,662.13	19,798.26	133.45	0.00	6.00	358.63	22,025.56
18,000.00	578,473.79	15-05-12	18,218.63	1,854.49	132.03	20,205.15	60.61	1,515.57	18,218.63	130.55	0.00	6.00	273.77	20,205.15
0.00	552,082.04	15-08-12	176,279.70	2,927.22	131.52	179,338.45	78.58	1,445.38	176,279.70	133.45	0.00	6.00	1,395.33	179,338.45
			1,800,000.00	339,132.59	9,807.81	2,148,940.40	11,226.62	220,536.50	1,800,000.00	6,052.74	1,188.45	216.00	109,720.09	2,148,940.40

## **Explanation of the numeric system**

### **a) Collections**

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

### **b) Payments**

- (7) Amounts of the Fund's standard expenses.

- (8) Amount of interest to be paid to the Classes A, B1(G), B2, C and D Note holders.
- (9) Amount of Classes A, B1(G), B2, C and D Notes capital.
- (10) Amounts for Subordinated Loan interest payment, used to fund the Fund's incorporation expenses and the Note issue expenses, to partly fund the Credit Rights purchase and to endow the Reserve Fund.
- (11) Regular repayment of the part of the Subordinated Loan used to fund the Fund's incorporation expenses and the Note issue expenses. The tables do not take into account the Subordinated Loan repayment in terms of the decrease in the Reserve Fund because we are neither including said decrease as an origin, nor the part used to partly fund the Credit Rights subscription.
- (12) Bank's fixed loan administration fee.
- (13) Amount to be paid to the Bank of financial intermediation in connection with Credit Rights.
- (14) Total payments on each Payment Date for the addition of the amounts (7), (8), (9), (10), (11), (12) and (13).

## **V.2 Accounting principles used by the Fund**

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

## **V.3 Description of the purpose of the financial transactions contracted by the Management Company on behalf of the Fund, in order to improve risk, increase regularity in payments, neutralise the interest rate differences**

**coming from the Credit rights or, in general, to change the financial features of all or part of said securities.**

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

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

### **V.3.1 Treasury Account Variable Interest Rate Reinvestment Agreement:**

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

In particular, the amounts the Fund receives as:

- (i) Credit Rights principal amount and interest;
- (ii) Any other amounts that belong to Credit Rights grouped into the Fund pursuant to the provisions of section IV.1.c) hereof;
- (iii) The amounts belonging at any given time to the Reserve Fund;
- (iv) The amounts that, as the case may be, are paid to the Fund deriving from the Swap;

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

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

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

- The applicable interest rate to each interest period shall be the reference interest rate (hereinafter the “**Guaranteed Interest Rate**”) fixed for the Notes for the Interest Accrual Period following the last matured interest settlement date of the Treasury Account. Interest payment shall be made into the Treasury Account itself, monthly, five (5) Business Days prior to the 15<sup>th</sup> of each month. As an exception, the applicable annual nominal interest rate to the first interest period shall be equal to the Reference Interest Rate (two (2) month EURIBOR at 11:00 hours a.m. (C.E.T. time)) of the Date of granting of the Deed of Incorporation.
- Calculation of the interest on the amounts deposited in the account shall be made taking the effective days and as a basis, three hundred and sixty five (365) days.
- In the event that the BANK`s short term debt undergoes, at any time during the life of the Note issue, a decrease in its rating going under P-1 or F-1 (according to the rating scales of MOODY`s and FITCH, respectively) the Management Company, for and on behalf of the Fund, within a maximum thirty (30) Business Day-term since said situation took place, shall move the Fund`s Treasury Account to an entity which non-subordinated and non-guaranteed short term debt has a minimum

rating of P-1 and F-1. While the funds are deposited in this account, the BANK shall stop their reinvestment and the Management Company shall contract the top possible profitability for their balances, which may be different than the contracted with the BANK. Afterward, when its short term debt reaches ratings P-1 and F-1 according to aforementioned rating scales, the BANK may move again the Fund's Treasury Account to the BANK.

The Guaranteed Interest Rate Reinvestment Agreement of the Treasury Account avoids the risk of temporary difference between the Fund's income as monthly principal amount and interest and repayment and payment of quarterly interest on the Notes.

Currently the profits of the Credit Rights meaning an income for the Fund are not subject to such withholding as provided by section 57.k) of Chapter II, Title IV of the Companies Tax Regulations approved by Royal Decree 537/1997 of April 14, in the wording given by Royal Decree 2717/1998 of December 18.

### **V.3.2 Subordinated Loan Agreement for Initial Expenses**

The Management Company, for and on behalf of the Fund, shall enter with the BANK into a subordinated loan agreement, with a commercial nature (the **Loan for Initial Expenses**) for a total amount of twenty eight million one hundred and eighty nine thousand six hundred Euro (€28,189,000.00) that shall be used for funding the Fund's incorporation expenses and the Note issue, to partially fund the Credit Rights acquisition and to endow the Initial Reserve Fund.

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

effective days within each Interest Accrual Period and (ii) a three hundred and sixty (360) day year.

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

The part of the Loan for Initial Expenses used to finance the Fund's incorporation expenses (the estimate of which is shown in section II.14 hereof) and the part used for financing the Note issue expenses (the estimate of which is shown in section II.14 hereof) shall be quarterly repaid, as said expenses are being repaid, during the first three (3) years since the Fund's incorporation and the Note issue. The part of the Loan for Initial Expenses used to partly fund the Credit Rights subscription shall be repaid on the month after the Note Legal Maturity Date (November 15, 2034) or, as the case may be, on the early repayment date of the same. The remaining principal amount of the Loan for Initial Expenses shall be repaid on each of the Payment Dates in an amount equal to the difference between the amounts of the balances required of the Reserve Fund (described in section V.3.5 hereof) on the prior and current Fixing Dates. All of it provided that the Fund has enough liquidity pursuant to the payment priority order provided by section V.5.2.1.2 hereof.

In case that the Fund, pursuant to the payment priority order provided by section V.5.2.1.2, did not have on a Payment Date enough liquidity to make the relevant partial repayment of the Loan for Initial Expenses, the unpaid part of capital shall be paid on the immediately subsequent Payment Date, together with the amount that, as the case may be, has to be repaid on that same Payment Date, until full reimbursement.

The unpaid amounts of previous Payment Dates shall be paid before the amounts that had to be paid in connection with the Loan for Initial Expenses on said Payment Date, paying in the first place the matured and unpaid interests and, in



the second, the capital repayment, pursuant to the payment priority order provided by section V.5.2.1.2 hereof.

### **V.3.3 State Guarantee**

The Ministry of Finance shall grant a guarantee to the Fund for an amount of five hundred and thirty seven million one hundred thousand euros (€ 537,100.000), equivalent to twenty nine and eighty four percent (29.84%) of the addition of the face value of all Classes Notes, in guarantee of interest and capital payment in case of early repayment.

#### **V.3.3.1 Guarantee general features**

The Guarantee shall keep in force and with full effects until final reimbursement of the payment duties inherent to the Notes belonging to the Guaranteed Class. In any event, the Guarantee shall mature on November 15, 2034, or should that date not be a Business Day, on the immediately subsequent Business Day.

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

The Management Company must forward to the *Dirección General del Tesoro y Política Financiera*: (i) a copy of this Prospectus; (ii) an authorised copy of the Fund's Deed of Incorporation; (iii) a BSCH certificate indicating that the Loans meet the terms and conditions of the Collaboration Framework Agreement enclosed to the Order of December 28, 2001, and that at least ninety nine percent (99%) of the same, both at

the time of the Fund's incorporation and on every date of inclusion of New Credit Rights within the Renewal Period, are loans granted to PYMES pursuant to the Recommendation of April 3, 1996 of the European Commission or another one replacing it; (iv) a copy of the Rating Agents letters informing of the ratings given to each of the Note Classes; and (v) an authorised copy of the notary's deed for the Note subscription disbursement granted by the Management Company.

The Management Company must also notify the *Dirección General del Tesoro y Política Financiera*, on each Payment Date of the Class B1(G) Notes, the Guaranteed Class Notes Outstanding Principal Amount Balance and, additionally, after each Fund's year-end closing, an appreciation of the Guaranteed Class financial charge for the following year.

### **V.3.3.2 Guarantee drawdown**

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

Guarantee shall be executed in the following cases:

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

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

For this purpose, "**Available Funds**" on each Payment Date shall be the result of adding: (i) the amount received for capital and

interest (standard and for delay) on Credit Rights, (ii) the amounts that at the time comprise the Reserve Fund, (iii) the profitability obtained by the Reserve Fund reinvestment, as well as by the other amounts deposited in the Treasury Account, (iv) the net amounts received under the Swap and (v) any other amounts the Fund may receive, including those resulting from the sale or exploitation of properties awarded to the same, in the proportional part.

- (ii) If, on a Payment Date, any of the reasons giving rise to an early repayment of the Notes and there was a repayment deficit due to a lack of enough liquidity to repay the capital amount accrued for repayment chargeable to the Guaranteed Class.

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

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

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

In the event that any of the two above cases took place, the Management Company shall inform the *Direccion General del Tesoro y Politica Financiera* of the amount it must pay charged to the Guarantee. This latter body shall, with the previous check-up, pay them through the Treasury Account opened with the BANK on behalf of the Fund. Disbursement of the amounts requested under the Guarantee shall be made by the *Direccion General del Tesoro y Politica Financiera* within a ninety (90) day term counting as of the date when the Management

Company demands payment. Nevertheless, the Management Company, on behalf of the Fund, may provide mechanism to pay the Class B1(G) Note holders payment obligation assumed by the State Guarantee in its maturity date, partly or totally. The costs of said mechanism shall be supported, as the case may be, by the Fund.

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

The Guarantee granting shall accrue no fees.

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

### **V.3.3.3 Guarantee reimbursement**

The Fund is under the obligation to return to the State the amounts drawdown on the Guarantee. Repayment of the amounts drawdown charged to the Guarantee, whether they have been used for payment of interest or to reimbursement of the Guaranteed Class Notes capital, shall be made on each of the following Payment Dates, until full reimbursement, and shall be made charged, respectively, to the Available Funds taking the same places in the priority order that would have the payment of interest accrued and the repayment of the Guaranteed Class Notes capital pursuant to the Fund’s priority order.

In the event that, pursuant to the above rules, on a Payment Date, the Fund, further to reimbursement the amount drawdown charged to the State, must request a new amount to pay the Guaranteed Class interest or

capital, the net amount to be requested shall be calculated and applied or, as the case may be, return it to the State.

The reimbursement of the Guarantee drawdown for the payment of principal shall be carry out once the Fund is winded-up, keeping the same place in the payment priority order that the repayment of Class B1(G) has.

#### **V.3.4 Interest Financial Swap Agreement (Swap)**

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

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

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

**Part A:** The Fund represented by the Management Company

**Part B:** The BANK.

#### **Settlement Dates**

Settlement Dates will fall on the Note Payment Dates, that is, on February 15, May 15, August 15 and November 15 of every year or, should any of these dates not be a Business Day, on the immediately subsequent Business Day..

### **Settlement Periods**

Settlement Periods for Part A and Part B are exactly the same, setting forth as such the days actually passed between two subsequent Settlement Dates, the first one inclusive and the last one exclusive. As an exception, the first Settlement Period for each of the parts shall have a duration equivalent to the days actually passed between the September 26, 2003 inclusive and November 17, 2003 (exclusive).

### **Amounts to be paid by Part A**

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

### **Part A Interest Rate**

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

### **Swap Notional for Part A**

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

### **Amounts to be paid by part B**

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

### **Interest Rate for Part B**

It shall be for each Settlement Period the annual interest rate resulting from adding (i) the Note Reference Interest Rate fixed for the current Interest Accrual Period plus (ii) the average margin of each of the Note Classes weighed by the Outstanding Principal Amount Balance of each Class during the current Interest Accrual Period plus (iii) 0.65%.

### **Swap Notional for Part B**

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

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

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

Possible notionals for Part B mentioned above are:

- (a) Swap Notional for Part A. This notional is equal to the Notional Balance of Credit Rights defined as the daily average, during the maturing settlement period, of the Credit Rights Outstanding

Balance that have no delay in payment of the amounts due for over ninety (90) days.

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

**Possible scenes:**

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

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

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

**Scene 3:** In the event that the notional described in paragraph b) was under the notional described in paragraph a), this would mean that the interest rate risk has materialised. In this case, the BANK would pay



to the Fund Part B Interest Rate over the notional described in paragraph a). The Swap net amount in this case would be positive for the Fund.

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

In the event that on a Payment Date the Fund did not have enough liquidity to make the payment of all of the net amount (in case that the amount to be paid by Part A to the BANK was over the amount to be paid by Part B and to be received by the Fund) to be paid by the Fund to the BANK, the part of the net amount not paid shall accumulate accruing an interest rate for delay at the same interest rate applicable for calculation of the amount to be paid by the Fund, and shall be settled on the following Payment Date when the Fund has enough liquidity pursuant to the payment priority order, so that the Swap is not terminated.

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

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

In case of a decrease in the BANK's long term unsubordinated and unguaranteed debt under A1 (according to MOODY'S rating scale) or under A+ (according to FITCH's rating), and within a maximum ten (10) Business Days term since said circumstance is informed, the BANK shall constitute (i) a cash deposit or a securities deposit in favour of the Fund, for an amount equal to the Swap market

value satisfactory for the Rating Agents, or else (ii) it shall choose that a third entity with a rating of its long term debt equal or over A1 (MOODY'S) or A+ (FITCH) undertakes its contractual position as is subrogated in the BANK's replacement Swap or guarantees its payment obligations under said agreements, all of it subject to the terms and conditions the Management Company and Rating Agents deem appropriate, with the purpose to keep the rating given for Class A, Class B1(G), Class B2, Class C and Class D Notes respectively. All costs, expenses and taxes incurred due to fulfilment of the above duties shall be for the account of the BANK.

The happening, as the case may be, of the early termination of the Interest Financial Swap shall not involve in itself a reason for early maturity of the Note issue and early settlement of the Fund, unless together with other events or circumstances relating to the Fund's capital condition there was a substantial or permanent alteration of its financial balance.

The Interest Financial Swap shall be terminated with full rights in case the Rating Agents did not confirm before the start of the Subscription Period, as final, the ratings given with an interim nature to each of the Classes.

### **V.3.5 Reserve Fund**

The Management Company, for and on behalf of the Fund, shall endow a Reserve Fund with the following features:

**a) Amount:**

Initially funded charged to the Loan for Initial Expenses with an amount equivalent to one point five percent (1.5%) of the Notes Outstanding Principal Amount Balance (hereinafter the "**Reserve Fund**"). Once said Reserve Fund reaches three percent (3%) of the Note Outstanding Principal Amount Balance, reduction of the same shall be allowed. The Reserve Fund amount will decrease along the Fund's life keeping at three percent (3%) of the Note Outstanding Capital Balance until it reaches one

percent (1%) of the Note Principal Amount Outstanding Balance. As from that moment, the Reserve Fund will stay constant at said level until the Notes are fully repaid.

Notwithstanding the above, the Reserve Fund shall not be reduced if, after the relevant payments on a Payment Date, any of the following circumstances takes place and while it is taking place:

- 1) The principal of the Loans corresponding to the Credit Rights with a default for over ninety (90) days is over one percent of the Credit Rights Outstanding Balance;
- 2) There is a Capital Insufficiency in the prior Payment Date.
- 3) the accumulated Outstanding Balance of the loans with a default of over twelve (12) months is over zero point five percent (0.5%) of the Credit Rights Outstanding Balance.

The Reserve Fund may not be reduced if at any time the Reserve Fund has been used on any Payment Date and, as a result, it is at a level other than required.

**b) Profitability:**

The amount of such Reserve Fund shall be paid into the Treasury Account, being subject to the Treasury Account Variable Rate Reinvestment Agreement to be entered into with the BANK.

**c) Use:**

The Reserve Fund shall be used, on each Payment Date, to meet the payment duties contained in the payment priority order contained in section V.5.2.1.2 below.

The Reserve Fund shall be available for the payment of principal at the last Payment Date and in the event of settlement and extinction of the Fund.

### **V.3.6 Liquidity Facility Agreement**

With the purpose to cover the time periods the Treasury takes in making the Guarantee effective, the Management Company, for and on behalf of the Fund, and the BANK shall enter into the Liquidity Facility Agreement by which BSCH shall grant a facility to make the payments of the Guaranteed Class for an amount of twelve million Euro (EUR 12,000,000) and maturing on the Legal Maturity Date, except that all the interests of the Guaranteed Class Notes have been paid before of said date.

The Management Company shall use this Liquidity Facility in case that, on a Payment Date, the funds requested from the State to meet the payment duties inherent to Class B1(G) Notes had not been received.

The amounts drawdown charged to the Liquidity Facility and outstanding reimbursement shall daily accrue interest in favour of the Bank. Interest shall accrue on the basis of the days actually passed and a three hundred and sixty (360) day year, being settled and paid on each Payment date. The applicable interest rate shall be equal to the Notes reference interest rate.

In the event that BSCH short term debt undergoes, at any time of the Notes life, a decrease under P-1 (according to MOODY'S rating scales) or equivalent rating, according to FITCH rating scales, the Management Company, within a maximum thirty (30) Business Day term counting as of the time when such a situation takes place, must replace BSCH in its contractual status under this Liquidity Facility Agreement or, as the case may be, under a new agreement, for the time when the situation of loss of P-1 ratings or equivalent is kept, by another entity the short term debt of which has a minimum P-1 rating (according to MOODY'S rating scales) or equivalent rating, according to FITCH rating scales.

## V.4 Other agreements

### V.4.1 Issue Management, Underwriting and Placement Agreement

The Management Company, for and on behalf of the Fund, shall enter into (i) a note issue management, underwriting and placement agreement with the BANK, as Managing Entity of the issue's national tranche (hereinafter, the **National Tranche Management, Underwriting and Placement Agreement**) and (ii) an underwriting and placement agreement of the issue with Merrill Lynch and Depfa (hereinafter the **International Tranche Underwriting and Placement Agreement**).

The Note issue Underwriting Entities shall undertake the duties contained in the National Tranche Management, Underwriting and Placement Agreement and in the International Tranche Underwriting and Placement Agreement which are basically the following: 1) commitment to subscribe the Notes not subscribed once the Subscription Term is over, up to the amounts provided for each Underwriting Entity by the relevant agreement; 2) to seek placement in subscription by third parties of the Note issue; 3) to pay to the Payment Agent, by Merrill Lynch and Depfa, on the Disbursement Date, with value that same date, the nominal amount insured by each of them, the BANK, as Payment Agent, subsequently paying to the Fund, before 15:00 hours of the same day, with value that same day, the full amount of the Note issue subscription, deducting the sum of the underwriting and placement total fee; 4) commitment to pay interests for delay set forth in the agreement for the event of delay in payment of amounts due; and 5) delivery to subscribers of a document evidencing the subscription if so requested.

Additionally, under the National Tranche Management, Underwriting and Placement Agreement the BANK shall undertake, as Payment Agent, the obligations that are briefed below:

- (i) To pay to the Fund before 15:00 hours (CET time) of the Disbursement Date, with value that same day, the amount that, pursuant to the provisions of the Management, Underwriting and Placement Agreements Underwriting Entities pay to it plus the amount of its own underwriting commitment, by deposit in the Fund's Treasury Account.
- (ii) To collect from each of the Underwriting Entities and to deliver to the Management Company the information statements on the diffusion control reached in the issue's placement, in connection with the amount placed, using for it the form set for that purpose by the CNMV duly completed and broken down for each of the Classes.
- (iii) On each of the Notes Payment Dates, make payment of interest and reimbursement of the Notes principal amount, once deduced the total amount of the withholding on account by movable goods capital profitability relevant to be made pursuant to the applicable tax legislation.
- (iv) On each of the dates for interest rate fixing, to inform the Management Company of the Reference Interest Rate fixed that will be the basis for calculation of the nominal interest rate applying to each of the Note Classes.

In the event that BSCH short term debt undergoes, at any time of the Notes life, a decrease under P-1 (according to MOODY'S rating scales) or equivalent rating, according to FITCH rating scales, the Management Company, within a maximum thirty (30) Business Day term counting as of the time when such a situation takes place, must replace BSCH as Payment Agent, for the time when the situation of loss of P-1 ratings or equivalent is kept, by another entity the short term debt of which has a minimum P-1 rating (according to MOODY'S rating scales) or equivalent rating, according to FITCH rating scales.

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

## **V.5 Priority rules for Fund's payments**

### **V.5.1 Origin and application on the Note Disbursement Date**

The origin and application of the available amounts by the Fund on the Disbursement Date of the Note issue shall be as follows:

#### **1. Origin**

- a) Note issue
- b) Subordinated Loan for Initial Expenses

#### **2. Application:** in turn, on the date of issue, the Fund shall use the above funds for the following payments

- a) Credit Rights purchase
- b) Payment of the Fund's incorporation expenses and Note issue expenses
- c) Funding of the Initial Reserve Fund

### **V.5.2 Origin and application of the funds as of the Fund's date of incorporation and until full repayment of the Notes.**

#### **V.5.2.1 Available Funds: origin and application**

##### **1. Origin:**

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

1') Available Funds:

- a) The amounts received for Credit Rights capital on each prior Fixing Period. Said amounts must have been deposited in the Treasury Account.
- b) The interests collected from Credit Rights during each prior Fixing Period (including, as the case may be, delayed interest). Said amounts must have been deposited in the Treasury Account, pursuant to the provisions of section V.3.1 hereof.
- c) The profitability obtained during every prior Fixing Term by the Reserve Fund reinvestment, pursuant to the provisions of Section V.3.5 as well as by the amounts deposited in the Treasury Account. Said amounts must have been deposited in the Treasury Account, pursuant to the provisions of section V.3.1 hereof.
- d) The Reserve Fund described in section V.3.5 hereof.
- e) The net amount received under the Note Swap Agreement terms, pursuant to section V.3.4 hereof.
- f) Any other amounts the Fund may receive including those resulting of the loan guarantee execution, if any.

Additionally, the fund shall have, only for payment of interest and capital on the Guaranteed Class, the amount drawn down charged to the State Guarantee and, as the case may be, the Liquidity Facility drawdowns, which shall be used pursuant to the provisions of section V.3.3 hereof.

2') Available Funds for Repayment: As this term is defined in section II.11.3.g) hereof.

Until the end of the Renewal Period the Fund shall quarterly acquire from the Assignor for a limited term of nine (9) Payment Dates, New Credit Rights and the Available Funds for Note Repayment shall be only used for purchase of the New Credit Rights.



Once the Renewal Period is over all the Available Funds for Repayment shall be used for repayment of the Notes.

The Renewal Period shall early end when any of the circumstances described in section IV.1.c).2 hereof arise.

During the Renewal Period the remnant that, as the case may be, is left once the New Credit Rights are purchased shall be deposited in the Treasury Account.

## **2. Application:**

The Management Company, on behalf of the Fund, shall use on each Payment Date the amount of the Available Funds for the following payments and withholdings, pursuant to the payment priority order described below:

- 1) Payment of the Fund's standard and extraordinary expenses, whether the Management Company provides them or not and duly supported, including the Management Company's management fee (0.025% yearly calculated on the basis of the Note Principal Amount Outstanding Balance) and the remaining service expenses and fees. In this order only the expenses the BANK had advanced or supplied on account of the Fund and the amounts that should be returned, all of them duly supported, shall be paid in favour of the BANK and in connection with the Credit Rights management.
- 2) Payment to the BANK of the Note Swap net amount.
- 3) Payment of interest accrued on Class A Notes.
- 4) Payment of interest accrued on Classes B Notes pursuant to the following order: (i) firstly payment of interest accrued and not paid to Class B2 Notes on previous Payment Dates and, as the case may be, payment of interest accrued on the Liquidity Facility granted by the BANK and reimbursement to the Government of

the amounts the Fund had paid because of the Guarantee drawdown for payment of interests and (ii) once said payments are made payment of interest due on Notes of Class B1(G) and of Class B2 on the current Payment Date. Payments to be made regarding sub-sections (i) and (ii) shall be distributed, in any of said sub-sections, in a manner proportional between the balances of each of the elements that must be paid.

- 5) Payment of interest accrued on Class C Notes
- 6) Payment of interest accrued on Class D Notes
- 7) Withholding of the sufficient amount to keep the required Reserve Fund.
- 8) Purchase of New Credit Rights during the Renewal Period and Repayment of the Class A Notes on the Payment Dates subsequent to the end of the Renewal Period.
- 9) Repayment of Classes B Notes on the Payment Dates subsequent to the end of the renewal Period, once Class A has been fully repaid
- 10) Repayment of Classes C Notes on the Payment Dates subsequent to the end of the renewal Period, once Classes B have been fully repaid.
- 11) Repayment of Class D Notes on the Payment Dates subsequent to the end of the Renewal period, once Class C has been fully repaid.
- 12) Payment of the amount due for termination of the swap, as the case may be, in the event of the BANK's default.
- 13) Payment of interest and principal amount of the Subordinated Loan for Initial Expenses.
- 14) Payment to the BANK of the fixed fee for the management of Credit Rights.
- 15) Payment to the BANK of the remuneration for financial brokerage.

### **V.5.3 Fund's Payment priority exceptional rules**

Should the BANK be replaced as Loan Manager, in favour of another entity not included in the BANK's consolidated group, a fee shall accrue in favour of the third party, new Manager that shall take the place contained in point 1 in the aforesaid priority order, and therefore, an amendment in the enumeration of subsequent payments, contained above shall take place.

Should, on two (2) subsequent Payment Dates the repayment of Class A Notes and Classes B Notes not be finished and the Credit Rights Outstanding Balance with accumulated default over ninety (90) days and under twelve (12) months was over thirteen percent (13%) of the Credit Rights Outstanding Balance, payment of the Notes shall be advanced from the eighth (8<sup>th</sup>) and ninth (9<sup>th</sup>) place to the fifth (5<sup>th</sup>) and sixth (6<sup>th</sup>) place respectively in the payment priority order. This exceptional rule shall only apply to the Class A and Classes B Notes repayment, so that regular payment priority rules shall be used again when Class A and Classes B Notes are fully repaid.

Further, if on two (2) subsequent Payment Dates repayment of Class C Notes had not started because Class A and Classes B are not fully repaid or, having started the payment of Class C it was not finished and the Credit Rights Outstanding Balance with accumulated default over ninety (90) days and under twelve (12) months was over eight percent (8%) of the Credit Rights initial balance, payment of the Notes shall be advanced from the eighth (8<sup>th</sup>) and ninth (9<sup>th</sup>) place, in case they had not been respectively repaid and tenth (10<sup>th</sup>) to the sixth (6<sup>th</sup>), seventh (7<sup>th</sup>) and eighth (8<sup>th</sup>) place in the payment priority order.

Cases provided by the last two (2) paragraphs shall only take place once the Renewal Period is over.

## **CHAPTER VI**

### **GENERAL INFORMATION ON THE MANAGEMENT COMPANY OF THE ASSET SECURITIZATION FUND**

Pursuant to Royal Decree 926/1998, the Asset Securitization Funds do not have their own legal personality, being entrusted to Seuritization Fund Management Companies the incorporation, management and legal representation of the same, as well as the representation and defence of the interests of the holders of the securities issued charge to the Funds they manage.

In terms of the above, this chapter details information relating to SANTANDER CENTRAL HISPANO TITULIZACION, S.G.F.T., S.A. in its capacity as Management Company incorporationg, managing and representing the FONDO DE TITULIZACION DE ACTIVOS, FTPYME SANTANDER 1.

#### **Vi.1 Relating the Management Company, save for its capital.**

##### **VI.1.1 Registered offices.**

- Corporate name: SANTANDER CENTRAL HISPANO TITULIZACION, SOCIEDAD GESTORA DE FONDOS DE TITULIZACION, S.A.
- Registered office: Paseo de la Castellana, 75, 28046 – Madrid
- N.I.F.: A-80481419
- C.N.A.E.: 81 99

##### **VI.1.2 Incorporation and registration with the Commercial Registry, as well as information relating government authorisations and registration with the Spainsh Securities Exchange Commission.**

SANTANDER CENTRAL HISPANO TITULIZACION, SOCIEDAD GESTORA DE FONDOS DE TITULIZACION, S.A. was incorporated by public deed granted, on December 21, 1992 before the Notary of Madrid Mr.

Francisco Mata Pallares, under number 1,310 of his official record, with the prior authorisation of the Ministry of Finance granted on December 1<sup>st</sup>, 1992. It is registered with the Commercial Registry of Madrid under Volume 4789, Folio 75, Sheet M78658, entry 1. It is also registered with the CNMV special registry under number 1.

Additionally the Management Company amended its By-laws by a resolution of the Board of Directors, passed on June 15, 1998 and put into public deed granted by the Notary of Madrid Mr. Roberto Parejo Gamir on July 20, 1998 under number 3,070 of his official record, with the purpose to adjust to the requirements provided for Asset Securitization Fund Management Companies by Royal Decree 926/1998 of May 14. Said amendment was authorised by the Ministry of Finance on July 16, 1998 pursuant to the requirements of the Sole Interim Provision of said Decree.

The change of name to its current name has been made by public deed granted before the latter Notary Public, on October 8, 2001, under number 3,337 of his official record, and registered with the Commercial Registry under Volume 4,789, folio 93, section 8, Sheet M-78658, entry 25.

The Management Company's duration is indefinite unless any of the reasons legal and statutory provisions provide for winding up of the same take place.

### **VI.1.3 Purpose**

Pursuant to legal requirements, article two of the By-laws provides that:

“The only purpose of the Company is the incorporation, management and legal representation of Mortgage Securitization funds under the terms of article six of the Act 12/1992, pursuant to the provisions of article 12, item 1, of Royal Decree 926/1998. As other people's business manager it shall represent and defend the interest of the holders of securities issued charged to the Funds it manages and of the remaining standard creditors of the same, as well as the development of the remaining duties provided for Securitization Fund Management Companies

by the current legislation “management and representation of Securitization Funds”.

#### **VI.1.4 Place to check the documents mentioned in the Prospectus or the existence of which is inherent to its contents.**

The By-laws, accounting financial statements of the Management Company, as well as any other document mentioned herein, including the same, or the existence of which is inherent to its contents, may be checked up at the Management Company’s registered offices, Paseo de la Castellana, 75, 28047 Madrid.

This Prospectus has been checked and registered with the CNMV Official Registries, on September 23, 2003. It is available to the public free of charges at the Management Company’s registered office and at the Underwriting Entities. It may also be checked up at the CNMV at Madrid, Paseo de la Castellana, 19 and at the AIAF management body, with address at Madrid, Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, floor 43.

Once the Deed of Incorporation has been granted and before the beginning of the Note Subscription Period, the Management Company shall submit to the CNMV an authorised copy of the Deed of Incorporation. Additionally, the Management Company itself, Iberclear or the affiliated entity it delegates its duties on and the AIAF management body shall have available at all times for the Note holders and the public concerned copies of the Deed of Incorporation with the purpose that it may be checked up.

### **VI.2 Relating Share Capital**

#### **VI.2.1 Nominal amount subscribed and paid up.**

The Management Company’s share capital is nine hundred and one thousand six hundred and fifty (€ 901,650) Euro, represented by fifteen thousand nominative shares of sixty and eleven (60.11) Euro each, correlatively numbered from one

(1) to fifteen thousand (15,000) both inclusive, all of them fully subscribed and paid up.

## **VI.2.2 Classes of shares**

All shares belong to the same class and grant the same political and economic rights.

## **VI.2.3 Capital evolution for the last three years**

Since the Management Company's incorporation on December 21, 1992 with one hundred million (100,000,000) pesetas, the capital has undergone a variation twice. The first one, when it was increased in the amount of one hundred and fifty million (150,000,000) pesetas by capital increase deed and other agreements, granted on July 20, 1998 by the Notary of Madrid, Mr. Roberto Parejo Gamir, under number 3,070 of his official record, and registered with the Commercial Registry of Madrid under Volume 4,789, Folio 89, Section 8, Sheet M-78658, entry 13. And the second one, as a result of the share capital redenomination and the shares face value in euros denomination, it involving a capital increase by adjustment of the share face value of one hundred and thirty one and eighty four (131.84) Euro, thus the share capital going from one hundred and fifty million (150,000,000) pesetas to the current amount of nine hundred and one thousand six hundred and fifty Euro (901,650) by means of a deed of redenomination of share capital and share face value in Euro and subsequent capital increase by adjustment of the shares value, granted on December 13, 2001 by the Notary of Madrid Mr. Roberto Parejo Gamir, under number 4,426 of his official record, and registered with the Commercial Registry of Madrid under Volume 4,789, Folio 94, Section 8, Sheet M-78658, entry 26".

## **VI.3 Information regarding the shares**

### **VI.3.1 Shares in other companies**

There are no shares in any other companies.

### **VI.3.2 Holding of which the company is a part**

For the purposes of section 42 of the Code of Commerce, SANTANDER CENTRAL HISPANO TITULIZACION, SOCIEDAD GESTORA DE FONDOS DE TITULIZACION, S.A. is a part of the Group SANTANDER CENTRAL HISPANO.

### **VI.3.3 Holders of significant shares**

Ownership of the Management Company's shares is distributed among the companies detailed below, indicating the share holding for each of them:

Santander Central Hispano Investment, S.A.                      19% capital

Banco Santander Central Hispano, S.A.:                      81% capital

### **VI.4 Corporate Bodies**

The Management Company's government and management are statutorily entrusted to the General Shareholders Meeting and the Board of Directors. Their competences and powers are those for said bodies pursuant to the provisions of the Companies Act and of the Act 19/1992 of July 7, regarding the corporate purpose.

Among the other bodies provided by the By-laws, a Managing Director has been appointed with Board's delegated powers. There is also a General Manager entrusted with broad powers within the management and representation of the Company against third parties.

#### **VI.4.1 Directors**

##### **Board of Directors**



The Board of Directors is comprised by the following individuals:

Directors:                    Ms. Ana Bolado Valle  
                                      Mr. Emilio Osuna Heredia  
                                      Mr. Santos González Sánchez  
                                      Mr. Ignacio Ortega Gavara  
                                      Mr. Francisco Javier Pazos Aceves  
                                      Mr. Eduardo García Arroyo  
                                      Mr. Francisco Pérez Mansilla  
                                      Mr. Fermín Colomé Graell

Chairman:                    Mr. Jose Antonio Alvarez Alvarez

Secretary:                    Ms. María José Olmedilla González

#### **VI.4.2 General Manager**

The Management Company's General Manager is Mr. Ignacio Ortega Gavara.

#### **VI.5 Set of interest in the Management Company of the people mentioned in section VI.4**

The individuals mentioned in section VI.4.1 above are not direct or indirect holders of any share or convertible bond of the Company.

#### **VI.6 Management Company's Lenders for over 10 percent (10%)**

The Management Company has received no loan or facility from any individual or entity.

#### **VI.7 Mention of whether the Management Company is under any receivership situation and the possible existence of significant litigation or contentious that may concern its financial condition or, in the future, its capacity to**

**carry out the Fund's management and administration duties provided by this Prospectus.**

Not applicable.

## **CHAPTER VII**

### **FUNDING OF THE SMALL BUSINESS**

#### **VII.1 Funding of the Small Business**

At least ninety nine percent (99%) of Credit Rights assigned to the Fund are Loans granted by the BANK to non-financial small businesses with address in Spain. At least ninety nine percent (99%) of these transactions and the total turnover the Fund is incorporated with have been granted to businesses meeting the following requirements provided by the European Commission recommendation (Recommendation of April 3, 1996): staff under two hundred and fifty (250) employees, annual turnover under forty million Euro (40,000,000) or a general annual balnce under twenty seven million Euro (27,000,000) and not being held in twenty five percent (25%) or over by a business that may not be defined as a small business.

These loans features are described in Chapter IV hereof.

#### **VII.2 State Guarantee of the Order of December 28, 2001**

The Fund has been incorporated under the Ministerial Order of December 28, 2001. Said Ministerial Order provides for the franting of State Guarantees guarantteing fix rate securities issued whcrged to certain asset Securitization Funds, with the purpose to improve the business production activity.

Once all requirements are met and all the procedures checked that said Ministerial Order requires, the Ministry of Finance has granted a Guarantee on the Class B1(G) Notes that shall extend both to the capital in case of prior repayment and to the interest of said Class Notes.

#### **VII.3 Implications of the above trends**

The Credit Rights assigned to the Fund, are at a fix interest rate or at a variable interest rate, with the distribution stated in the above Chapter IV hereof. This notwithstanding, the Fund has agreed with the BANK on a Interest Swap under the terms described in section V.3.4 hereof.

Given the Credit Rights nature, the Debtors of which are small businesses, the fact that a high proportion of the same are at a variable interest rate and the term of the same, it is not likely to have an environment of early repayment of the assigned assets.

Regarding the Debtors credit solvency, all Credit Rights shall be on the date of the Fund's incorporation up to date in payment of all due amounts for each of them

#### **VII.4 Commitment to reinvest liquidity**

The Assigning Entity undertakes to reinvest the liquidity obtained as a result of the securitization process of the Initial Credit Rights and of the New Credit Rights. Said reinvestment shall be made observing the criteria provided by Order of December 28, 2001 in connection with the requirements loans or facilities that are going to be assigned to an Asset Securitization Fund must meet and within the following terms, counting as of the effective liquidity drawdown: (a) fifty percent (50%) within a six (6) month term and (b) the rest within a one (1) year term.

For the above purposes, liquidity obtained shall be the amount of the assets assigned by the BANK to the Fund.

Signed: IGNACIO ORTEGA GAVARA

General Manager

SANTANDER CENTRAL HISPANO TITULIZACION, S.G.F.T, S.A.

## **SHCHEDULE 7**

### **MEMORANDUM OF BANCO SANTANDER CENTRAL HISPANO ON CRITERIA FOR GRANTING LOANS AND FACILITIES TO BUSINESSES**

#### **LOANS TO PYMES**

##### **1.INTRODUCTION: RISK MODEL IN SANTANDER CENTRAL HISPANO**

The risk model is based on the following principles:

a)Segmentation: each risk type requires to be treated in a different way, according to its features (different analysis method, powers, systems and procedures). In order to achieve it customers are segmented in two groups:

- Companies, with group risks equal or over EUR 500,000. See portfolio criteria.
- Remaining customers: Mainly comprised by self employed or employees and companies with group risks under EUR 500,000.

b)Integrity: The risk is fully managed from an Area. This way, the three cycle phases (analysis, follow-up and recovery) are managed from the Credit Risk Area. The first two phases from Commercial Banking Risks and the third one from Recoveries.

c)Autonomy: The Risk function is autonomous from the Commercial Network, to which it renders its support and service, collaborating in fulfilment of its goals.

### **3. PORTFOLIO CRITERIA**

In order to give an individual treatment to the risks of customers that due to their features and amount is so deemed convenient a cutting point is fixed from which the analysis and follow-up function of the same is made by “specialised” analysts. This has the following results:

- a) Customers are treated, from the risk viewpoint, in the Companies Analysis Units (UAE).
- b) Every customer is managed by an analyst who has it included in its customer portfolio.
- c) Criteria to put these customers into the portfolio are:
  - That the Financial and Economic Group (taken as risk unit) has asset transactions with our entity for limits or drawdowns –the higher of the two– for an amount equal or over EUR 500,000 (portfolio cutting point)
  - That the Financial and Economic Group is subject to, in a standard relationship with the Bank, go over the aforementioned figure as cutting point.

### **3.PORTFOLIO PROCEDURE. RISK FOR THE PYMES IN THE PORTFOLIO.**

#### **3.1. Risk stages**

In the credit risk life we distinguish three stages: admission, follow-up and collection/recovery:

1. Admission: It belongs to the stage going from the commercial manager identifying the customer's funding needs until a decision is made on the proposed transaction. At this stage the analyst, in cooperation with the customer's commercial manager, analyse all the risk factors we might incur and they jointly decide within their powers or, otherwise they propose the decision of someone over them for the relevant sanction of that risk.
2. Follow-up: This stage goes from the Bank and the customer entering into the risk transaction until maturity or cancellation of the same before going to the Recovery Unit. During this stage it is the duty of the risk teams liable for this function to watch the

evolution of the credit quality of the debtor and of the guarantees, so that transactions are reimbursed with no breaches for the Bank.

3. Collection: When the transaction maturity arrives and there is no normal collection of the same, the risk becomes the competence of the Recoveries Unit, the purpose of which, as indicated by its name, is to collect everything owed to the entity by any acceptable means in Law.

### **3.2 Admission**

As stated above the weight of this stage falls on the Companies Analyst in co-operation with the customer's Commercial Manager. It is a question of making an individual analysis of the customer/group in order to make a decision on the proposed transaction that minimises the risks to be assumed by the Bank. In order to correctly develop this function the analyst relies on different tasks and/or systems, of which we point out the following:

1. Visits to customer: once or twice a year the analyst must visit the customer in order to acknowledge all the circumstances influencing its business and activity, to obtain financial and economic information and the relevant clarifications when applicable, future investment plans, etc.
2. Rating: It enables, through the appraisal of 6 areas, to set forth a classification of the customer's credit quality, of the analysed transaction and of the

joint risk of the same. This customer appraisal system is a frame and a common language in risk treatment and management in its different stages and in the different liability levels.

\*Customer rating: it expresses in numbers, in a scale from 1 to 9, its capacity (going from less to more) to meet its punctual payment commitments at the instrument's maturity, or early if the Bank so requests for any reason, within at least the following 12 months.

\*Transaction rating: It defines the loss that shall most likely be in a current or to be granted transaction to a customer with a certain rating. As a result, this rating depends on: the customer's rating, the term of the transaction, the guarantees and the kind/type of the product/risk.

\*Risk rating: Indicates the expected loss of the total customer's risk. There are also other specific rating systems for real estate developers and Public Institutions.



- 1) Powers: In order to sanction the risk proposed for a customer/group there are different decision levels, in terms of the amount, term and guarantees of the transaction. The upper level is the Risk Delegated Commission that besides deciding on the transactions of its competence, delegates on other instances the decision up to certain amounts and terms. These instances are: Risk Commission of the Commercial Banking Credit Risk Area and Commissions of the Risk Territorial Units.

The Risk Territorial Commission is the maximum decision level at Territorial level. It may in turn delegate decision attributions on its Risk teams (Analysts, UAE Manager, etc) For those transactions exceeding the limits appointed to the Risk Territorial Commission the latter shall submit the transaction to the Commercial Banking Credit Risk Area. All decisions from the Risk Territorial Commission level down are jointly taken between Risks and Commercial.

The Risk Commission of the Commercial Banking Credit Risk Area decides within its appointed powers, submitting the risk, when it exceeds its delegated figures, for final sanction by the Risk Delegated Commission.

### **3.3 Follow-up**

As in the previous stage (admission) at this stage it is vital the coordination between the commercial management and the risk management, especially when the transactions success depends to a great extent on the evolution of the customer's credit quality during the life of the transaction. There are also here a number of tasks and systems enabling a top management of this risk stage.

1. Firms under Special Surveillance (FEVE):  
This risk management system enables

reflecting and making a follow-up of the customer's credit quality and of its transactions. The analysis performed on the customer, initially between the admission analyst and the follow-up analyst enables classification thereof in a standard situation or under special surveillance. When the firm is rated as of special surveillance the policy to be carried with the same and its risks must be indicated. In terms of the alert seriousness, there are different rating degrees.

2. Rating: the business appraisal system is the aforementioned (single for the whole Bank and for any risk stage) but applied not at the initial stage of the customer's study and of its transaction, but during its life. For this purpose some rating review criteria are set forth:

- Twice a year in all cases
- Four times a year if the customer is under Special Surveillance
- when an alert sign arises
- When new information is supplied (e.g. New annual accounts)
- When the risk with a customer/group is reviewed or a new transaction is studied.

However we remind that there are also specific "rating" systems for businesses the activity of which is real estate development and for Public Institutions.

3. Risk reviews: Further to the periodical reviews made between the admission analyst and the follow-up analyst in Territorial,

reviews at upper levels are made, depending on the amount of the risk undertaken with the customer/group. These reviews are made between Risk Managements of Territorial Units –Commercial Banking Credit Risk Area or Risk Delegated Commission. In any of the cases the customer’s commercial manages always takes part, taking part in the decision on the policy regarding risks to be followed with the customer/group.

#### **4.PROCEDURE FOR RISK ANALYSIS FOR PYMES THAT ARE NOT IN THE PORTFOLIO**

##### **4.1 Introduction**

Within this last section are the Businesses with risks under EUR 500,000, including Micro businesses (businesses of small volume, continuing the business of their owners, where both are merged and are difficult to differentiate):

##### **4.2 Application for transaction**

The Office/Manager files the transaction by the application “Integral Proposal” of RETO, the system identifying its remittance to U.D.O. when it exceeds the powers delegated on the Office Manager, regardless of the amount and provided the firm is not in the portfolio.

Upon the request of a transaction for a customer not included in any Analyst portfolio but that by reason of turnover and/or risk level in Santander Central Hispano may be included in the portfolio, the customer’s Office/Manager, before filing the proposal in the RETO application, contacts the Companies Analyst, in general by phone, in order to define the convenience or not of including it in its portfolio and its treatment as customer “in portfolio”, in which case the “Procedure treatment of risks proposals in portfolio” must be used.

### **4.3 Reception of the transaction in U.D.O.**

The U.D.O. Manager, through the Government Supports daily appoints, during the morning, through RETO the transactions submitted by the Offices in the Unit, and in terms of the customer's type and the Analysts work loads.

### **4.4 Analyst transaction capture and termination**

Through the option "Appointed outstanding report" of the RETO application, the Analyst is aware of the transactions that have entered and have been appointed to him, as well as those pending reporting from previous days accessing the same for analysis and termination.

Once the analysis is made through the section "Analyst Report" the latter leaves record of the appraisal the transaction deserves, in order to later under "Termination Conditions" proceed to sanction the proposal, with the limit of delegated powers by the Risk Territorial Commission, up to certain amounts and terms and in terms of the type of transaction. The Analyst obtains other necessary information for the proposal termination, through the different corporate applications:

#### 1. Risk model:

- Positions in the Group (current balances, means and applications)
- Declared risks in the Risk Information Central of Bank of Spain (C.I.R.B.E.)
- Profitability
- Economic Group information (if any)

#### 2. Risk File:

- current and/or cancelled risk proposals.

### 3. Negative Clearances:

- RAI, ASNEF, etc. If reflected in the participants display.
4. Technical Risks
  5. Commercial reports request (D&B, Informa) if applicable, both of the holder and of guarantors and related companies as the case may be.

As the Analyst is making the different tasks, the system leaves a record with a sign in the relevant section that enables making new tasks that were not permitted before.

In case of needing more information or documentation, the Analyst contacts by phone, e-mail or any other means (in terms of the need) the Office and requests it. It may also make a “Preliminary” through the “Integral Proposal” itself. In the latter case, the transaction can neither be terminated nor amended until the Office replies, being appointed to the Analyst that filed said “Preliminary”. In any case, the Integral Proposal enables the Analyst to terminate the transaction once four business days have passed with no reply to the “Preliminary” by the Office.

Government Supports receive the supplementary documentation supporting the transaction, forwarded by the different Offices (through internal courier or fax) and enquire in the application the Analyst Registration number that has appointed the proposal in order to deliver the same to the Analyst. In case the transaction is not appointed, it shall appoint it.

After four business days from reception in the Unit and the Office not having received the requested documentation, or if the latter is incomplete, the Analyst accounts the proposal “with no effect”, save for circumstances that may advise that it stays.

The possible termination options by the Analysts are: Approved, Denied or Ineffective.

- Approved: the Analyst authorises the transaction.

- Denied
- Denied: the transaction does not meet the risk criteria provided for authorisation.
- Denied, possible reconsideration: The transaction could be approved if its setting was amended according to the Analyst advice.
- Denied, clarifications missing: The U.D.O. has not received the information or evidence of the information included into the proposal.
- Ineffective: when the transaction setting is erroneous or the procedure incorrect.

Once the transaction is terminated, the Office may enquire the termination conditions, and in the event that it is approved, proceed to accounting and formalising.

#### **4.5 Transactions treated by ARENA/SCORING 70 (Businesses and P.Y.M.E.S.)**

In transactions of legal persons, not included in Analysts' portfolios, or of individuals for development of their self employed professional activities and/or business, the Office has previously introduced in Integral Proposal the "Proposal Basic Information", as "Business Identification" and, as the case may be, Financial Statements (main capital masses) VAT information and registration assessments.

#### **4.6 SCORING 70**

This decision system the same as in individuals offers the possibility that certain transactions of businesses and companies may be approved under the Office's powers, that is, with no need that the same are submitted to U.D.O. for decision. Within the replies said tool offers, is the possibility neither to approve nor to deny, offering the alternative to send it to U.D.O. in which case the procedure is similar to the above one for individuals.

The U.D.O. Analyst checks the above information and performs the task of "Extending proposal information" that involves introducing into the System the

Balance Sheet as well as the Profit and Loss Account and other necessary information in order to complete the transaction information.

Subsequently the U.D.O. Analyst answers some questions as positive and negative aspects within the section “Questions and Answers” of Integral Proposal and the system automatically identifies the risks and factors supporting the transaction.

Once the above is made, a scheme is produced visualising the proposals basic information:

- Not removed risk factors
- Positive aspects not removed by positive aspects;
- Risk factors removed with positive aspects;
- Positive aspects removed by risk factors.

If necessary the Analyst completes the section “Other Risks and Positive Factors” where it may capture all other risk factors or positive aspects it identifies.

Once the above is made, the above described process continues, both regarding the Analyst Report and the decision levels of the circuits for discrepancy transactions.

The U.D.O. Manager daily controls the transactions not terminated by the U.D.O. Analysts with the purpose to reduce as much as possible the stock of proposals pending decision.

In case the loans or facilities proposed with mortgage guarantee, once the risk is approved, they are forwarded to the Mortgage Business Units with the purpose that they request to assess the property subject to the transaction (*the event that the customer had not supplied a recent assessment by authorised assessor*) and request an updated registry copy (*in case it was not sent with the application*). Once both measures have been taken, the maximum amount to be granted in terms of the assessed value and the nature of the asset to be mortgaged will be fixed (*first, second house or commercial*

*premises*) and if there were any charges it would be cancelled before registering our mortgage.

#### 4.7 **Loan formalisation and disbursement**

Once the transaction is approved it is indicated in the System in order for the Office to capture the conditions and to proceed to formalising the loan, for what it shall coordinate the contractual document signing with the customer and the notary, if any, and once this proceeding is made it shall pay the amount granted to the customer into the account it has opened in said Office. In case it has a mortgage guarantee, in the same act of signing a presentation entry shall be entered in the Land Registry with the purpose to guarantee that our mortgage is duly registered.