FONDO DE TITULIZACIÓN DE ACTIVOS PYMES BANESTO 2
SECURITISATION BONDS
€ 1,000,000,000

Series A1	€ 400,000,000	**AAA/Aaa/AAA**
Series A2	€ 541,700,000	**AAA/Aaa/AAA**
Series B	€ 24,300,000	**AA-/A1/A**
Series C	€ 34,000,000	**BBB/Baa3/BBB**

BACKED BY ASSETS SOLD BY

Banesto

LEAD MANAGERS OF THE ISSUE

Banesto JPMorgan SOCIETE GENERALE

UNDERWRITERS

Banesto JPMorgan SOCIETE GENERALE

Paying Agent

Banesto

Sponsored and Managed by:

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

Prospectus registered with the registries of the National Securities Market Commission on 16 November 2006

CONTENTS

This document constitutes the informational prospectus (hereinafter, the "**Prospectus**") of the asset securitisation fund Fondo de Titulización de Activos PYMES BANESTO 2 (hereinafter, the "**Fund**"), approved and registered by the Spanish National Securities Markets Commission (Comisión Nacional del Mercado de Valores; hereinafter, the "CNMV"), in accordance with the provisions of European Commission Regulation (EC) 809/2004 of 29 April 2004 (hereinafter, "**Regulation 809/2004**"), composed of:

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

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

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

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

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

RISK FACTORS

I. Risk factors specific to the Fund:

(i) Risk of insolvency of the Fund:

In the event it is generally impossible for the Fund to pay its obligations there shall apply the provisions of article 11 of Royal Decree 926/1998; that is, the Fund management company (Sociedad Gestora; hereinafter the "Gestora"), after informing the CNMV, shall arrange for the orderly liquidation of the Fund according to the rules established in such respect in this Prospectus.

The Fund shall only bear liability for the performance of its obligation up to the amount of its assets.

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

The Fund has no legal personality. The Gestora, consequently, must carry on its administration and representation and perform the legally stipulated obligations in relation to the Fund, and shall be liable for non-performance of those obligations vis-à-vis the Bondholders and the rest of the ordinary creditors of the Fund up to the limit of its net assets.

The Fund will be open and renewable in respect of its assets and closed in respect of its liabilities. The assets will comprise the Initial Assets it will acquire at the time of its formation and, as replacement on repayment of the Assets, the Additional Assets it acquires on each Payment Date during the Renewal Period that will end on the Payment Date corresponding to 15 December 2008, unless the expiry of that period is accelerated pursuant to section 2.2.2.2(a) of the Additional Building Block to the Securities Note.

(iii) Mandatory substitution of the Gestora:

According to article 19 of Royal Decree 926/1998, the Gestora must be substituted in the event it is declared subject to insolvency proceedings or its administrative authorisation is revoked on the terms and subject to the requirements laid down in section 3.7.2 of the Additional Building Block to the Securities Note.

(iv) Limitation of actions against the Gestora.

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

(v) Validity of the sale in the event of insolvency proceedings of the Seller:

The case-law is not yet sufficient to know how the courts may interpret the regulations contained in the Insolvency Act 22/2003 of 9 July 2003, (Ley Concursal; hereinafter, the "**Insolvency Act**"), which came into effect on 1 September 2004. Without prejudice to the above, the most common interpretation is that, according to Additional Provision Two of Act 22/2003, the specific insolvency proceedings under Additional Provision Five of Act 3/1994 will remain in force, so that, unless there is fraud in the assignment, the Assets assigned to the Fund will not form part of the bankrupt's estate in the event of a creditors arrangement for the Seller. In all events, even if there prevailed the less common interpretation of the Insolvency Act given that the operation involves securitisation of receivables of part of the ordinary business of credit institutions, the assignment of the Assets to the Fund would only be capable of rescission in the event of declaration of insolvency proceedings for the Seller if the assignment was carried out within two (2) years preceding such declaration and the insolvency administrators show it was not done in normal conditions.

In the event insolvency proceedings are declared for the Seller, the Fund, acting through the Gestora, will have the right of separation in respect of the assigned Assets. Notwithstanding the above, this right of separation will not necessarily extend to the money the Seller receives in its capacity as Administrator and holds for the account of the Fund prior to the date of declaration of insolvency proceedings, because the fungible nature of that money means it could be subject to the results of the proceedings according to the construction of article 80 of Act 22/2003 supported by a majority of authoritative legal opinion.

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

(vi) Relations with third parties

The Fund, represented by the Gestora, has entered into contracts with third parties for the provision of certain financial services and operations in relation to the Assets and the Bonds.

Those contracts include the Paying Agency Agreement, the Subordinated Loan for Formation Expenses Agreement, the Subordinated Loan for Reserve Fund Agreement, the Swap Contract, the Treasury Account Guaranteed Yield Reinvestment Agreement, the Principal Account Guaranteed Yield Reinvestment Agreement, the Financial Intermediation Agreement and the Issue Underwriting and Distribution Agreement.

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

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

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

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

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

(i) Default risk of the Assets:

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

BANESTO, as Seller, bears no liability whatsoever for non-payment by the Debtors, whether of principal, interest or of any other sum they may owe by virtue of the Assets. According to article 348 of the Spanish Code of Commerce (Código de Comercio), the Seller shall only be liable for the existence and legitimacy of the Assets at the time of their assignment and on the terms and conditions set out in the Prospectus, as well as for the personality with which it makes the assignment.

(ii) Risk of prepayment of the Assets:

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

During the Renewal Period, the risk entailed by such prepayment will be covered by means of acquisition by the Gestora, in the name and on behalf of the Fund, on each Payment Date of Additional Assets in an amount equal to the Assets which have been prepaid or in relation to which the Seller has been replaced by another financial position.

Once the Renewal Period has ended, the risk entailed by such prepayment shall be transferred quarterly, on each Payment Date, to the Bondholders by partial redemption of the Bonds according to the rules for Distribution of the Available Principal Funds laid down in section 4.9.3.6.(B) of the Securities Note.

(iii) Liability:

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

(iv) Protection:

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

Despite the foregoing, the risk of the Bondholders of each higher Series is mitigated by the subordination rules on payment of interest and repayment of principal of the Bonds of the lower Series set out in section 3.4.3.3 of the Additional Building Block and according to the ranking of payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note (the "**Ranking of Payments**"), and by the liquidation ranking of payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note (the "**Liquidation Ranking of Payments**").

III. Risk factors specific to the securities:

(i) Limited liquidity:

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

There is no commitment by any entity to participate in trading in the secondary market to give the Bonds liquidity by acting as counterparty.

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

(ii) Yield and term:

The calculation of the average life, yield and term of the Bonds of each Series indicated in section 4.10 of the Securities Note is subject to, inter alia, assumptions regarding the prepayment and default rates for the Assets which may not be fulfilled, as well as to the future market interest rates, given that the nominal interest rates are variable.

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

(iii) Default interest:

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

(iv) Bond ratings

The credit risk of the Bonds issued with a charge to the Fund has been evaluated by the rating agencies Fitch Ratings España S.A., Moody's Investors Service España S.A. and Standard & Poor's España, S.A.

The final ratings assigned my be revised, suspended or withdrawn at any time by those rating agencies in view of any information that becomes known to them.

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

(v) Lower ranking of interest payments.

This Prospectus and the rest of the supplementary documentation relating to the Bonds provide that the ranking of interest payments on the Series B and C Bonds will be downgraded in the event there arise the circumstances provided for in ordinal numbers 5th and 6th, respectively, of section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, in which case they would be moved down to the 8th and 10th positions of the Ranking of Payments contained in that section.

REGISTRATION DOCUMENT FOR ASSET BACKED SECURITIES

(Annex VII of Commission Regulation (EC) 809/2004

This Registration Document has been prepared according to Annex VII of Regulation (EC) 809/2004 and was approved by the Comisión Nacional del Mercado de Valores (Spanish Securities Markets Commission; hereinafter the "CNMV") on 16 November 2006.

1. PERSONS RESPONSIBLE.

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

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

MR. IGNACIO ORTEGA GAVARA acts in his capacity as General Manager and exercising the powers expressly conferred for the formation of the Fund by the Board of Directors of the Gestora at its meeting of 24 July 2006.

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is sponsor of FONDO DE TITULIZACIÓN DE ACTIVOS PYMES BANESTO 2 and will be responsible for its administration and legal representation.

1.2 Statement of those responsible for the content of the Registration Document.

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

2. STATUTORY AUDITORS OF THE FUND.

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

In accordance with what is stated in section 4.4 of this Registration Document, the Fund has no historical financial information.

Nevertheless, during the life of the Fund, the annual financial statements will be audited annually by the statutory auditors.

At its meeting of 24 July 2006, at which the Board of Directors of the Gestora resolved to form this Fund, the Board appointed as Statutory Auditor of the Fund the firm of Deloitte, S.L., whose detailed information is given in section 5.2.i) of this Registration Document, for a period of three (3) years, that is, for financial 2006, 2007 and 2008. The Gestora shall notify the CNMV, Rating Agencies and the Bondholders of any future change regarding the appointment of the Fund auditors.

2.2 Accounting policy used by the Fund.

The financial year of the Fund will be coterminous with the calendar year. However, by way of exception, the first financial year will begin on the Formation Date (that is, on 17 November 2006) and end on 31 December 2006, and the last financial year will end on the date the Fund is dissolved.

The Gestora will file the annual financial statements of the Fund with the CNMV, together with the related audit report, within four (4) months following the end of the Fund's financial year (that is, prior to 30 April of each year).

The annual financial statements of the Fund and audit report thereon will be deposited in the Companies Registry each year.

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

3. RISK FACTORS.

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

4. INFORMATION ABOUT THE ISSUER.

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

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

4.2 Legal and commercial name of the Fund.

The name of the Fund is "FONDO DE TITULIZACIÓN DE ACTIVOS PYMES BANESTO 2", and it may also be identified indistinctly by the abbreviated names "PYMES BANESTO 2 F.T.A." and "PYMES BANESTO 2 FTA".

4.3 Place of registration of the Issuer and its registration number.

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

A prerequisite for establishment of the Fund and issuance of the Bonds is the Fund's registration in the official registers of the CNMV in Spain. This Prospectus was registered with the CNMV on 16 November 2006.

As a matter of record, neither the establishment of the Fund nor issuance of Bonds with a charge to its assets will be subject to registration in the Companies Registry, in view of the authority established by article 5.4 of Royal Decree 926/1998.

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

4.4.1 Date of Incorporation.

The execution of the Deed of Formation and, hence, the Formation Date of the Fund is scheduled for 17 November 2006.

The Deed of Formation cannot undergo any changes other than in exceptional events, provided this is permitted according to the applicable laws and to the conditions established by regulation. In any event, such actions shall require prior notice from the Gestora to the CNMV or competent administrative body, or their prior authorisation if necessary, as well as notice thereof to the Rating Agencies, and provided those actions do not impair the rating granted to the Bonds by the Rating Agencies or result in prejudice to the Bondholders. The Deed may also be subject to correction at the instructions of the CNMV.

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

4.4.2 Length of life of the Fund.

The Fund is expected to pursue its activities until the Statutory Maturity Date, that is, 31 December 2031 or, if this does not fall on a Business Day, the next following Business Day.

4.4.3 Events of Liquidation of the Fund. Termination of the Fund. Actions for liquidation and termination of the Fund.

(1) Events of early liquidation.

Notwithstanding what is provided in section 4.4.2 above, the Gestora is authorised to carry out the Early Liquidation of the Fund and, hence, the early redemption on a Payment Date of the whole of the Bond Issue (the "**Early Redemption**"), on the terms established in this section, in any of the following events:

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

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

(iii) On a compulsory basis, in the event provided for in article 19 of Royal Decree 926/1998, which establishes the obligation to liquidate the Fund early if four (4) months pass after an event that requires mandatory substitution of the Gestora, because the latter has been declared subject to insolvency proceedings or its authorisation has been revoked, and a new management company has not been named to take charge of the Fund's management according to the terms of section 3.7.2 of the Additional Building Block to the Securities Note;

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

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

The liquidation of the Fund must be previously notified to the CNMV and then to the Bondholders, in the manner stipulated in section 4.(b.3) of the Additional Building Block to the Securities Note, at least thirty (30) Business Days in advance of the scheduled Early Redemption date, which must necessarily fall on a Payment Date.

(2) Termination of the Fund

The termination of the Fund will take place:

(i) due to full repayment of the Assets;

(ii) due to full redemption of the Bonds;

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

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

(v) if the provisional ratings of the Bonds are not confirmed as final prior to the start of the Subscription Period or the Underwriting and Distribution Agreement for the Issue is terminated for any of the reasons provided in article 1105 of the Spanish Civil Code (Código Civil) prior to the start of the Subscription Period.

In the event there arises any of the situations described in the foregoing subparagraphs, the Gestora shall notify the CNMV and begin making the relevant arrangement for termination of the Fund.

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

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

(i) sell the Assets for a price no lower than the sum of the value of principal plus the interest accrued and not received on the Assets pending repayment. For these purpose, the Gestora must solicit an offer from at least five (5) entities of those most active in trading in similar assets, and shall not sell them for less than the best offer received. The Seller will have a right of first refusal to acquire those Assets, on the conditions established by the Gestora at the time of liquidation such that it has preference over third parties in acquiring the Assets. To exercise the right of first refusal, the Seller shall have five (5) Business Days after the date on which the Gestora gives it notice of the conditions (price, payment method, etc.) in which the Assets will be sold. The Seller's offer must at least match the best of the offers received from third parties.

In the event that no offer covers the value of the principal plus the interest accrued and not received of the Assets pending repayment, the Gestora will be obliged to accept the best offer of those received (in the understanding that it must have solicited at least five (5) offers) for the Assets. In this event, the Seller will likewise enjoy the right of first refusal described above, provided its offer at least matches the best of the offers made by the third parties.

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

(ii) sell any other assets of the Fund other than the Assets and the cash for a price not less than the market price. To determine the market value, the Gestora will request from at least one entity specialised in evaluating or trading assets similar to those whose sale is intended the valuation reports it deems necessary, and sell the assets in question by means of the procedure that allows the highest price in the market to be obtained; and/or

(iii) cancel the contracts that are not needed for the process of liquidating the Fund.

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

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

In all events, the Gestora, acting for the account and on behalf of the Fund, shall not proceed to terminate the Fund until it has liquidated the Assets and all remaining assets of the Fund and distributed the available funds of the Fund, following the Liquidation Ranking of Payments set out in section 3.4.6.3 of the Additional Building Block to the Securities Note.

After a maximum of six (6) months have passed after the liquidation of the Assets and any other remaining assets of the Fund and the distribution of the available funds, the Gestora will execute the notary certificate declaring (a) dissolution of the Fund, and the grounds provided in this Registration Document which justify its termination, (b) the procedure followed for notifying the Bondholders and the CNMV, and (c) the distribution of the available amounts of the Fund following the Liquidation Ranking of Payments stipulated in section 3.4.6.3 of the Additional Building Block to the Securities Note and will comply with the rest of the applicable administrative formalities. The said notary document will be submitted by the Gestora to the CNMV.

In the liquidation event provided for in sub-section (2)(v) above (that is, if the provisional ratings of the Bonds are not confirmed as definitive prior to the start of the Subscription Period or the Underwriting and Distribution Agreement for the bond Issue is terminated for any of the reasons provided for in article 1105 of the Civil Code prior to the start of the Subscription Period), there will be cancelled the formation of the

Fund, the Bond issue and the contracts entered into by the Gestora, acting in the name of the Fund, except for the Subordinated Loan for Formation Expenses Agreement, which will be used to pay the formation and issuance expenses incurred by the Fund and which will only be cancelled once the said expenses have been paid, with repayment of the principal thereunder being subordinated to performance of the rest of the obligations assumed by the Gestora, for and on behalf of the Fund. The cancellation will be immediately notified to the CNMV and, one (1) month after the occurrence of the grounds for cancelling the Fund's formation, the Gestora will execute a notary certified to be sent to the to the CNMV and to the Rating Agencies, declaring the termination of the Fund and the reasons.

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

a) Domicile of the Fund.

The Fund does not have a registered office given that it has no legal personality. For all purposes, the Fund's address will be considered to be that of the Gestora, that is:

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

Telephone: 91.289.32.97

b) Legal form of the Fund.

The Fund will constitute a separate capital base, without legal personality, open and renewable in respect of its assets and closed in respect of its liabilities. The assets will be composed of the Initial Assets it will acquire at the time of its formation and, as replacement on repayment of the Assets, the Additional Assets it acquires on each Payment Date during the Renewal Period that will end on the Payment Date corresponding to 15 December 2008, unless the expiry of that period is accelerated pursuant to section 2.2.2.2(a) of the Additional Building Block to the Securities Note.

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

The formation of the Fund and issuance of the Bonds with a charge thereto is done under the laws of Spain and, specifically, according to the regulations set out in (i) Royal Decree 926/1998 of 14 May 1998 and its implementing provisions; (ii) Act 19/1992 of 7 July 1992 governing Real Estate Investment Companies and Funds and Mortgage Securitisation Funds (Ley sobre Régimen de Sociedades y Fondos de Inversión Inmobiliaria y sobre Fondos de Titulización Hipotecaria), insofar as regards matters not provided for in Royal Decree 926/1998 and insofar as applicable; (iii) Act 3/1994 of 14 April 1994 adapting Spanish legislation on credit institutions to the Second Directive on Banking Coordination and introducing other modifications relating to the financial system; (iv) Act 44/2002 (in particular, article 18), (v) the Spanish Securities Market Act 24/1988 of 28 July 1988 (Ley del Mercado de Valores) in relation to supervision, inspection, sanctions and all matters of application; (vi) Royal Decree 1310/2005 of 4 November 2005 with its partial implementation of the Securities Market Act

24/1988 of 28 July 1988 on matters of admission of securities to trading in official secondary markets, public sale and subscription offerings and the requisite prospectus for such operations; (vii) Ministry of Economy and Finance Order EHA/3536/2005 of 10 November 2005, which implements article 27.4 of the Securities Market Act 24/1988 of 28 July 1988; and (viii) all other applicable legal and regulatory provisions in effect from time to time.

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

d) Tax regime of the Fund.

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

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

(ii) The Fund is subject to the general rules for Corporate Income Tax (Impuesto sobre Sociedades), the general rate for which is currently thirty-five percent (35%).

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

(iv) The management and custody services provided by the Gestora to the Fund are exempt from Value Added Tax (article 20.1.18.n of Act 37/1992).

(v) The issuance, subscription, transfer, repayment and redemption of the Bonds are exempt from the Capital Transfer Tax and Stamp Duty (article 45.I.B.15 of Legislative Royal Decree 1/1993).

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

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

Does not apply.

5. <u>BUSINESS OVERVIEW</u>.

5.1 <u>Brief description of the Issuer's principal activities</u>.

The Issuer is an asset securitisation vehicle and, as such, its principal activity consists in acquiring the Assets and issuing the Bonds. In other words, by means of their securitisation, BANESTO transfers the Assets to the Fund, which pays the price of the acquisition using the proceeds obtained from issuing the Bonds subscribed for by the qualified investors for whom they are intended. This operation thus serves to allow

BANESTO to collect on the Loans earlier, that is, Assets which were not liquid at the time of their assignment to the Fund are made liquid for BANESTO.

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

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

5.2 <u>Global overview of the parties to the securitisation program</u>.

a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is acting as management company of the Fund and as legal and financial advisor for arranging the operation

SANTANDER DE TITULIZACIÓN S.G.F.T., S.A. is a securitisation funds management company with registered address in Ciudad Grupo Santander, Avenida de Cantabria, 28660 Boadilla del Monte (Madrid) and holder of corporate taxpayer identity code (CIF) no. A-80481419, and a brief description is contained in section 6 of the Registration Document and in 3.7.2 of the Additional Building Block to the Securities Note.

b) BANCO ESPAÑOL DE CRÉDITO, S.A. is acting as Seller of the Assets, as Lead Manager of the Bond issue, as Underwriter, as Paying Agent and as the Fund's counterparty in the Subordinated Loan for Formation Expenses Agreement, in the Subordinated Loan for Reserve Fund Agreement, in the Swap Contract, in the Treasury Account Guaranteed Yield Reinvestment Agreement, in the Principal Account Guaranteed Yield Reinvestment Agreement, and in the Financial Intermediation Agreement.

BANCO ESPAÑOL DE CRÉDITO, S.A., in its capacity as Lead Manager, assumes the functions of directing the operations relating to the design of the commercial and financial conditions of the Bond issue, coordination with potential investors and coordination with the Underwriters.

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

Ratings assigned by the Rating Agencies to BANESTO's unsubordinated and unsecured short and long-term debt:

	Fitch	Moody's	S&P
Short term	F1+	P1	A-1+
Long term	AA	Aa3	AA-

c) J.P. MORGAN SECURITIES LTD. is acting as Lead Manager and Underwriter of the Bond issue.

J.P. MORGAN SECURITIES LTD., in its capacity as Lead Manager, assumes the functions of directing the operations relating to the design of the commercial and financial conditions of the Bond issue, coordination with potential investors and coordination with the Underwriters.

J.P. MORGAN SECURITIES LTD. is a company incorporated under the laws of England in the United Kingdom, is registered in the companies registry of England and Wales under number 2711006, has its registered address at 125 London Wall EC2Y 5AJ, London, United Kingdom and holds corporate taxpayer identity code (CIF) no. GB 268/8163038906. It is also registered in the CNMV as an investment firm of the European Economic Area under the freedom to provide services with number 107 on 5 January 1996.

d) SOCIÉTÉ GÉNÉRALE, Sucursal en España, is acting as Lead Manager and Underwriter of the Bond issue.

SOCIÉTÉ GÉNÉRALE, Sucursal en España, in its capacity as Lead Manager, assumes the functions of directing the operations relating to the design of the commercial and temporary financial conditions of the Bond issue, coordination with potential investors and coordination with the Underwriters.

SOCIÉTÉ GENÉRALE is a bank incorporated in France that acts through its Spanish branch, registered with the Bank of Spain as a branch of the foreign community credit institution with code number 0108, corporate taxpayer identification number (CIF) A-0011682B and registered office at Torre Picasso, Plaza Pablo Ruiz Picasso 1, 28020 Madrid. SOCIÉTÉ GENÉRALE, Sucursal en España is registered with the Companies Registry of Madrid, volume 10,215, folio 35, page 18,909, entry 4480.

e) Fitch is acting as a credit rating agency to rate the Bonds.

Fitch is a Spanish public limited company subsidiary of the credit rating agency Fitch Ratings Limited, with registered address in Barcelona, at Calle Paseo de Gracia, 85 and holder of corporate taxpayer identity code (CIF) no. A-58090655.

f) Moody's is acting as a credit rating agency to rate the Bonds.

Moody's is a Spanish public limited company subsidiary of the credit rating agency Moody's Investors Service Limited, with registered address in Madrid, at Calle Bárbara de Braganza, 2 and holder of corporate taxpayer identity code (CIF) no. A-80448475.

g) Standard & Poor’s is acting as a credit rating agency to rate the Bonds..

Standard & Poor’s is a Spanish public limited company subsidiary of the credit rating agency Standard & Poor’s Limited, with registered address in Madrid, at Marqués de Villamejor, 5 and holder of corporate taxpayer identity code (CIF) no. A-90310824.

h) CLIFFORD CHANCE, S.L. is acting as legal advisor on the operation.

CLIFFORD CHANCE, S.L. is a law firm with registered address in Madrid, at Paseo de la Castellana, 110 and holder of corporate taxpayer identity code (CIF) no. B-80603319.

i) Deloitte, S.L. is acting as auditor of the Fund and as auditor of the assignable portfolio.

Deloitte, S.L. is a firm of auditors with registered address in Madrid, at Torre Picasso, Plaza Pablo Ruiz Picasso, s/n, holder of corporate taxpayer identity code (CIF) no. B-79104469, and is registered in the Official Register of Auditor (ROAC) under number S0692.

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

No other direct or indirect ownership or control relationship is known between the aforesaid legal persons that participate in the securitisation operation.

6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE GESTORA.

In accordance with Royal Decree 926/1998, Asset Securitisation Funds have no legal personality of their own, and responsibility for their formation, administration and legal representation, as well as for the representation and defence of the interests of the holders of the securities issued with a charge to the funds they administer and of the rest of their ordinary creditors rests with securitisation fund management companies (sociedades gestoras de fondos de titulización).

Thus, this section gives the information on SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A., as the management company that establishes, manages and represents FONDO DE TITULIZACIÓN DE ACTIVOS PYMES BANESTO 2.

6.1 Incorporation and registration with the Companies Registry.

a) Full name and registered address.

- Full name: SANTANDER DE TITULIZACIÓN, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A.
- Registered address: Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte (Madrid).
- Taxpayer identification code (CIF): A-80481419
- Spanish national sector classification code (CNAE): 8199

b) Incorporation and registration in the Companies Registry, as well as the information on administrative authorisations and registration with the CNMV.

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A., was incorporated in a public deed executed on 21 December 1992 in the presence of Madrid notary public Mr. Francisco Mata Pallarés under number 1310 of his notary record, with prior authorisation from the Spanish Ministry of Economy and Finance granted on 1 December 1992. It is registered in the Companies Registry of Madrid in volume 4789, folio 75, page M-78658, 1st entry. It is also registered in the special register of the CNMV under number 1.

In addition, the Gestora amended its articles of association pursuant to a resolution adopted by its Board of Directors on 15 June 1998, executed in a public deed attested by Madrid notary public Mr. Roberto Parejo Gamir on 20

July 1998 under number 3070 of his notary record, for the purpose of adapting them to the requirements laid down for asset securitisation fund management companies by Royal Decree 926/1998. The amendment was authorised by the Ministry of Economy and Finance on 16 July 1998 under the Sole Transitional Provision of the afore-cited Royal Decree 926/1998.

The Gestora is incorporated for an unlimited term, unless there occurs one of the events established in the applicable legal provisions and articles of association for its dissolution.

6.2 Audit of Accounts.

The annual financial statements of the Gestora for the years ended 31 December 2003, 2004 and 2005 were audited by the firm of Deloitte, S.L. and deposited with the Companies Registry of Madrid. The audit report for each of those annual financial statements contained no qualifications.

6.3 Principal Activities.

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

The total net assets managed by the Gestora as at 18 October 2006 are as indicated below.

MORTGAGE SECURITISATION FUNDS (FTH)						
FUNDS	SERIES	OUTSTANDING BALANCE	RATE PER SERIES	RATING AGENCY	FORMATION DATE	INITIAL ASSET BALANCE
FTH HIPOTEBANSA VI	Series A	34,144,301.64 €	Libor 3M + 0.12%	S&P España / Moody´s España	27/10/1997	262,942,795.67 €
	Series B	3,414,430.05 €	Libor 3M + 0.50%			
	Total	**37,558,731.69 €**				
FTH HIPOTEBANSA VII	Series A	57,978,269.85 €	Libor 3M + 0.15%	S&P España / Moody´s España	05/05/1998	317,334,391.12 €
	Series B	5,797,826.82 €	Libor 3M + 0.525%			
	Total	**63,776,096.67 €**				
FTH UCI 4	Series A	27,331,248.30 €	Libor 3M + 0.16%	S&P España	25/06/1998	180,303,631.32 €
	Series B	2,733,125.36 €	Libor 3M + 0.575%			
	Total	**30,064,373.66 €**				
FTH HIPOTEBANSA VIII	Series A	68,001,045.44 €	Libor 3M + 0.27%	Fitch IBCA / Moody´s España	17/12/1998	328,302,862.02 €
	Series B	6,800,105.18 €	Libor 3M + 0.800%			
	Total	**74,801,150.62 €**				
FTH UCI 5	Series A	54,699,713.20 €	Euribor 3M + 0.23%	Moody´s España	03/06/1999	265,000,000.00 €
	Series B	4,375,976.40 €	Euribor 3M + 0.625%			
	Total	**59,075,689.60 €**				
FTH BANESTO 1	Series A	135,610,451.60 €	Euribor 3M + 0.23%	Moody´s España	29/07/1999	759,000,000.00 €
	Series B	10,848,836.60 €	Euribor 3M + 0.625%			
	Total	**146,459,288.20 €**				
FTH HIPOTEBANSA IX	Series A	142,525,306.32 €	Euribor 3M + 0.27%	Fitch IBCA / Moody´s España	10/11/1999	519,200,000.00 €
	Series B	14,000,000.00 €	Euribor 3M + 0.75%			
	Total	**156,525,306.32 €**				
FTH BANESTO 2	Series A	193,588,884.00 €	Euribor 3M + 0.27%	Moody´s España	08/05/2000	715,000,000.00 €
	Series B	13,551,220.00 €	Euribor 3M + 0.625%			
	Total	**207,140,104.00 €**				
FTH BANESTO 3	Series A	185,364,563.69 €	Euribor 3M + 0.23%	Moody´s España	16/07/2001	545,000,000.00 €
	Series B	17,700,000.00 €	Euribor 3M + 0.60%			
	Total	**203,064,563.69 €**				
FTH BANESTO 4	Series A	832,497,165.00 €	Euribor 3M + 0.20%	S&P España	15/11/2003	1,500,001,867.69 €
	Series B	45,000,000.00 €	Euribor 3M + 0.65%			
	Total	**877,497,165.00 €**				
FTH UCI 10	Series A	340,356,558.50 €	Euribor 3M + 0.16%	S&P España	14/05/2004	700,000,000.00 €
	Series B	21,000,000.00 €	Euribor 3M + 0.50%			
		383,268,974.90 €				
FTH UCI 12	Series A	611,232,391.68	Euribor 3M + 0.15%	S&P España	30/05/2005	900,000,000.00 €
	Series B	9,000,000.00	Euribor 3M + 0.27%			
	Class C	23,800,000.00	Euribor 3M + 0.60%			
	Total	**644,032,391.68 €**				
	TOTAL FTH	**2,883,263,836.03 €**				

ASSET SECURITISATION FUNDS (FTA)						
FUNDS	SERIES	OUTSTANDING BALANCE	RATE PER SERIES	RATING AGENCY	FORMATION DATE	INITIAL ASSET BALANCE
FTA SANTANDER 1	Intern. P. Notes.	4,355,697,039.70		S&P España / Moody´s España	26/11/1998	
	Domestic P. Notes	608,600,000.00				
Total		4,964,297,039.70 €				
FTA UCI 6	Series A	108,847,673.54	Euribor 3M + 0.295%	Moody´s España	19/06/2000	457,000,000.00 €
	Series B	9,578,596.24	Euribor 3M + 0.775%			
Total		118,426,269.78 €				
FTA UCI 7	Series A	128,960,900.10	Euribor 3M + 0.250%	S&P España / Moody´s España	25/10/2001	455,000,000.00 €
	Series B	9,027,263.56	Euribor 3M + 0.700%			
Total		137,988,163.66 €				
FTA HIPOTEBANSA X	Series A	344,695,345.75	Euribor 3M + 0.21%	S&P España / Moody´s España	04/03/2002	917,000,000.00 €
	Series B	21,000,000.00	Euribor 3M + 0.55%			
Total		383,268,974.90 €				
FTA FTPYME BANESTO 1	SERIES A1(G)	0.00 €	Euribor 3M + 0.01%	Fitch IBCA / Moody´s España	11/06/2002	500,000,000.00 €
	SERIES A1	0.00 €	Euribor 3M + 0.35%			
	SERIES A2(G)	0.00 €	Euribor 3M + 0.04%			
	SERIES A2	0.00 €	Euribor 3M + 0.38%			
	SERIES A3(G)	166,700,000.00	Euribor 3M + 0.07%			
	SERIES A3	41,700,000.00	Euribor 3M + 0.48%			
	SERIES B(G)	1,654,308.00	Euribor 3M + 0.20%			
	SERIES B	1,654,308.00	Euribor 3M + 0.90%			
	SERIES C	2,205,744.00	Euribor 3M + 1.80%			
Total		213,914,360.00 €				
FTA UCI 8	Series A	167,674,260.78	Euribor 3M + 0.220%	S&P España / Moody´s España	24/06/2002	600,000,000.00 €
	Series B	11,066,501.16	Euribor 3M + 0.600%			
Total		178,740,761.94 €				
FTA HIPOTEBANSA 11	Series A	529,297,695.12	Euribor 3M + 0.24%	S&P España / Moody´s España	26/11/2002	1,062,000,000.00 €
	Series B	21,200,000.00	Euribor 3M + 0.45%			
Total		550,497,695.12 €				
SANTANDER CONSUMER FINANCE SPAIN 02-1 FTA	Series A	277,257,748.10	Euribor 3M + 0.30%	Fitch / Moody´s España / S&P España	09/12/2002	850,000,000.00 €
	Series B	17,908,244.55	Euribor 3M + 0.60%			
Total		295,165,992.65 €				
FTA CONSUMO SANTANDER 1	Series A	236,642,828.40	Euribor 3M + 0.25%	S&P España / Moody´s España	04/03/2003	1,080,000,000.00 €
	Series B	37,800,000.00	Euribor 3M + 0.43%			
	Class C	35,100,000.00	Euribor 3M + 0.73%			
	Class D	35,100,000.00	Euribor 3M + 1.40%			
Total		344,642,828.40 €				

ASSET SECURITISATION FUNDS (FTA)						
FUNDS	**SERIES**	**OUTSTANDING BALANCE**	**RATE PER SERIES**	**RATING AGENCY**	**FORMATION DATE**	**INITIAL ASSET BALANCE**
FTA UCI 9	**Series A**	445,545,594.08	Euribor 3M + 0.265%	S&P España / Moody´s España	16/06/2003	1,250,000,000.00 €
	Series B	33,039,372.50	Euribor 3M + 0.65 %			
	Class C	7,288,096.36	Euribor 3M + 1.20 %			
Total		**485,873,062.94 €**				
FTA FTPYME SANTANDER 1	**Series A**	628,921,380.78	Euribor 3M + 0.25%	Fitch / Moody´s España	24/09/2003	1,800,000,000.00 €
	Series B1(G)	537,100,000.00	Euribor 3M + 0.00%			
	Series B2	134,300,000.00	Euribor 3M + 0.40%			
	Series C	27,000,000.00	Euribor 3M + 0.90%			
	Series D	87,300,000.00	Euribor 3M + 1.80%			
Total		**1,414,621,380.78 €**				
FTA SANTANDER	**Series A**	1,146,261,125.76	Euribor 3M + 0.18%	S&P España / Moody´s España	11/06/2004	1,875,000,000.00 €
HIPOTECARIO 1	**Series B**	53,400,000.00	Euribor 3M + 0.30%			
	Class C	46,900,000.00	Euribor 3M + 0.50%			
	Class D	56,300,000.00	Euribor 3M + 0.95%			
Total		**1,302,861,125.76 €**				
FTA FTPYME SANTANDER 2	**Series A**	750,677,750.55	Euribor 3M + 0.20%	S&P España	21/10/2004	1,850,000,000.00 €
	Series B	228,228,034.05	Euribor 3M + 0.00%			
	Series C	81,000,000.00	Euribor 3M + 0.30%			
	Series D	58,500,000.00	Euribor 3M + 0.70%			
	Series E	58,500,000.00	Euribor 3M + 1.50%			
Total		**1,176,905,784.60 €**				
FTA UCI 11	**Series A**	469,204,128.96	Euribor 3M + 0.14%	S&P España	17/11/2004	850,000,000.00 €
	Series B	6,000,000.00	Euribor 3M + 0.33%			
	Series C	22,900,000.00	Euribor 3M + 0.75%			
Total		**498,104,128.96 €**				
FTA SANTANDER PUBLICO 1	**Series A**	1,308,899,701.20	Euribor 3M+ 0.039%	Fitch / Moody´s España	17/12/2004	1,850,000,000.00 €
	Series B	37,000,000.00	Euribor 3M+ 0.30%			
Total		**1,345,899,701.20 €**				
FTA SANTANDER AUTO 1	**Series Unica**	1,026,146,911.00	Euribor 3M + 0.059%	S&P España	07/04/2005	1,598,000,000.00 €
Total		**1,026,146,911.00 €**				

ASSET SECURITISATION FUNDS (FTA)						
FUNDS	SERIES	OUTSTANDING BALANCE	RATE PER SERIES	RATING AGENCY	FORMATION DATE	INITIAL ASSET BALANCE
FTA SANTANDER	Series A1	797,004,762.24	Euribor 3M + 0.02%	S&P España / Fitch España	27/10/2005	3,100,000,000.00 €
EMPRESAS 1	Series A2	1,240,000,000.00	Euribor 3M + 0.12%			
	Series B	80,600,000.00	Euribor 3M + 0.21%			
	Series C	96,100,000.00	Euribor 3M + 0.29%			
	Series D	170,500,000.00	Euribor 3M + 0.59%			
Total		**2,384,204,762.24 €**				
FTA UCI 14	Series A	1,113,933,282.50	Euribor 3M + 0.15%	S&P España / Fitch España	30/11/2005	1,350,000,000.00 €
	Series B	34,100,000.00	Euribor 3M + 0.29%			
	Series C	38,400,000.00	Euribor 3M + 0.58%			
Total		**1,186,433,282.50 €**				
FTA UCI 15	Series A	1,226,140,376.36	Euribor 3M + 0.14%	S&P España / Fitch España	28/04/2006	1,430,000,010.22 €
	Series B	32,900,000.00	Euribor 3M + 0.27%			
	Series C	56,500,000.00	Euribor 3M + 0.53%			
	Series D	21,600,000.00	Euribor 3M + 0.58%			
Total		**1,337,140,376.36 €**				
FTA SANTANDER	Series A	1,801,500,000.00	Euribor 3M + 0.15%	S&P España / Moody´s España	30/06/2006	1,955,000,000.00 €
HIPOTECARIO 2	Series B	51,800,000.00	Euribor 3M + 0.20%			
	Series C	32,300,000.00	Euribor 3M + 0.30%			
	Series D	49,800,000.00	Euribor 3M + 0.55%			
	Series E	19,600,000.00	Euribor 3M + 2.10%			
	Series F	17,600,000.00	Euribor 3M + 1.00%			
Total		**1,972,600,000.00 €**				
FTA SANTANDER CONSUMER SPAIN AUTO 06	Series A	1,282,500,000.00 €	Euribor 3M + 0.15%	S&P España / Fitch España	10/10/2006	1,350,000,000.00 €
	Series B	22,300,000.00 €	Euribor 3M + 0.20%			
	Series C	22,300,000.00 €	Euribor 3M + 0.30%			
	Series D	22,900,000.00 €	Euribor 3M + 0.55%			
	Series E	10,200,000.00 €	Euribor 3M + 2.10%			
Total		**1,360,200,000.00 €**				
FTA UCI 16	Series A1	430,000,000.00	Euribor 3M + 0.15%	S&P España / Fitch España	18/10/2006	1,800,000,000.00 €
	Series A2	1,247,600,000.00	Euribor 3M + 0.20%			
	Series B	72,000,000.00	Euribor 3M + 0.30%			
	Series C	41,400,000.00	Euribor 3M + 0.55%			
	Series D	9,000,000.00	Euribor 3M + 2.10%			
	Series E	19,800,000.00	Euribor 3M + 1.00%			
Total		**1,819,800,000.00 €**				
	TOTAL FTA	**24,497,732,602.49 €**				

TOTAL (FTH+FTA)		**27,380,996,438.52 €**

6.4 Share Capital and Equity.

a) Nominal amount subscribed and paid in:

The share capital of the Gestora stands at nine hundred one thousand six hundred fifty (901,650) euros, represented by fifteen thousand (15,000) registered shares with a nominal value of sixty point eleven (60.11) euros each, sequentially numbered one (1) to fifteen thousand (15,000), all inclusive, all of them subscribed for and paid up in full.

b) Share classes:

All of the shares are of the same class and carry identical financial, voting and other rights.

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

The Gestora holds no interest in any other company.

6.6 Company bodies.

According to its articles of association, the governance and management of the Gestora rest with the General Shareholders' Meeting and the Board of Directors. Their powers and authorities are those that rest with the said bodies according to the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas), to Act 19/1992 and to Royal Decree 926/1998, in relation to the registered corporate object.

a) Directors

The Board of Directors is composed of the following persons:

Chairman:	Mr. José Antonio Álvarez Álvarez
Directors:	Ms. Ana Bolado Valle
	MR. Emilio Osuna Heredia
	MR. Santos González Sánchez
	MR. Ignacio Ortega Gavara
	MR. Marcelo Alejandro Castro
	MR. Eduardo García Arroyo
	MR. Francisco Pérez Mansilla
	MR. Fermín Colomés Graell
	MR. José Antonio Soler Ramos
Non-Director Secretary:	Ms. María José Olmedilla González

b) General Management

The General Manager of the Gestora is Mr. Ignacio Ortega Gavara.

6.7 Principal activities performed by the persons cited in section 6.6 outside the Gestora where these are significant with respect to the Fund.

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

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

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

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

Santander de Titulización, S.G.F.T., S.A.

Ciudad Grupo Santander

Avda. de Cantabria s/n

28660 Boadilla del Monte (Madrid)

6.8 More than ten percent (10%) lenders to the Gestora.

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

6.9 Litigation and significant disputes.

At the date of verification of this Prospectus, the Gestora is not involved in any insolvency or similarly proceedings and there are no significant disputes or litigation which could affect its financial situation or, in the future, its capacity to discharge the Fund management and administration functions provided in this Prospectus.

6.10 Economic information on the Gestora.

The Gestora does its accounting in accordance with the Spanish General Chart of Accounts (Plan General Contable) approved by Royal Decree 1643/1990 of 20 December.

There follows the balance sheet and income statement for the years 2004 and 2005 and for the third quarter of 2006:

Balance sheet at 30 June 2006, and 31 December 2005 and 2004 (figures in € 000s)

ASSETS	3rd quarter 2006	2005	2004
FIXED ASSETS:			
Intangible fixed assets	8	6	3
Tangible fixed assets	187	107	172
Total fixed assets	**195**	**113**	**175**
CURRENT ASSETS:			
Debtors	**244**	**178**	**125**
Loans to employees	101	89	59
Other receivables	143	89	66
Short-term financial investments	-	-	-
Cash and cash equivalents	**10,320**	**10,307**	**6,687**
Accrual accounts	**1,157**	**821**	**589**
Total current assets	**11,721**	**11,306**	**7,401**
TOTAL ASSETS	**11,916**	**11,419**	**7,576**

EQUITY AND LIABILITIES	3rd quarter 2006	2005	2004
CAPITAL AND RESERVES:			
Subscribed capital stock	902	902	902
Reserves	182	1,160	182
Profit for the year	2,584	3,298	2,628
Interim dividend	-	-	(1,650)
Total capital and reserves	**3,668**	**5,360**	**2,062**
LONG-TERM CREDITORS:			
Short-term debts to Group companies	4,068	4,068	3,833
	4,068	**4,068**	**3,833**
CURRENT LIABILITIES:			
Tax payables	1,440	41	37
Other accounts payable	14	14	13
Short-term debts to Group companies	2,594	1,782	1,415
Accrual accounts	132	154	216
Total current liabilities	**4,180**	**1,991**	**1,681**
TOTAL EQUITY AND LIABILITIES	**11,916**	**11,419**	**7,576**

Income statements for 30 June 2006 and the years ended 31 December 2005 and 2004 (€ 000s)

DEBIT	3rd quarter 2006	2005	2004
EXPENSES:			
Staff costs			
Wages, salaries and similar items	642	880	827
Employee welfare benefits	104	137	127
Other personnel expenses	21	21	18
	767	1,038	972
Allocations for fixed assets depreciation and amortisation	155	145	110
Other operating expenses -			
External services	80	84	198
Taxes other than income tax	-	2	-
Other ordinary operating expenses	117	147	107
	197	233	305
Operating income	**3,827**	**5,002**	**4,000**
Financial and similar expenses	-	-	-
Net financial income	**55**	**83**	**44**
Ordinary income	**3,982**	**5,085**	**4,044**
Extraordinary expenses	-	10	1
Extraordinary profits	-	**-**	**-**
Profit before tax	**3,982**	**5,080**	**4,043**
Corporate income tax	1,398	1,782	1,415
Profit for the year	**2,584**	**3,298**	**2,628**

CREDIT	3rd quarter 2006	2005	2004
REVENUES:			
Net turnover			
Provision of services	4,846	6,418	5,387
Other interest and similar revenues	155	83	44
Extraordinary revenues	-	5	-
Net extraordinary loss	**-**	**5**	**1**

7. MAJOR SHAREHOLDERS OF THE GESTORA.

a) Shareholders of the Gestora

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

SHAREHOLDERS	% SHARE CAPITAL
Santander Investment Services, S.A.	19%
Banco Santander Central Hispano, S.A.	81%

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

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

In order to ensure the absence of abuse of Banco Santander Central Hispano, S.A.'s control of the Gestora, the Gestora approved an Internal Code of Conduct pursuant to the provisions of Chapter II of Royal Decree 629/1993 of 3 May 1993 on rules of conduct in securities markets and mandatory record keeping. The Code was communicated to the CNMV.

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

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

The Gestora declares that as at the date of verification of this Registration Document, the Fund has not yet been established and, therefore, its operations have not commenced and it has prepared no financial statements.

8.2 Historical financial information.

Does not apply.

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

Does not apply

8.3 Legal and arbitration proceedings.

Does not apply.

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

Does not apply.

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

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

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

9.2 Information sourced from third parties.

This document includes no information sourced from third parties.

10. DOCUMENTS ON DISPLAY.

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

(a) **The articles and memorandum of association of the Gestora**.

(b) **This Prospectus**.

(c) **The Deed of Formation of the Fund**.

(d) **The Subordinated Loan for Formation Expenses Agreement, the Subordinated Loan for Reserve Fund Agreement, the Swap Contract, the Treasury Account Guaranteed Yield Reinvestment Agreement, the Principal Account Guaranteed Yield Reinvestment Agreement, the Financial Intermediation Agreement and the Issue Underwriting and Distribution Agreement**.

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

(f) **Certification of the resolution adopted by the Gestora's Board of Directors** at its meeting of 24 July 2006, in which it was resolved, amongst other matters, to establish the Fund, to have the Fund acquire the Assets assigned by BANESTO and to issue the Bonds with a charge to the Fund.

(g) **The letters communicating the provisional ratings and the letters communicating the definitive ratings** by Fitch Ratings España, S.A., Moody's Investors Service España, S.A. and Standard & Poor's España, S.A.

(h) **The letters of acceptance of mandate by the Lead Managers and the Seller's letter.**

(i) **The Annual Financial Statements and the audit reports of the Gestora**.

A copy of all of the above documents may be consulted at the registered office of the Gestora.

In addition, a copy of all of the documents mentioned above, except those contained in subparagraphs a) and i), may be consulted in the CNMV at Paseo de la Castellana 15 in Madrid.

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

SECURITIES NOTE

This Securities Note has been prepared according to Annex XIII of Regulation (EC) 809/2004 and was approved by the Comisión Nacional del Mercado de Valores (Spanish Securities Markets Commission; hereinafter, the "CNMV") on 16 November 2006.

1. PERSONS RESPONSIBLE.

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

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

MR. IGNACIO ORTEGA GAVARA acts in his capacity as General Manager and exercising the powers expressly conferred for the formation of the Fund by the Board of Directors of the Gestora at its meeting of 24 July 2006.

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is sponsor of FONDO DE TITULIZACIÓN DE ACTIVOS PYMES BANESTO 2 and will be responsible for its administration and legal representation.

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

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

2. RISK FACTORS.

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

3. KEY INFORMATION.

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

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

a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is acting as management company of the Fund and as legal and financial advisor for arranging the operation

b) BANCO ESPAÑOL DE CRÉDITO, S.A. is acting as Seller of the Assets, Lead Manager, Underwriter, Paying Agent and as the Fund's counterparty in the Subordinated Loan for Formation Expenses Agreement, in the Subordinated

Loan for Reserve Fund Agreement, in the Swap Contract, in the Treasury Account Guaranteed Yield Reinvestment Agreement, in the Principal Account Guaranteed Yield Reinvestment Agreement and in the Financial Intermediation Agreement..

c) J.P. Morgan Securities Ltd. is acting as Lead Manager and Underwriter of the Bond issue.

d) Société Générale, Sucursal en España, is acting as Lead Manager and Underwriter of the Bond issue.

e) Fitch is acting as a credit rating agency to rate the Bonds.

f) Moody's is acting as a credit rating agency to rate the Bonds.

g) Standard & Poor's is acting as a credit rating agency to rate the Bonds.

h) Clifford Chance, S.L. is acting as legal advisor on the operation.

i) Deloitte, S.L. is acting as auditor of the Fund and as auditor of the assignable portfolio.

The said persons have no interest, including conflicting ones, that are material to the issue, except those specifically described in section 5.2 of the Registration Document.

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

4.1 Total amount of the securities.

4.1.1 Total amount of the issue.

The total amount of the Bonds to be issued is ONE BILLION EUROS (€ 1,000,000,000), represented by ten thousand (10,000) Bonds each with a nominal value of ONE HUNDRED THOUSAND EUROS (€ 100.000), distributed in four (4) Series of Bonds (A1, A2, B and C), each of which will have the following total nominal amount:

- **Series A1**: for a total nominal amount of four hundred million EUROS (€ 400,000,000), is composed of four thousand (4,000) Bonds each with a nominal value of ONE HUNDRED THOUSAND EUROS (€ 100.000);
- **Series A2**: for a total nominal amount of five hundred forty-one million seven hundred thousand EUROS (€ 541,700,000), is composed of five thousand four hundred seventeen (5,417) Bonds each with a nominal value of ONE HUNDRED THOUSAND EUROS (€ 100.000);
- **Series B**: for a total nominal amount of twenty-four million three hundred thousand EUROS (€ 24,300,000), is composed of two hundred forty-three (243) Bonds each with a nominal value of ONE HUNDRED THOUSAND EUROS (€ 100.000); and
- **Series C**: for a total nominal amount of thirty-four million EUROS (€ 34,000,000), is composed of three hundred forty (340) Bonds each with a nominal value of ONE HUNDRED THOUSAND EUROS (€ 100.000).

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

4.1.2 Underwriting and distribution.

The Underwriters will place the Bonds with qualified investors. In addition, the Underwriters will undertake the obligations contained in the Issue Underwriting and

Distribution Agreement which the Gestora, on behalf and for the account of the Fund, will execute with the Underwriters, and which will basically be the following: (1) joint commitment to subscribe the Bonds still unsubscribed at the close of the Subscription Period, up to the amounts established for each Underwriter in the said agreement; (2) payment into the account indicated by the Gestora to the Paying Agent prior to 2:00 p.m. (CET) on the Closing Date, for value that same day, of the nominal amount underwritten by each of them; and (3) delivery to the subscribers of Bonds who so request of a document evidencing their subscription of the allotted Bonds and the cash amount they have paid for that subscription, with the validity of said document being limited to the date of the accounting entry in the relevant book-entry register.

The total underwriting fees are estimated to amount to a maximum of SEVEN HUNDRED THOUSAND EUROS (€700,000), with each Underwriter receiving a fee which for each Bond Series will vary between 0.00% and 0.07%, applied to the nominal amount underwritten by each Underwriter: and which the Underwriters will deduct respectively from the amounts they remit to the Paying Agent pursuant to their respective underwriting commitments. The applicable fee in respect of each series will be determined by mutual accord of the Lead Managers and the Gestora. Prior to the Closing Date, the Gestora will submit as additional information to the CNMV the information on the fees applicable in respect of each Bond Series.

In the absence of agreement, the Gestora will set the specific margin for the Series for which there was no agreement on the margin at 0.05%.

The only events of termination set out in the Issue Underwriting and Distribution Agreement are: (i) lack of confirmation of the provisional ratings of the Bonds as final prior to the start of the Subscription Period and (ii) occurrence of any of the events provided for in article 1105 of the Civil Code prior to the start of the Subscription Period.

The underwriting commitment (in millions of euros) of each Underwriter is indicated below:

Underwriters	**Series A1 Bonds**	**Series A2 Bonds**	**Series B Bonds**	**Series C Bonds**
Banco Español de Crédito, S.A.	90,000,000	121,900,000	5,500,000	7,600,000
J.P. Morgan Securities Ltd.	220,000,000	298,000,000	13,300,000	18,700,000
Société Générale, Sucursal en España	90,000,000	121,800,000	5,500,000	7,700,000
Total	400,000,000	541,700,000	24,300,000	34,000,000

4.2. <u>Description of the type and class of the securities</u>.

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

4.3 <u>Legislation under which the securities have been created</u>.

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

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

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

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

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

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

4.5 <u>Currency of the issue</u>.

The Bonds will be denominated in EUROS.

4.6 <u>Ranking of the securities according to subordination</u>.

Payment of interest and repayment of the principal of Series A2 Bonds will rank below those for Series A1 Bonds, according to the Ranking of Payments of the Fund described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, except as stipulated in section 4.9.3.6.(B) of the Securities Note in relation to the Pro Rata Redemption of Series A1 and A2. Notwithstanding the above, the Series A2 Bonds will not rank the Series A1 Bonds in relation to payment of interest and repayment of principal in the Liquidation Ranking of Payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note.

Payment of interest and repayment of the principal of Series B Bonds ranks below those for Series A1 and A2 in the Ranking of Payments for the Fund described in section 3.4.6.2.1(b) of the Additional Building Block to the Securities Note and the Liquidation Ranking of Payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note.

Payment of interest and repayment of the principal of Series C Bonds ranks below those for Series A1, A2 and B in the Ranking of Payments for the Fund described in section 3.4.6.2.1(b) of the Additional Building Block and the Liquidation Ranking of Payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note.

All without prejudice to the extraordinary redemption rules contained in section 4.9.6 of this Securities Note.

4.6.1 Simple indication of the ranking in the order of payments of the interest payments for the Bonds of each Series

Payment of interest accrued on Series A1 and A2 Bonds ranks (i) fourth (4th) in the Ranking of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, and (ii) fourth (4th) in the Liquidation Ranking of Payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note.

Payment of the interest accrued on Series B Bonds is ranked (i) fifth (5th) in the Ranking of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, unless there arises the situation provided for in number 5th of section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, in which case it will be ranked eighth (8th) in the Ranking of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note; and (ii) sixth (6th) in the Liquidation Ranking of Payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note.

Payment of the interest accrued on Series C Bonds is ranked (i) sixth (6th) in the ranking of payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, unless there arises the situation provided for in number 6th of section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, in which case it will be ranked ninth (9th) in the Ranking of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note; and (ii) eighth (8th) in the Liquidation Ranking of Payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note.

4.6.2 Simple indication of the ranking in the order of payments of the repayment of principal of the Bonds

The amount of the Withholding of Principal used for acquisition of Additional Assets and, after the end of the Renewal Period, for redemption of the Bonds, ranks seventh (7th) in the Ranking of Payments set out in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note.

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

Repayment of principal of Series A1 and A2 Bonds ranks fifth (5th) in the Liquidation Ranking of Payments established in section 3.4.6.3 of the Additional Building Block.

Repayment of principal of Series B Bonds ranks seventh (7th) in the Liquidation Ranking of Payments established in section 3.4.6.3 of the Additional Building Block.

Repayment of principal of Series C Bonds ranks ninth (9th) in the Liquidation Ranking of Payments established in section 3.4.6.3 of the Additional Building Block.

4.7 <u>Description of the rights attached to the securities</u>

In accordance with prevailing legislation, the Bonds described in this Securities Note will not carry any present or future voting rights for the investor who acquires them.

The economic and financial rights for the investors associated with the acquisition and holding of the Bonds will be those derived from the interest rates, yields and repayment conditions with which the Bonds are issued and which are detailed in sections 4.8 and 4.9 below.

The Bondholders will only be entitled to action against the Gestora in the event of non-performance of its functions or non-compliance with the provisions of the Deed of Formation, of this Prospectus or of the applicable laws and regulations, and, therefore, never as a result of non-payment or prepayment of the Assets, of default by the counterparties to the operations contracted in the name and for the account of the Fund, or of insufficiency of the credit enhancement operations for covering the financial service of the Bonds.

The Bondholders shall have no recourse whatsoever against the Debtors of the Assets who default on their payment obligations; such action shall only rest with the Gestora, as representative of the Fund.

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

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

The withholdings, contributions and taxes established or which may in the future be established on principal, interest or yields of the Bonds will be for the sole account of the Bondholders and the amount thereof will be deducted, where applicable, by the Gestora, on behalf and for the account of the Fund, through the Paying Agent, in the legally stipulated manner.

4.8.1 Accrual of interest

For purposes of accrual of interest, the life of the Bond issue will be divided into successive Interest Accrual Periods including the actual number of days between each Payment Date, with each Interest Accrual Period including the initial Payment Date and not including the end Payment Date. The first Interest Accrual Period will have a term of greater than one quarter, equal to the period from the Closing Date (23 November 2006) (included) to the First Payment Date (15 March 2007) (not included).

4.8.2 Nominal Interest Rate

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

"**Rate Fixing Date**") will be the second Business Day before the Payment Date that marks the beginning of the related Interest Accrual Period.

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

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

The Gestora will notify the Nominal Interest Rate of the Bonds for the first Interest Accrual Period to the CNMV as additional information.

4.8.3 Reference Interest Rate

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

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

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

By way of exception, the Reference Interest Rate for the first Interest Accrual Period will the result of a linear interpolation of the three (3) month EURIBOR and the four (4) month EURIBOR, fixed at 11:00 a.m. (CET) on the second Business Day before the Closing Date, taking into account the number of days in the first Interest Accrual Period.

(ii) In the absence of rates according to the provisions of paragraph (i) above, there shall apply as substitute Reference Interest Rate the interest rate equal to the simple arithmetic mean of the interbank offering rates for euro deposit transactions with a maturity of three months, quoted as soon as possible after 11.00 a.m. (CET) on the relevant Fixing Date by the banks indicated below:

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

all rounded to the closest one thousandth of one percentage point (taking into account that, in the event the distance to the next lowest and next highest thousandth is identical, the result will always be rounded upwards).

If it proves impossible to apply the above substitute Reference Interest Rate because one of the banks does not give continuous rate quotes, there shall apply the interest rate obtained by calculating the simple arithmetic mean of the interest rates quoted by the two (2) remaining banks.

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

If at least two (2) of the aforesaid banks resume providing quotations, there shall once again apply the alternative secondary substitute Reference Interest Rate according to the above rules.

The Gestora shall preserve the listouts of contents of the REUTERS screens or, if applicable, the quotations provided by the aforesaid banks, as documents evidencing the applicable rate.

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

4.8.4 Margin applicable to each Series of Bonds

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

- From 0.09% to 0.14% for Series A1 Bonds;
- From 0.12% to 0.17% for Series A2 Bonds;
- From 0.20% to 0.40% for Series B Bonds; and
- From 0.40% to 0.70% for Series C Bonds.

The final margins applicable to Series A1, A2, B and C, respectively, will be fixed and notified to the Gestora on the Formation Date (17 November 2006) by the Lead Managers, before 10:00 a.m. (CET). The Gestora shall likewise notify those margins to the CNMV as additional information. In the absence of the notice to be given by the Lead Managers, the Gestora will set the margin of Series A1 at 0.14%, the margin of Series A2 at 0.17%, the margin of Series B at 0.40%, and the margin of Series C at 0.70%.

4.8.5 Formula for calculating the yield on the Bonds

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

The interest payable on each Payment Date for each Interest Accrual Period will be calculated according to the following formula:

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

Where:

I = Interest payable on a given Payment Date.

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

R = Nominal Interest Rate expressed as an annual percentage.

d = Actual number of days in each Interest Accrual Period.

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

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

The interest accrued on the Bonds of all Series will be payable quarterly, on each Payment Date, that is, on days 15 of March, June, September and December of each year or, if any of those dates is not a Business Day, on the next following Business Day (the "**Payment Dates**").

The first Payment Date will be 15 March 2007.

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

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

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

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

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

4.8.7 Historical information on the Reference Rate

Merely for informational purposes, shown below are data on the three (3) month Euribor, supplied by REUTERS on the indicated dates, which in any event would be two Business Days prior to the hypothetical Payment Date, along with the rates that would apply to all of the Bond Series:

The margin used as reference in the following table consists of the margin the Gestora would fix in the event of failure of the Lead Managers to notify the final margins according to the terms of section 4.8.4 above.

Rate Fixing Date:	Euribor 3 months	Series A1	Series A2	Series B	Series C
		0.14%	0.17%	0.40%	0.70%
3 November 2006	3.507%	3.647%	3.677%	3.907%	4.207%
4 October 2006	3.455%	3.595%	3.625%	3.855%	4.155%
4 September 2006	3.270%	3.410%	3.440%	3.670%	3.970%
4 August 2006	3.202%	3.342%	3.372%	3.602%	3.902%
4 July 2006	3.055%	3.195%	3.225%	3.455%	3.755%
5 June 2006	2.961%	3.101%	3.131%	3.361%	3.661%
4 May 2006	2.856%	2.996%	3.026%	3.256%	3.556%
4 April 2006	2.821%	2.961%	2.991%	3.221%	3.521%
3 March 2006	2.688%	2.828%	2.858%	3.088%	3.388%
3 February 2006	2.569%	2.709%	2.739%	2.969%	3.269%
4 January 2006	2.490%	2.630%	2.660%	2.890%	3.190%
5 December 2005	2.452%	2.592%	2.622%	2.852%	3.152%
4 November 2005	2.266%	2.406%	2.436%	2.666%	2.966%
4 October 2005	2.78%	2.318%	2.348%	2.578%	2.878%
5 September 2005	2.128%	2.268%	2.298%	2.528%	2.828%
4 August 2005	2.130%	2.270%	2.300%	2.530%	2.830%
4 July 2005	2.112%	2.252%	2.282%	2.512%	2.812%
3 June 2005	2.116%	2.256%	2.286%	2.516%	2.816%
4 May 2005	2.125%	2.265%	2.295%	2.525%	2.825%
4 April 2005	2.147%	2.287%	2.317%	2.547%	2.847%
4 March 2005	2.132%	2.272%	2.302%	2.532%	2.832%
4 February 2005	2.140%	2.280%	2.310%	2.540%	2.840%
4 January 2005	2.148%	2.288%	2.318%	2.548%	2.848%
3 December 2004	2.174%	2.314%	2.344%	2.574%	2.874%
4 November 2004	2.160%	2.300%	2.330%	2.560%	2.860%
4 October 2004	2.146%	2.286%	2.316%	2.546%	2.846%
3 September 2004	2.119%	2.259%	2.289%	2.519%	2.819%
4 August 2004	2.118%	2.258%	2.288%	2.518%	2.818%
5 July 2004	2.111%	2.251%	2.281%	2.511%	2.811%
4 June 2004	2.100%	2.240%	2.270%	2.500%	2.800%
4 May 2004	2.072%	2.212%	2.242%	2.472%	2.772%
5 April 2004	2.054%	2.194%	2.224%	2.454%	2.754%
4 March 2004	2.050%	2.190%	2.220%	2.450%	2.750%
4 February 2004	2.084%	2.224%	2.254%	2.484%	2.784%
5 January 2004	2.111%	2.251%	2.281%	2.511%	2.811%
3 December 2003	2.174%	2.314%	2.344%	2.574%	2.874%
4 November 2003	2.163%	2.303%	2.333%	2.563%	2.863%

4.8.8 Calculation agent

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

4.9 Maturity date and redemption of the securities

4.9.1 Redemption price of the Bonds

The redemption price of the Bonds of each Series will be one hundred thousand (100,000) euros per Bond, equal to their face value, free of expenses and taxes for the Bondholder, payable in part on each Payment Date after the end of the Renewal Period, as provided in the following sections.

Each and every one of the Bonds in a single Series will be redeemed on each Payment Date (that is, on 15 March, 15 June, 15 September and 15 December of each year or, if any of these dates is not a Business Day, on the following Business Day) starting at the end of the Renewal Period, if applicable, in the same amount by means of a reduction of the face value of each.

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

4.9.2.1 Redemption of Series A1 Bonds:

After the Renewal Period has ended, the repayment of principal of the Series A1 Bonds will be done by partial redemptions on each of the Payment Dates after their redemption begins until their full nominal value has been repaid, in the amount of the Available Principal Funds applied on each Payment Date to redemption of Series A1 in accordance with the rules for Distribution of the Principal Funds Available for Redemption set forth in section 4.9.3.6.(B) below, which will be distributed pro rata among the Series A1 Bonds by reduction of the face value of each Series A1 Bond.

The first Series A1 Bonds redemption payment will take place on the Payment Date corresponding to 15 March 2009 (or, in the event of early expiry of the Renewal Period, on the Payment Date on which such early expiry takes place.)

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

4.9.2.2 Redemption of Series A2 Bonds:

The repayment of principal of the Series A2 Bonds will be done by partial redemptions on each of the Payment Dates after their redemption begins until their full nominal value has been repaid, in the amount of the Available Principal Funds applied on each Payment Date to redemption of Series A2 in accordance with the rules for Distribution of the Principal Funds Available for Redemption set forth in section 4.9.3.6.(B) below, which will be distributed pro rata among the Series A2 Bonds by reduction of the face value of each Series A2 Bond.

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

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

4.9.2.3 Redemption of Series B Bonds:

The repayment of principal of the Series B Bonds will be done by partial redemptions on each of the Payment Dates after their redemption begins until their full nominal value has been repaid, in the amount of the Available Principal Funds applied on each Payment Date to redemption of Series B in accordance with the rules for Distribution of the Principal Funds Available for Redemption set forth in section 4.9.3.6.(B) below, which will be distributed pro rata among the Series B Bonds by reduction of the face value of each Series B Bond.

The first partial redemption of Series B Bonds will occur once the Series A1 and A2 Bonds have been fully redeemed. Nevertheless, even if Series A1 and A2 have not been fully redeemed, the Principal Funds Available for Redemption will also be applied for redemption of Series B on the Payment Date when the Conditions for Pro Rata Redemption are satisfied for Series B pursuant to the rules for Distribution of Principal Funds Available for Redemption, in such manner that the relationship between the Outstanding Principal Balance of Series B and the Outstanding Principal Balance of the Issue of Bonds of Series A1, A2, B and C is maintained at 4.864%, or the nearest possible higher percentage.

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

4.9.2.4 Redemption of Series C Bonds:

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

The first partial redemption of Series C Bonds will occur once the Series A1, A2 and B Bonds have been fully redeemed. Nevertheless, even if Series A1, A2 and B have not been fully redeemed, the Principal Funds Available for Redemption will also be applied for redemption of Series C on the Payment Date when the Conditions for Pro Rata Redemption are satisfied for Series C pursuant to the rules for Distribution of Principal Funds Available for Redemption, in such manner that the relationship between the Outstanding Principal Balance of Series C and the Outstanding Principal Balance of the Issue of Bonds of Series A1, A2, B and C is maintained at 6.800%, or the nearest possible higher percentage.

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

4.9.3 Partial redemption of the Bonds

Independently of the Statutory Maturity Date and without prejudice to Early Redemption of the Bond Issue in the event of Early Liquidation of the Fund, the Issuer through the Gestora will make partial redemptions of the Series A1, A2, B and C Bonds on each Payment Date after the end of the Renewal Period that is not the Statutory Maturity Date when Early Liquidation of the Fund has not occurred, in accordance with the specific redemption conditions for each of those Series as provided in sections 4.9.2.1 to 4.9.2.4 of this Securities Note and the terms described below in this section that are common to Series A1, A2, B and C.

4.9.3.1 Determination Dates and Determination Periods:

The "**Determination Dates**" will be the dates corresponding to the fifth (5th) Business Day prior to each of the Payment Dates, on which the Gestora on behalf of the Fund will make the calculations necessary to distribute or withhold the Available Funds and the Available Principal Funds the Fund has available on the corresponding Payment Date in accordance with the Ranking of Payments described in section 3.4.6.1.(b) of the Additional Module to the Securities Note. The first Determination Date will be 8 March 2007.

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

(i) the term of the first Determination Period will be equal to the days elapsed between the date of formation of the Fund, inclusive, and the first Determination Date, 8 March 2007, inclusive, and

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

4.9.3.2 Outstanding Principal Balance of the Bonds:

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

By aggregation, the "**Outstanding Principal Balance of the Bonds**" will be the sum of the Outstanding Principal Balance of the four (4) Series A1, A2, B and C comprising the Bond Issue.

4.9.3.3 Outstanding Balance of the Assets:

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

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

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

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

4.9.3.4 Withholding of Principal.

On each Payment Date, with a charge to the Available Funds and in the seventh (7th) position in the Ranking of Payments stipulated in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, a withholding shall be made of the sum destined for acquisition of Additional Assets and, after the end of the Renewal Period, for redemption of the Bonds, in an amount equal to the difference (if positive) between (i) the Outstanding Principal Balance of the Bonds and, (ii) the sum of (1) the balance of the Principal Account and (2) the Outstanding Balance of the Assets that are not Defaulted Loans, calculated on the Determination Date before the relevant Payment Date.

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

4.9.3.5 Available Principal Funds and Principal Deficit:

The principal funds available on each Payment Date (the "**Available Principal Funds**") will be equal to the sum of:

(i) the amount of the Withholding of Principal made on the Payment Date in question in the seventh (7th) position in the ranking of payments provided in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note; and

(ii) until the Payment Date on which there takes place the end of the Renewal Period (inclusive), the balance of the Principal Account on the Determination Date preceding the said Payment Date.

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

4.9.3.6 Distribution of the Available Principal Funds

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

(A) During the Assets Renewal Period, payment of the price of assignment given by the nominal value of the outstanding principal of the Additional Assets acquired by the Fund on the relevant Payment Date.

The remainder of the Available Principal Funds not used for acquisition of Additional Assets will be deposited in the Principal Account.

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

1. The Available Principal Funds will be applied sequentially, in the first place to redemption of Series A 1 until their full redemption, in the second place to redemption of Series A2 until its full redemption, in third place to redemption of Series B until its full redemption, and in fourth place to redemption of Series C until its full redemption, without

prejudice to the provisions of rules 2,3 and 4 below for pro rata redemption of the various Series.

2. Exceptional pro rata application to Series A1 and A2 ("**Pro Rata Redemption of Series A1 and A2**"): even when Series A1 has not been fully redeemed, the order of application under section 2.1 above will be suspended if on the Determination Date preceding the corresponding Payment Date the ratio between (i) the Outstanding Balance of the Performing Loans, increased by the amount of the revenue received in repayment of principal of the Loans during the Determination Period preceding the corresponding Payment Date, and (ii) the sum of the Outstanding Balance of Series A1 and A2, is less than or equal to 1.

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

   It is expected that the Pro Rata Redemption of Series A1 and A2 will only take place in scenarios with a high percentage of non-performing loans.

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

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

      i) the Outstanding Balance of Series B is equal to or greater than 4.864% (that is, twice the relative weighting of that Series) of the sum of the Outstanding Balance of Series A1, A2, B and C, and

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

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

      i) the Outstanding Principal Balance of Series C is equal to or greater than 6.800% (that is, twice the relative weighting of that Series) of the sum of the Outstanding Principal Balance of Series A1, A2, B and C and

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

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

i) that the amount of the Reserve Fund is greater than the Required Reserve Amount on the prior Payment Date, and

ii) that on the Determination Date prior to the corresponding Payment Date the amount of the Outstanding Balance of the Assets is equal to or greater than one hundred million Euros (€100,000,000) (equivalent to ten percent (10%) of the initial Outstanding Balance upon the formation of the Fund).

It is expected that pro rata redemption may occur as from the time the Outstanding Principal Balance of all of the Bonds drops to below half of the Outstanding Principal Balance at the Formation Date, that is, five hundred million euros (€500,000,000), as from which time the Series B and C may fulfil the pro rata condition of representing twice their initial relative weighting. It is expected that the pro rata conditions of both Series will arise simultaneously, provided that there are also fulfilled the requirements on non-performing loans established for each (for Series B that the percentage of non-performing loans is less than 1.25% of the Outstanding Principal Balance of the non-Defaulted Loans and for Series C that it is less than 1.00% of the Outstanding Principal Balance of the non-Defaulted Loans).

4. If on a Payment Date Series B and, if applicable, Series C are to be redeemed, as provided in the prior rule, the Available Principal Funds will also be applied to redemption of Series B and, if applicable, Series C in such manner that (i) the Outstanding Principal Balance of Series B, or that of Series C, as a percentage of (ii) the sum of the Outstanding Principal Balance of Series A1, A2, B and C, is maintained, respectively, at 4.864% or 6.800% or the nearest possible higher percentages.

4.9.4 Early Redemption of the Bond Issue.

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

4.9.5 Statutory Maturity Date.

The Statutory Maturity Date, and therefore the date of final redemption of the Bonds, is 31 December 2031 or, if this is not a Business Day, the following Business Day, without prejudice to the fact that the Gestora, for and on behalf of the Fund, in accordance with the provisions of sections 4.9.2 to 4.9.7 of this Securities Note, may proceed to redeem some or all of the Series of the Bond Issue prior to the Statutory Maturity Date. Final redemption of the Bonds on the Statutory Maturity Date will be made subject to the Liquidation Ranking of Payments described in section 3.4.6.3 of the Additional Module to the Securities Note.

4.10 Indication of yield for the investor and calculation method

The IRR for the Bondholders of each Series will be calculated by means of the following formula:

$$100.000 = \sum_{i=1}^{N} ai(1+I)^{-[ni/365]}$$

Where:

I = IRR expressed as an annual rate, as a decimal fraction of 1.

ai = Total amount of redemption and interest payments to be received by investors.

(a1 .... aN)

ni = Number of days between the Closing Date of the issue and the Payment Dates, not inclusive.

The main characteristics of the Bonds lies in their periodic redemption, so their average life and duration depends mainly on the speed with which the Debtors decide to repay their respective Loans.

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

There are other variables, also subject to continual change, which affect the average life and duration of the Bonds. These variables and their hypothetical values assumed in all the tables in this section are as follows:

(i) Interest rate of the Assets portfolio: three point nine six five percent (3.965%) (weighted average interest rate at 11 October 2006 of the portfolio of selected loans that has been used for calculation of the principal and interest instalments of each of the selected loans);

(ii) Delinquency of the Assets portfolio: 0.42% of the Outstanding Balance of the Assets with 100% recoveries 12 months after going delinquent;

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

(iv) That the Closing Date for paying in the Bonds is 23 November 2006;

(v) That there is no Principal Gap;

(vi) That the CPR remains constant over the life of the Bonds.

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

The actual adjusted term and yield or profitability of the Bonds also will depend on their floating interest rates. The variable nominal interest rates on the Bonds of each Series are assumed to be constant as specified below, the result of three month Euribor (3.587%) at 13 November 2006 and, if the applicable margins are the margins in the event of disagreement established in section 4.8.4 of this Securities Note: 0.14% for Series A1; 0.17% for Series A2; 0.40% for Series B and 0.70% for Series C.

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

Average Life, IRR, Duration and Estimated Final Life in Different CPR Scenarios:					
A1	**8%**	**10%**	**12%**	**14%**	**16%**
Average Life	2.87	2.84	2.80	2.77	2.74
IRR	3.84%	3.84%	3.84%	3.84%	3.84%
Duration	2.63	2.60	2.57	2.54	2.52
Estimated Final Life	3.56	3.56	3.56	3.31	3.31
A2	**8%**	**10%**	**12%**	**14%**	**16%**
Average Life	5.33	5.20	5.06	4.93	4.83
IRR	3.87%	3.87%	3.87%	3.87%	3.87%
Duration	4.64	4.54	4.44	4.33	4.25
Estimated Final Life	7.56	7.31	7.06	6.81	6.81
B	**8%**	**10%**	**12%**	**14%**	**16%**
Average Life	5.84	5.55	5.46	5.38	5.34
IRR	4.11%	4.11%	4.11%	4.11%	4.11%
Duration	5.00	4.79	4.72	4.66	4.63
Estimated Final Life	7.56	7.31	7.06	6.81	6.81
C	**8%**	**10%**	**12%**	**14%**	**16%**
Average Life	5.84	5.55	5.46	5.38	5.34
IRR	4.42%	4.42%	4.42%	4.42%	4.42%
Duration	4.95	4.73	4.67	4.61	4.58
Estimated Final Life	7.56	7.31	7.06	6.81	6.81

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

Below are financial servicing tables for each of the Series, for CPRs of 10%, 12% and 14%:

INCOME STREAMS FOR EACH BOND WITH NO WITHHOLDING FOR THE HOLDER
(AMOUNTS IN EUROS)
TACP = 10%

	Series A1 Bonds (EURIBOR +14bps)			Series A2 Bonds (EURIBOR +17bps)			Series B Bonds (EURIBOR +40bps)			Series C Bonds (EURIBOR +70bps)	
Payment Date	Principal Repaid	Interest (Gross)	Total Stream	Principal Repaid	Interest (Gross)	Total Stream	Principal Repaid	Interest (Gross)	Total Stream	Principal Repaid	Interest (Gross)
23/11/2006	-	-	-	-	-	-	-	-	-	-	-
15/03/2007	-	1,172	1,172	-	1,182	1,182	-	1,253	1,253	-	1,346
15/06/2007	-	952	952	-	960	960	-	1,019	1,019	-	1,096
17/09/2007	-	973	973	-	981	981	-	1,041	1,041	-	1,119
17/12/2007	-	942	942	-	950	950	-	1,008	1,008	-	1,084
17/03/2008	-	942	942	-	950	950	-	1,008	1,008	-	1,084
16/06/2008	-	942	942	-	950	950	-	1,008	1,008	-	1,084
15/09/2008	-	942	942	-	950	950	-	1,008	1,008	-	1,084
15/12/2008	-	942	942	-	950	950	-	1,008	1,008	-	1,084
16/03/2009	19,843	942	20,785	-	950	950	-	1,008	1,008	-	1,084
15/06/2009	19,647	755	20,402	-	950	950	-	1,008	1,008	-	1,084
15/09/2009	19,020	576	19,596	-	960	960	-	1,019	1,019	-	1,096
15/12/2009	18,609	391	19,000	-	950	950	-	1,008	1,008	-	1,084
15/03/2010	17,759	213	17,972	-	939	939	-	997	997	-	1,072
15/06/2010	5,123	49	5,172	8,278	960	9,238	-	1,019	1,019	-	1,096
15/09/2010	-	-	-	10,733	881	11,613	-	1,019	1,019	-	1,096
15/12/2010	-	-	-	9,098	769	9,868	11,234	1,008	12,242	11,234	1,084
15/03/2011	-	-	-	8,238	675	8,914	10,172	885	11,057	10,172	951
15/06/2011	-	-	-	8,263	611	8,874	10,203	801	11,004	10,203	861
15/09/2011	-	-	-	6,268	532	6,800	7,740	697	8,437	7,740	749
15/12/2011	-	-	-	5,920	466	6,386	7,309	611	7,921	7,309	657
15/03/2012	-	-	-	5,343	410	5,753	6,597	538	7,134	6,597	578
15/06/2012	-	-	-	5,069	363	5,432	6,259	476	6,735	6,259	512
17/09/2012	-	-	-	3,904	322	4,226	4,821	421	5,242	4,821	453
17/12/2012	-	-	-	3,544	274	3,818	4,376	359	4,735	4,376	386
15/03/2013	-	-	-	3,087	233	3,319	3,811	305	4,116	3,811	328
17/06/2013	-	-	-	2,887	218	3,106	3,565	286	3,851	3,565	308
16/09/2013	-	-	-	1,805	184	1,989	2,228	241	2,469	2,228	259
16/12/2013	-	-	-	1,728	167	1,895	2,134	219	2,352	2,134	235
17/03/2014	-	-	-	15,834	150	15,985	19,551	197	19,748	19,551	212

INCOME STREAMS FOR EACH BOND WITH NO WITHHOLDING FOR THE HOLDER
(AMOUNTS IN EUROS)
CPR = 12%+A1

	Series A1 Bonds (EURIBOR +14bps)			Series A2 Bonds (EURIBOR +17bps)			Series B Bonds (EURIBOR +40bps)			Series C Bonds (EURIBOR +70bps)		
Payment Date	Principal Repaid	Interest (Gross)	Total Stream	Principal Repaid	Interest (Gross)	Total Stream	Principal Repaid	Interest (Gross)	Total Stream	Principal Repaid	Interest (Gross)	Total Stream
23/11/2006	-	-	-	-	-	-	-	-	-	-	-	-
15/03/2007	-	1,172	1,172	-	1,182	1,182	-	1,253	1,253	-	1,346	1,346
15/06/2007	-	952	952	-	960	960	-	1,019	1,019	-	1,096	1,096
17/09/2007	-	973	973	-	981	981	-	1,041	1,041	-	1,119	1,119
17/12/2007	-	942	942	-	950	950	-	1,008	1,008	-	1,084	1,084
17/03/2008	-	942	942	-	950	950	-	1,008	1,008	-	1,084	1,084
16/06/2008	-	942	942	-	950	950	-	1,008	1,008	-	1,084	1,084
15/09/2008	-	942	942	-	950	950	-	1,008	1,008	-	1,084	1,084
15/12/2008	-	942	942	-	950	950	-	1,008	1,008	-	1,084	1,084
16/03/2009	21,124	942	22,066	-	950	950	-	1,008	1,008	-	1,084	1,084
15/06/2009	20,704	743	21,447	-	950	950	-	1,008	1,008	-	1,084	1,084
15/09/2009	19,876	554	20,430	-	960	960	-	1,019	1,019	-	1,096	1,096
15/12/2009	19,247	361	19,608	-	950	950	-	1,008	1,008	-	1,084	1,084
15/03/2010	18,202	177	18,380	-	939	939	-	997	997	-	1,072	1,072
15/06/2010	847	8	855	11,666	960	12,626	-	1,019	1,019	-	1,096	1,096
15/09/2010	-	-	-	10,880	848	11,728	-	1,019	1,019	-	1,096	1,096
15/12/2010	-	-	-	9,086	736	9,822	11,731	1,008	12,739	11,731	1,084	12,815
15/03/2011	-	-	-	8,171	642	8,813	10,549	880	11,429	10,549	946	11,495
15/06/2011	-	-	-	8,112	578	8,690	10,473	792	11,265	10,473	851	11,324
15/09/2011	-	-	-	6,158	500	6,658	7,950	685	8,635	7,950	737	8,687
15/12/2011	-	-	-	5,763	436	6,199	7,441	598	8,038	7,441	643	8,083
15/03/2012	-	-	-	5,166	381	5,548	6,670	523	7,193	6,670	562	7,232
15/06/2012	-	-	-	4,860	336	5,196	6,274	460	6,734	6,274	495	6,769
17/09/2012	-	-	-	3,746	296	4,041	4,836	405	5,241	4,836	436	5,271
17/12/2012	-	-	-	3,374	251	3,625	4,356	343	4,700	4,356	369	4,726
15/03/2013	-	-	-	2,923	211	3,135	3,774	290	4,064	3,774	311	4,086
17/06/2013	-	-	-	2,722	197	2,919	3,514	270	3,784	3,514	290	3,805
16/09/2013	-	-	-	1,707	165	1,872	2,204	226	2,430	2,204	243	2,447
16/12/2013	-	-	-	15,667	149	15,816	20,228	204	20,432	20,228	219	20,447

INCOME STREAMS FOR EACH BOND WITH NO WITHHOLDING FOR THE HOLDER
(AMOUNTS IN EUROS)
CPR = 14%

	Series A1 Bonds (EURIBOR +14bps)			Series A2 Bonds (EURIBOR +17bps)			Series B Bonds (EURIBOR +40bps)			Series C Bonds (EURIBOR +70bps)	
Payment Date	Principal Repaid	Interest (Gross)	Total Stream	Principal Repaid	Interest (Gross)	Total Stream	Principal Repaid	Interest (Gross)	Total Stream	Principal Repaid	Interest (Gross)
23/11/2006	-	-	-	-	-	-	-	-	-	-	-
15/03/2007	-	1,172	1,172	-	1,182	1,182	-	1,253	1,253	-	1,346
15/06/2007	-	952	952	-	960	960	-	1,019	1,019	-	1,096
17/09/2007	-	973	973	-	981	981	-	1,041	1,041	-	1,119
17/12/2007	-	942	942	-	950	950	-	1,008	1,008	-	1,084
17/03/2008	-	942	942	-	950	950	-	1,008	1,008	-	1,084
16/06/2008	-	942	942	-	950	950	-	1,008	1,008	-	1,084
15/09/2008	-	942	942	-	950	950	-	1,008	1,008	-	1,084
15/12/2008	-	942	942	-	950	950	-	1,008	1,008	-	1,084
16/03/2009	22,428	942	23,370	-	950	950	-	1,008	1,008	-	1,084
15/06/2009	21,765	731	22,496	-	950	950	-	1,008	1,008	-	1,084
15/09/2009	20,723	532	21,254	-	960	960	-	1,019	1,019	-	1,096
15/12/2009	19,866	331	20,197	-	950	950	-	1,008	1,008	-	1,084
15/03/2010	15,218	142	15,360	2,514	939	3,453	-	997	997	-	1,072
15/06/2010	-	-	-	12,501	936	13,437	-	1,019	1,019	-	1,096
15/09/2010	-	-	-	11,005	816	11,821	-	1,019	1,019	-	1,096
15/12/2010	-	-	-	9,053	703	9,755	12,236	1,008	13,244	12,236	1,084
15/03/2011	-	-	-	8,084	610	8,694	10,927	875	11,802	10,927	941
15/06/2011	-	-	-	7,945	546	8,491	10,739	783	11,522	10,739	842
15/09/2011	-	-	-	6,032	469	6,502	8,154	673	8,827	8,154	724
15/12/2011	-	-	-	5,596	407	6,003	7,564	584	8,148	7,564	628
15/03/2012	-	-	-	4,982	354	5,336	6,734	508	7,242	6,734	546
15/06/2012	-	-	-	4,646	310	4,956	6,280	445	6,725	6,280	478
17/09/2012	-	-	-	3,582	271	3,853	4,841	389	5,230	4,841	418
17/12/2012	-	-	-	3,203	229	3,431	4,329	328	4,657	4,329	352
15/03/2013	-	-	-	2,760	192	2,952	3,731	275	4,006	3,731	295
17/06/2013	-	-	-	2,558	178	2,735	3,457	255	3,712	3,457	274
16/09/2013	-	-	-	15,542	148	15,689	21,008	212	21,219	21,008	228

The above figures have been calculated using the following formulas:

Average life of the Bonds

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

Where:

A = Average life of each Series of issued Bonds expressed in years.

B = Principal to be redeemed of each Series of Bonds on each Payment Date, according to the amount to be redeemed in each Series of Bonds.

d = Number of days elapsed from the Closing Date until the Payment Date in question.

C = Total volume of euros in each Series of Bonds.

Duration of the Bonds *(adjusted Macaulay formula)****:***

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

Where:

D **=** Duration of each Series of Bonds expressed in years.

P = Time (in years) between the Closing Date and each of the Payment Dates in question.

VA= Present value of each of the amounts of principal and gross interest, payable on each of the Payment Dates, discounted at IRR.

PE= Price of the Bond issue, 100,000 euros.

I **=** IRR for each Series of Bonds

4.11 <u>Representation of security holders</u>.

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

Under the terms of article 12 of Royal Decree 926/1998 it falls to the Gestora, as manager of third-party funds, to represent and safeguard the interests of holders of the Bonds issued with a charge to the Fund and the interests of the rest of the ordinary creditors thereof. Consequently, the Gestora's actions shall be subordinated to the defence of these interests and must comply with the provisions established for this purpose from time to time.

4.12 <u>Statement of the resolutions, authorisations and approvals by virtue of which the securities are issued</u>.

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

a) Corporate resolutions:

a.1 Resolution of the Executive Committee of BANESTO dated 24 July 2006, pursuant to the resolution of the BANESTO Board of Directors approved on 29 August 1994, to delegate to the Executive Committee of BANESTO the powers of the Board of Directors that allow the Executive Committee to approve the assignment of the Assets.

a.2 Resolution of the Board of Directors of the Gestora, approved on 24 July 2006.

b) Registration of this Prospectus with the CNMV, which took place on 16 November 2006.

c) Execution of the Deed of Formation, which will take place on 17 November 2006, a copy of which will be sent to the CNMV and Iberclear before the start of the Subscription Period.

4.13 Issue date.

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

4.13.1 Effects of the subscription for the Bondholders.

Subscription of the Bonds implies for each Bondholder the acceptance of the Deed of Formation and of this Prospectus.

4.13.2 Pool of potential investors.

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

4.13.3 Subscription Period.

The Subscription Period will begin at 12:00 noon (CET) on the first Business Day after the Formation Date (which is expected to be 17 November 2006) and end at 1:00 p.m. (CET) of the same day. Consequently, the Subscription Period is expected to take place on 20 November 2006.

4.13.4 Where and with whom the subscription can be arranged.

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

4.13.5 Placement and allotment of the Bonds

The Underwriters will proceed freely to accept or reject the subscription requests received, endeavouring in all events that no discriminatory treatment be applied between requests of similar characteristics. Nevertheless, the Underwriters may give priority to the applications from their clients which they deem to be the most appropriate or convenient.

4.13.6 Procedure and Closing Date.

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

The investors to whom Bonds are allotted must make payment to the relevant Underwriter, prior to 12:00 noon (CET) on the fourth Business Day after the Formation Date (that is, 23 November 2006) (the "Closing Date"), for value that same day, of the issue price applicable to each Bond allotted thereto.

4.14 Restrictions on the free transferability of the securities.

According to the applicable laws, there are no specific or general restrictions on the free transferability of the Bonds issued hereunder.

5. ADMISSION TO TRADING AND DEALING ARRANGEMENTS.

5.1 Market where the securities will be traded.

Immediately after the Closing Date, the Gestora will apply to have this issue admitted to trading in the AIAF Market, in order for it to be quoted within no more than thirty days after the Closing Date.

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

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

The Gestora places on record that it knows the requirements and conditions for admission to trading, continued trading and delisting of the Bonds in AIAF according to the applicable laws, as well as the requirements of its governing bodies, and agrees to comply with the same.

5.2 Paying Agent and Depository Agents.

5.2.1 Paying Agent:

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

The obligations to be assumed by BANESTO (the "**Paying Agent**") under the Issue Underwriting and Distribution Agreement are summarised below:

- **Payment of the issue.**

  The Paying Agent will proceed to pay to the Fund before 3:00 p.m. (CET) on the Closing Date, for value that same day, the amount which according to the terms of the Issue Underwriting and Distribution Agreement are paid to it by the Underwriters by means of payment into the Treasury Account of the Fund.

- **Communication of the Reference Interest Rate.**

  On each of the Fixing Dates, the Paying Agent will notify the Gestora of the Reference Interest Rate that will serve as benchmark for calculating the Nominal Interest Rate applicable to each Series of Bonds.

- **Payments with a charge to the Fund.**

  On each of the Bond Payment Dates, the Paying Agent will proceed to pay the interest and repay the principal of the Bonds according to the instructions received from the Gestora.

The payments to be made by the Paying Agent will be carried out through the relevant Iberclear affiliates in whose books the Bonds are registered, according to the prevailing procedures of that service.

If on a Payment Date there are not Available Principal Funds in the Treasury Account or in the Surplus Funds Account, the Paying Agent will not be obliged to make any payment.

In the event that the rating of the short-term debt of BANESTO is at any time during the life of the Bond issue downgraded to below A-1, P-1 or F1 (on the Standard & Poor's, Moody's and Fitch rating scales, respectively), the Gestora will have a maximum of thirty (30) Business Days after the time of the downgrade within which to, for and on behalf of the Fund and upon prior notice to the Rating Agencies, adopt one of the required options of those described below that allow an adequate level of guarantee to be maintained with respect to the commitments derived from the functions contained in the Paying Agency agreement and that no impairment be suffered in the rating granted to the Bonds by the Rating Agencies:

(i) Obtain guarantees or similar commitments from a credit institution or institutions whose short-term debt has a rating not lower than A-1, P-1 and F1 (on the Standard & Poor's, Moody's and Fitch rating scales, respectively) that guarantee the commitments assumed by the Paying Agent; or

(ii) Replace the Paying Agent with an entity whose short-term debt has a rating not lower than A-1, P-1 and F1 (on the Standard & Poor's, Moody's and Fitch rating scales, respectively) in order for it to assume the functions of Paying Agent in the same conditions, with all costs and expenses arising from the substitution process being for the account of the replaced Paying Agent.

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

If BANESTO is replaced as Paying Agent, the Gestora is authorised to fix the fee payable to the substitute entity. BANESTO shall receive no fee whatsoever in its capacity as Paying Agent.

5.2.2 Depository agents:

Does not apply.

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

The projected expenses are as follows:

a) Formation expenses (expenses of documentation, publicity and official fees):

	Euros
• CNMV fees (for the offer and admission to trading):	€ 69,033.20
• AIAF and Iberclear fees:	€ 56,840.00
• Notary, audit, rating and legal fees:	€584,640.00
• Other (translation, printing and miscellaneous):	€ 339,486.70
Subtotal :	**€ 1,050,000.00**

b) **Issuance expenses:**

	Euros
• Underwriting fee:	€700,000
• **Subtotal:**	€700,000
GENERAL TOTAL:	**€ 1,750,000.00**

The formation and issuance expenses set out above will be paid with a charge to the Subordinated Loan for Formation Expenses Agreement described in section 3.4.3.1 of the Additional Building Block to the Securities Note.

The expenses occasioned by the liquidation of the Fund shall be borne by the Fund.

7. ADDITIONAL INFORMATION.

7.1 Persons and entities involved in the issue as advisors.

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

b) CLIFFORD CHANCE, S.L. is acting as an independent thirty-party legal advisor for the operation.

7.2 Information of the Securities Note reviewed by the auditors.

Does not apply.

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

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

7.4 Information sourced from third parties.

As part of the work of verifying the information contained in this Prospectus, the Gestora has received confirmation from the Seller as to the accuracy of the characteristics of the Seller and of the Assets, which are reproduced in section 2.2.8. of the Additional Building Block, as well as of the rest of the information on the Seller and the Assets contained in this Prospectus. In the Deed of Formation of the Fund and, subsequently, on each date of assignment of Additional Assets, the Seller will repeat to the Gestora the fulfilment of those characteristics as at the Formation Date or, in the case of Additional Assets, as at the date of their respective assignment.

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

7.5 Ratings.

The Bonds included in this Securities Note have been assigned the following ratings by the credit rating agencies provisionally as at 14 November 2006:

	Fitch	Moody's	Standard & Poor's
Series A1	AAA	Aaa	AAA
Series A2	AAA	Aaa	AAA
Series B	AA-	A1	A
Series C	BBB	Baa3	BBB

The agencies use the following rating scales for long-term debt:

Long-term ratings granted by			
Fitch	**Moody's**	**Standard & Poor's**	**Meaning**
AAA	Aaa	AAA	Extraordinarily high capacity to meet principal and interest payments. For Moody's, Aaa is the highest rating and the one with the lowest investment risk. Interest payments are covered by a wide or exceptionally wide margin and collection of principal is assured. Although factors of protection are likely to change, this is not expected to alter the fundamental soundness of these issues.
AA	Aa	AA	Very strong capacity to meet principal and interest payments. For Moody's, bonds which are rated Aa are judged to be of high quality by all standards. They comprise, together with Aaa rated securities, the so-called high quality group. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities. Variation in the factors of protection could be greater or there may be other factors suggesting that the long term risk is greater than that for Aaa rated securities.
A	A	A	Strong capacity to meet principal and interest payments. Protection factors considered adequate, but may be susceptible to adverse changes in the future. For Moody's, A rated securities have good qualities as investment instruments and should be considered medium-high quality debt. Factors providing security in terms of collection of capital and interest are adequate, but there may be factors suggesting a possible worsening in the future.
BBB	Baa	BBB	The protection of interest and principal payments may be moderate, payment capacity is considered adequate. Adverse business conditions may to an inadequate capacity to make payments of interest and principal. For Moody's, Baa rated securities are deemed medium quality (neither very protected nor strongly backed). Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. These securities lack qualities of excellence as investment instruments and in fact also have speculative characteristics.
BB	Ba	BB	Speculative grade. The future cannot be considered secured. The protection of interest and principal payments is very moderate.

			For Moody's, Ba rated securities are considered to have speculative elements; their future is not secure. Often interest and principal payments are very poorly protected and so could be vulnerable in the future. These securities are characterised by their situation of uncertainty.
B	B	B	The certainty of interest or principal payments may be small. Highly vulnerable to adverse business conditions. For Moody's, B rated securities do not generally have the qualities desired of an investment instrument. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.
CCC	Caa	CCC	Identified vulnerability to default. Continuity of payments dependent on financial, economic and business conditions being favourable For Moody's, Caa rated securities are of low quality. These issues may have defaulted on payments already or may include risk factors in terms of collection of capital and interest.
CC	Ca	CC	Highly speculative. For Moody's, bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.
C	C	C	In default or default imminent. For Moody's, C rated securities belong to the lowest category of rated securities and the possibility of these issues reaching investment value is remote.
D	-	D	Speculative securities. Their value may not exceed the repayment value in the event of liquidation or reorganisation of the sector.

- Fitch applies a plus (+) or minus (-) sign in the categories AA to CCC to indicate the relative position within each category.
- Moody's applies numerical modifiers 1, 2, and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.
- Standard & Poor's applies a plus (+) or minus (-) sign in the categories AA to CCC to indicate the relative position within each category.

Short-term ratings granted by			
Fitch	**Moody's**	**Standard & Poor's**	**Meaning**
F-1	P-1 (Prime-1)	A-1	Highest credit quality. Indicates the capacity for timely payment of financial commitments is very strong. In the case of Fitch and S&P, it may have an added + to denote any exceptionally strong credit feature. For Moody's, P-1 issuers (or support institutions) have a superior capacity to meet, on a timely basis, their commitments on debt issued at less than one year. The solvency associated with P-1 issuers is often expressed through several of the following characteristics: 1) leading position in solid sectors; 2) high rate of return on capital employed; 3) conservative capital structure, with moderate reliance

			on the debt market and broad asset protection; 4) wide margins on coverage of fixed financial charges from earnings and high internal generation of funds; and 5) strong ability to access financial markets and guaranteed alternative sources of cash.
F2	P-2 (Prime-2)	A-2	A satisfactory capacity for timely payment of financial commitments, although the margin of safety is not as great as in the case above. For Moody's, P-2 issuers (or support institutions).have a strong capacity to meet, on a timely basis, the commitments on debt issued at less than one year. This will usually be expressed through many of the characteristics mentioned in the previous category, but to a lesser extent. The trend for income and the rate of coverage, while solid, may be more variable. Capital structures, while appropriate, may be more affected by external conditions. Significant alternative liquidity.
F3	P-3 (Prime-3)	A-3	Satisfactory payment capacity, but with greater vulnerability than in the above cases to adverse changes in circumstances. For Moody's, P-3 issuers (or support institutions).have an acceptable capacity to meet, on a timely basis, their commitments on debt issued at less than one year. The impact of the sector and market composition may be greater. Fluctuations in income and earnings may lead to changes in the level of debt protection rates and may require relatively high rates of leverage.
B	NP (Not Prime)	B	Does not usually imply a sufficient payment capacity, but adverse circumstances would seriously condition the debt service. For Moody's, NP issuers do not fall within any of the above rating categories.
C	-	C	This rating is assigned to short-term debt for which the payment capacity is doubtful.
D	-	D	D-rated debt is in default. This category is used when principal or interest payments have not been made when due, even if there is a grace period that has not yet expired.

- The ratings assigned to each of the Series of Bonds by Moody's measure the expected loss prior to the Statutory Maturity Date. In the opinion of Moody's, the structure allows for timely payment of interest and payment of principal over the life of the transaction, in any event prior to the Statutory Maturity Date.

- The Fitch ratings measure the Fund's capacity for timely payment of interest and payment of principal over the life of the transaction and, in any event, prior to the Statutory Maturity Date, in accordance with the conditions set forth in the Prospectus and Deed of Establishment that allow deferral of payment of interest on the Series B and C Bonds under certain circumstances. This means that interest on these Bonds might not be received for a period if the conditions established for its deferral are met, with this circumstance not being considered a default on payment of the Bonds.

- The rating according to the Standard & Poor's definition is an opinion of the agency on the Fund's capacity to make timely payment of interest on each scheduled Payment Date and repayment of the principal during the life of the operation and, in all events, prior to its statutory maturity date.

The rating takes into account the structure of the Bond Issue, the legal aspects of the issue and of the Issuer, the characteristics of the loans selected for sale to the Fund and the regularity and continuity of flows of the transaction.

The ratings of the Rating Agencies do not constitute a valuation of the probability that the debtors make early repayments of capital, nor does it assess the extent to which such early repayments may differ from those originally envisaged. The ratings are in no way an indication of the rating of the actuarial level of income.

The assigned ratings, as well as any review or suspension thereof:

- are prepared by the Rating Agencies on the basis of extensive information they receive, the accuracy and completeness of which is not guaranteed, so they in no way may be considered to be responsible therefor; and
- do not constitute and, therefore, cannot be interpreted in any way as an invitation, recommendation or inducement directed to investors to carry out any type of transaction involving the Bonds or, in particular, to purchase, retain, pledge or sell the Bonds.

The final ratings given may be revised, suspended or withdrawn at any time by the Rating Agencies, based on any information coming to their attention. These situations, which are not events of Early Liquidation of the Fund, will be made known immediately to both CNMV and the Bondholders, as contemplated in section 4 of the Additional Building Block.

To carry out the process of rating and tracking, Rating Agencies rely on the accuracy and completeness of the information provided to them by the Bank, the Gestora, the Lead Managers, the auditors, the attorneys and other experts.

The aforementioned credit ratings are only an estimate and do not release potential investors from having to make their own analysis of the securities to be acquired.

If before the start of the Subscription Period, the Rating Agencies do not confirm as final any of the provisional ratings, this circumstance will be reported immediately to the CNMV and will be publicly disclosed in the manner stipulated in section 4 of the Additional Building Block to the Securities Note. Such situation will also give rise to cancellation of the establishment of the Fund, of the Bond issue, of the contracts, except for the Subordinated Loan for Formation Expenses, and of the assignment of the Assets.

ADDITIONAL BUILDING BLOCK TO THE SECURITIES NOTE

1. SECURITIES.

1.1 Minimum denomination of the issue.

The Fund will be established with the Assets that BANESTO will assign to the Fund on the Formation Date, the total principal of which will be equal to or slightly higher than ONE BILLION EUROS (€ 1,000,000,000).

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

Does not apply.

2. UNDERLYING ASSETS.

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

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

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

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

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

2.2 Assets backing the issue.

The assets to be pooled in the Fund assets (hereinafter, the "**Assets**") are credit rights arising from loans secured with a property mortgage (hereinafter, the "**Mortgage Loans**") and from loans not secured by a property mortgage (hereinafter, the "**Non-mortgage Loans**", hereinafter the Mortgage Loans and the Non-mortgage Loans, collectively the "**Loans**") that BANESTO has granted to legal persons with economic activities with sales of less than 3 million euros or to individuals with economic activities with sales of more than 0.3 million euros and less than 3 million euros, which have been extracted from two bank risk analysis systems, SAME (system for analysis of medium-size enterprises) and SAPE (system for analysis of small enterprises) (the "**Debtors**").

The requirements which must be fulfilled by the Assets to be assigned to the Fund, the characteristics of the Initial Assets and the rules on the successive assignments of Additional Assets during the Renewal Period are described below in this section 2.2 according to the provisions of the Deed of Formation.

2.2.1 Legal jurisdiction by which the pool of assets is governed.

The Assets are governed by the laws of Spain.

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

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

2.2.2.1 Initial Assets

The Initial Assets to be pooled in the Fund on the Formation Date will be composed of Non-mortgage Loans and Mortgage Transfer Certificates issued to allow participation in the credit rights arising under the underlying Mortgage Loans. They will comprise the preliminary portfolio.

Audit Report on the Initial Assets

To comply with the terms of article 5 of Royal Decree 926/1998 of 14 May 1998, the preliminary portfolio of Loans from which the Initial Assets derive has been the subject of an audit report done by the firm of Deloitte, S.L.

The preliminary portfolio of selected loans and credits from which the Initial Assets will be extracted to be sold to the Fund on the Date of Formation is comprised of 14,308 Loans the unmatured principal of which, at 11 October 2006, amounted to 1,683,316,955.66 euros.

BANESTO warrants that there are sufficient loans in the preliminary portfolio to ensure that the amount of Assets compliance with the representations contained in paragraphs b), c) and d) of section 2.2.8 below and assigned to the Fund at the Formation Date will be no less than 1,000,000,000 de Euros.

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

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

The debtors on the selected loans are legal persons with economic activities with sales of less than 3 million euros and individuals with economic activities with sales of more than 0.3 million euros and less than 3 million euros, extracted from two bank risk analysis systems, SAME (system for analysis of medium-size enterprises) and SAPE (system for analysis of small enterprises).

The following chart shows the concentration of the ten (10) biggest debtors with the greatest weighting in the preliminary portfolio of Loans at 11 October 2006:

Classification by Debtor				
	Outstanding principal		Loans	
	(€ 000s, except total, in €)	%	Num.	%
Debtor 1	15,617,916.62	0.93	1	0.01%
Debtor 2	15,000,000.00	0.89	1	0.01%
Debtor 3	15,000,000.00	0.89	1	0.01%
Debtor 4	14,500,000.00	0.86	1	0.01%

Debtor 5	12,722,927.42	0.76	2	0.01%
Debtor 6	12,478,658.79	0.74	2	0.01%
Debtor 7	11,054,687.50	0.66	1	0.01%
Debtor 8	9,879,333.34	0.59	1	0.01%
Debtor 9	9,250,000.00	0.55	1	0.01%
Debtor 10	8,005,675.02	0.48	1	0.01%
Rest of Debtors	1,559,807,756.97	92.66	14,296	99.92%
Total:	**1,683,316,955.66**	**100.00**	**14,308**	**100.00%**

Notwithstanding the Renewal Period Global Requirement which stipulates that the sum of the Outstanding Balance of the Assets in respect of one and the same Debtor cannot exceed (0.60%) of the outstanding principal balance of all of the Assets at the formation date of the Fund (approximately, €1,000,000,000) (section 2.2.2.2(c)(ii)4 of the Additional Building Block), it is noted that a total of 171,500,000 euros of the portfolio of selected loans does not fulfil that requirement. Those loans will be excluded from the portfolio that is eventually assigned to the Fund, so that on the Formation Date the whole of the portfolio of selected loans will fulfil that requirement, as well as the requirements that the sum of the Outstanding Balance of the Assets in respect of the five largest Debtors is not in excess of three percent (3.00%) of the outstanding principal of all of the Assets (section 2.2.2.2(c)(ii)5 of the Additional Building Block).

This breakdown of debtors has been done on the basis of the criterion followed by BANESTO, which considers the debtor/group as a single risk unit.

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

In relation to the composition of the preliminary portfolio of Loans from which there will be extracted the Initial Assets that will be assigned to the Fund, the following is noteworthy:

Classification by type of guarantee

	Outstanding principal		Loans	
	(€ 000s, except total, in €)	%	Num.	%
Loans with personal guarantees of third parties	1,216,469,126.18	72.27	11,759	82.18
Loans secured by mortgages	302,269,891.04	17.96	2,023	14.32
Loans with no property mortgage guarantee nor third-party personal guarantees	164,577,938.44	9.78	526	3.68
Total:	**1,683,316,955.66**	**100.00**	**14,308**	**100.00**

The row for Loans with no property mortgage guarantee nor third-party personal guarantees includes, inter alia, Loans secured with pledges of units in Investment Funds and other transferable securities, such as naval mortgages, and those guarantees are duly recorded in the competent registries (wherever such recording is mandatory).

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

The following chart shows the distribution of the outstanding principal of the Loans included in the preliminary portfolio at 11 October 2006.

OUTSTANDING PRINCIPAL OF THE LOANS				

Range	**Outstanding principal**		Loans	
(€)	**(€ 000s, except total, in €)**	**%**	**Num.**	**%**
1 - 100,000	343,590,356.70	20.41%	10,982	76.75%
100,001 - 200,000	232,005,264.98	13.78%	1,653	11.55%
200,001 - 300,000	165,472,990.61	9.83%	671	4.69%
300,001 - 400,000	100,956,847.43	6.00%	290	2.03%
400,001 - 500,000	84,634,195.82	5.03%	189	1.32%
500,001 - 600,000	72,264,138.24	4.29%	131	0.92%
600,001 - 700,000	40,968,354.94	2.43%	63	0.44%
700,001 - 800,000	33,490,356.05	1.99%	45	0.31%
800,001 - 900,000	33,039,235.22	1.96%	39	0.27%
900,001 - 1,000,000	35,695,888.06	2.12%	37	0.26%
1,000,001 - 1,100,000	19,910,449.82	1.18%	19	0.13%
1,100,001 - 1,200,000	19,564,210.71	1.16%	17	0.12%
1,200,001 - 1,300,000	16,492,780.51	0.98%	13	0.09%
1,300,001 - 1,400,000	25,859,326.43	1.54%	19	0.13%
1,400,001 - 1,500,000	17,816,464.71	1.06%	12	0.08%
1,500,001 - 1,600,000	12,299,563.85	0.73%	8	0.06%
1,600,001 - 1,700,000	16,479,802.80	0.98%	10	0.07%
1,700,001 - 1,800,000	27,980,633.28	1.66%	16	0.11%
1,800,001 - 1,900,000	9,202,743.31	0.55%	5	0.03%
1,900,001 - 2,000,000	15,830,454.31	0.94%	8	0.06%
2,000,001 - 2,100,000	4,052,435.02	0.24%	2	0.01%
2,100,001 - 2,200,000	8,562,613.94	0.51%	4	0.03%
2,300,001 - 2,400,000	9,026,149.10	0.54%	4	0.03%
2,400,001 - 2,500,000	6,975,503.46	0.41%	3	0.02%
2,500,001 - 2,600,000	14,857,996.45	0.88%	6	0.04%
2,600,001 - 2,700,000	2,524,734.43	0.15%	1	0.01%
2,700,001 - 2,800,000	8,066,666.68	0.48%	3	0.02%
2,800,001 - 2,900,000	10,867,873.16	0.65%	4	0.03%
2,900,001 - 3,000,000	5,689,345.81	0.34%	2	0.01%
3,000,001 - 3,100,000	26,968,682.12	1.60%	9	0.06%
3,100,001 - 3,200,000	9,221,656.72	0.55%	3	0.02%
3,200,001 - 3,300,000	3,150,000.00	0.19%	1	0.01%
3,300,001 - 3,400,000	6,542,354.00	0.39%	2	0.01%
3,400,001 - 3,500,000	3,300,000.05	0.20%	1	0.01%
3,500,001 - 3,600,000	3,500,000.00	0.21%	1	0.01%
3,600,001 - 3,700,000	3,600,000.00	0.21%	1	0.01%
3,700,001 - 3,800,000	14,974,724.58	0.89%	4	0.03%
3,800,001 - 3,900,000	3,885,833.21	0.23%	1	0.01%
3,900,001 - 4,000,000	15,999,698.34	0.95%	4	0.03%
4,000,001 - 4,100,000	8,360,000.00	0.50%	2	0.01%
4,100,001 - 4,200,000	4,329,788.92	0.26%	1	0.01%
4,300,001 - 4,400,000	4,800,000.00	0.29%	1	0.01%

4,500,001 - 4,600,000	9,719,761.95	0.58%	2	0.01%
4,900,001 - 5,000,000	5,000,000.00	0.30%	1	0.01%
5,000,001 >=	165,787,079.94	9.85%	18	0.13%
Total:	**1,683,316,955.66**	**100.00%**	**14,308**	**100.00%**

Maximum outstanding principal: 15,617,917 euros

Minimum outstanding principal: 31 euros

Average outstanding principal (weighted for the outstanding principal): 117,649 euros

d) Highest, lowest and average values of the initial amounts of the Loans

The following chart shows the initial amounts of the Loans included in the preliminary portfolio at 11 October 2006.

INITIAL AMOUNTS OF THE LOANS

Range (€)	Amount (€ 000s, except total, in €)	%	Loans Num.	%
1 - 100,000	269,331,559.71	16.00%	9,969	69.67%
100,001 - 200,000	217,765,859.32	12.94%	2,042	14.27%
200,001 - 300,000	169,000,674.78	10.04%	885	6.19%
300,001 - 400,000	95,923,220.70	5.70%	381	2.66%
400,001 - 500,000	91,041,449.72	5.41%	267	1.87%
500,001 - 600,000	81,394,733.45	4.84%	194	1.36%
600,001 - 700,000	36,380,956.66	2.16%	77	0.54%
700,001 - 800,000	42,903,817.79	2.55%	83	0.58%
800,001 - 900,000	29,000,772.32	1.72%	49	0.34%
900,001 - 1,000,000	59,006,894.36	3.51%	80	0.56%
1,000,001 - 1,100,000	8,376,890.12	0.50%	12	0.08%
1,100,001 - 1,200,000	25,511,350.94	1.52%	30	0.21%
1,200,001 - 1,300,000	11,881,479.67	0.71%	14	0.10%
1,300,001 - 1,400,000	12,495,307.04	0.74%	12	0.08%
1,400,001 - 1,500,000	47,513,633.65	2.82%	45	0.31%
1,500,001 - 1,600,000	10,981,807.64	0.65%	11	0.08%
1,600,001 - 1,700,000	7,805,080.61	0.46%	5	0.03%
1,700,001 - 1,800,000	13,439,717.83	0.80%	11	0.08%
1,800,001 - 1,900,000	2,358,922.69	0.14%	2	0.01%
1,900,001 - 2,000,000	48,725,475.01	2.89%	31	0.22%
2,100,001 - 2,200,000	1,953,377.92	0.12%	1	0.01%
2,200,001 - 2,300,000	12,334,559.48	0.73%	7	0.05%
2,300,001 - 2,400,000	3,908,266.44	0.23%	2	0.01%
2,400,001 - 2,500,000	19,893,542.48	1.18%	9	0.06%
2,500,001 - 2,600,000	1,260,000.00	0.07%	1	0.01%
2,600,001 - 2,700,000	4,311,321.60	0.26%	2	0.01%
2,700,001 - 2,800,000	4,082,440.27	0.24%	2	0.01%
2,800,001 - 2,900,000	2,210,492.84	0.13%	1	0.01%
2,900,001 - 3,000,000	39,679,819.61	2.36%	16	0.11%
3,000,001 - 3,100,000	4,321,819.92	0.26%	2	0.01%

3,100,001 - 3,200,000	2,465,555.56	0.15%	1	0.01%
3,200,001 - 3,300,000	6,069,342.83	0.36%	2	0.01%
3,300,001 - 3,400,000	5,514,026.58	0.33%	2	0.01%
3,500,001 - 3,600,000	3,600,000.00	0.21%	1	0.01%
3,600,001 - 3,700,000	3,074,591.22	0.18%	1	0.01%
3,700,001 - 3,800,000	1,374,659.61	0.08%	1	0.01%
3,800,001 - 3,900,000	1,748,574.76	0.10%	1	0.01%
3,900,001 - 4,000,000	28,827,482.55	1.71%	10	0.07%
4,100,001 - 4,200,000	13,833,029.42	0.82%	4	0.03%
4,200,001 - 4,300,000	1,682,800.00	0.10%	1	0.01%
4,300,001 - 4,400,000	3,300,000.05	0.20%	1	0.01%
4,400,001 - 4,500,000	4,122,172.06	0.24%	2	0.01%
4,600,001 - 4,700,000	7,883,617.96	0.47%	3	0.02%
4,900,001 - 5,000,000	15,053,502.35	0.89%	5	0.03%
5,000,001 >=	209,972,356.14	12.47%	30	0.21%
Total:	**1,683,316,955.66**	**100.00%**	**14,308**	**100.00%**

Maximum initial amount: 24,000,000 euros

Minimum initial amount: 719 euros
Average initial amount (weighted for the outstanding principal): 161,168 euros

e) Effective interest rate applicable or current financial burden: highest, lowest and average rates of the Loans.

The global weighted average interest rate of the Loans included in the preliminary portfolio at 11 October 2006 is three point nine six five percent (3.965%), and the weighted average margin on those loans is seventy-four (74) basis points (0.74%) (that is, the interest rate margin applied to each Asset over its reference rate).

The following chart shows the distribution of the Loans according to their benchmark indices.

REFERENCE INTEREST RATE FOR THE LOANS				
	Outstanding principal		**Loans**	
	(€ 000s, except total, in €)	**%**	**Num.**	**%**
EURIBOR AT 1 YEAR	726,836,184.80	43.18%	4,883	34.13%
EURIBOR AT 6 MONTHS	187,221,858.92	11.12%	323	2.26%
EURIBOR AT 3 MONTHS	621,633,429.74	36.93%	8,109	56.67%
MORTGAGE EURIBOR AT 1 YEAR	1,113,599.26	0.07%	8	0.06%
EURIBOR AT ONE MONTH	144,011,882.94	8.56%	984	6.88%
OTHERS	3,500,000.00	0.15%	1	0.01%
Total:	**1,683,316,955.66**	**100.00%**	**14,308**	**100.00%**
Weighted average margin: 0.74%				

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

CURRENT INTEREST RATES OF THE LOANS				
Range (%)	Outstanding principal (€ 000s, except total, in €)	%	Loans Num.	%
2.50 - 2.99	19,184,322.40	1.14%	73	0.51%
3.00 - 3.49	231,184,565.07	13.73%	1,906	13.32%
3.50 - 3.99	706,862,517.51	41.99%	6,208	43.39%
4.00 - 4.49	523,833,367.66	31.12%	3,411	23.84%
4.50 - 4.99	148,472,617.79	8.82%	1,535	10.73%
5.00 - 5.49	37,759,239.84	2.24%	732	5.12%
5.50 - 5.99	12,484,812.30	0.74%	310	2.17%
6.00 - 6.49	3,072,579.69	0.18%	110	0.77%
6.50 - 6.99	462,933.40	0.03%	23	0.16%
Total:	**1,683,316,955.66**	**100.00%**	**14,308**	**100.00%**

Maximum interest rate: 6.750%

Minimum interest rate: 2.500%

Average interest rate: 4.073%

Weighted average interest rate: 3.965%

f) Years Loans were contracted

YEARS LOANS WERE CONTRACTED				
Range	Outstanding principal (€ 000s, except total, in €)	%	Loans Num.	%
2000	9,331,541.80	0.55%	88	0.62%
2001	16,037,917.49	0.95%	173	1.21%
2002	57,992,567.50	3.45%	579	4.05%
2003	230,337,633.89	13.68%	1,972	13.78%
2004	417,438,330.27	24.80%	3,049	21.31%
2005	626,002,447.83	37.19%	5,020	35.09%
2006	326,176,516.88	19.38%	3,427	23.95%
Total:	**1,683,316,955.66**	**100.00%**	**14,308**	**100.00%**

Latest year entered into: 2006

Earliest year entered into: 2000

Average year entered into: 2005

Weighted average year entered into: 2005

Weighted average age of the portfolio: 22 months

g) Year of final maturity

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

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

YEARS OF FINAL MATURITY OF THE LOANS				
Range	Outstanding principal		Loans	
	(€ 000s. except total. in €)	%	Num,	%
2006	28,491.11	0.00%	6	0.04%
2007	36,172,262.54	2.15%	484	3.38%
2008	171,154,294.86	10.17%	2454	17.15%
2009	218,426,043.35	12.98%	2950	20.62%
2010	306,403,020.77	18.20%	2872	20.07%
2011	302,268,308.21	17.96%	2434	17.01%
2012	161,841,652.18	9.61%	687	4.80%
2013	117,297,140.99	6.97%	600	4.19%
2014	38,436,587.50	2.28%	225	1.57%
2015	47,109,512.73	2.80%	238	1.66%
2016	50,614,850.14	3.01%	195	1.36%
2017	23,843,946.69	1.42%	136	0.95%
2018	40,511,877.50	2.41%	241	1.68%
2019	45,797,397.46	2.72%	252	1.76%
>=2020	123,411,569.63	7.33%	534	3.73%
Total:	**1,683,316,955.66**	**100.00%**	**14,308**	**100.00%**

Latest year of maturity: 2025

Earliest year of maturity: 2006

Average year of maturity: 2011

Weighted average year of maturity: 2012

Weighted average term to maturity: 5.6 years

h) Distribution by sector of Loans sold by Banesto

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

CLASSIFICATION OF THE LOANS BY SECTOR				
Description of Sector (Spanish national industry classification code – CNAE)	Outstanding principal		Loans	
	(€ 000s, except total, in €)	%	Num.	%
Activities related to transportation. Activities of travel agencies	18,467,012.78	1.10%	176	1.23%
Associated activities	8,145,208.18	0.48%	118	0.82%
Activities related to financial intermediation	3,748,592.25	0.22%	43	0.30%
Public health activities	2,340,397.25	0.14%	13	0.09%
Miscellaneous personal services activities	17,633,882.65	1.05%	257	1.80%
Computer activities	5,734,517.62	0.34%	35	0.24%
Real estate activities	115,014,713.11	6.83%	396	2.77%
Recreation, culture and sports activities	33,413,571.40	1.98%	120	0.84%
Health and veterinary activities, social services	28,893,233.63	1.72%	338	2.36%
Public administration, defence and mandatory social security	2,891,069.58	0.17%	4	0.03%
Agriculture, cattle and game and related activities	71,858,876.84	4.27%	678	4.74%

Lease of machinery and equipment without operators, personal items and home appliances	13,045,052.36	0.77%	84	0.59%
Collection, purification and distribution of water	2,893,698.14	0.17%	13	0.09%
Wholesaling and business brokers, except for motor vehicles	125,200,373.96	7.44%	1,081	7.56%
Retailing, except for trade in motor vehicles	122,359,665.39	7.27%	1,346	9.41%
Construction	122,061,587.16	7.25%	1,458	10.19%
Coke plants, oil refining and treatment of nuclear fuel	941,089.58	0.06%	14	0.10%
Mail and telecommunications	1,655,767.27	0.10%	26	0.18%
Publishing, graphic arts and reproduction of recorded materials	20,738,801.72	1.23%	210	1.47%
Education	9,001,150.72	0.53%	103	0.72%
Extraction of crude oil and natural gas	199,947.90	0.01%	1	0.01%
Extraction of metallic minerals	571,215.03	0.03%	3	0.02%
Extraction of non-metallic, non-energy-related minerals	17,011,609.76	1.01%	91	0.64%
Extraction and refining of anthracite, coal, lignite and peat	688,955.52	0.04%	4	0.03%
Manufacture of medical-surgical, precision optical and watch making equipment and instruments	430,136.89	0.03%	10	0.07%
Manufacture of electrical machinery and material	23,294,380.66	1.38%	124	0.87%
Manufacture of electronic material	5,997,610.69	0.36%	53	0.37%
Manufacture of furniture Other manufacturing industries	19,507,022.48	1.16%	222	1.55%
Manufacture of office machines and computer equipment	2,847,935.47	0.17%	31	0.22%
Manufacture of other transportation materials	3,382,699.76	0.20%	13	0.09%
Manufacture of other non-metallic mineral products	76,338,013.31	4.53%	344	2.40%
Manufacture of rubber and plastic material products	21,844,093.48	1.30%	140	0.98%
Manufacture of metallic products, except for machinery and equipment	52,768,497.20	3.13%	506	3.54%
Manufacture of textiles and textile products	19,433,970.32	1.15%	160	1.12%
Manufacture of motor vehicles, trailers and semi trailers	20,443,750.53	1.21%	31	0.22%
Homes employing domestic workers	150,524.61	0.01%	5	0.03%
Hotels	92,155,548.54	5.47%	870	6.08%
Clothing and fur industry	6,331,635.36	0.38%	73	0.51%
Mechanical machinery and equipment construction industry	30,041,387.30	1.78%	197	1.38%
Wood and cork industry, except for furniture, basketry and straw products	32,294,134.67	1.92%	417	2.91%
Food and beverage products industry	139,354,548.04	8.28%	713	4.98%
Paper industry	7,801,108.88	0.46%	53	0.37%
Tobacco industry	69,795.01	0.00%	3	0.02%
Chemical industry	29,484,796.38	1.75%	202	1.41%
Financial intermediation, except for insurance and pension plans	407,762.94	0.02%	4	0.03%
Research and development	177,619.76	0.01%	5	0.03%
Metallurgy	38,088,602.54	2.26%	140	0.98%
Other business activities	115,723,854.92	6.87%	660	4.61%
Fishing, aquaculture and activities in the services related thereto	14,236,688.05	0.85%	74	0.52%
Preparation, cutting and finishing of leather	3,651,873.94	0.22%	72	0.50%
Production and distribution of electricity, natural gas, steam and hot water	6,833,081.60	0.41%	67	0.47%
Recycling	2,756,719.09	0.16%	17	0.12%
Insurance and pension plans, except for mandatory social security	440,192.14	0.03%	11	0.08%
Forestry, logging and related activities	5,432,421.73	0.32%	63	0.44%
Unclassified	49,342,257.59	2.93%	699	4.89%
Air and space transportation	5,324,047.50	0.32%	8	0.06%

Maritime transportation, the coasting trade and other means of internal navigation	3,030,860.70	0.18%	5	0.03%
Land transportation; Pipelines	62,835,218.01	3.73%	1,130	7.90%
Sale, maintenance and repair of motor vehicles	46,554,175.77	2.77%	574	4.01%
Total:	**1,683,316,955.66**	**100.00%**	**14,308**	**100.00%**

None of the Loans included under the codes "Real estate activities" and "Construction" are for loans granted to property developers for the construction or rehabilitation of homes and/or commercial or industrial properties intended for sale.

i) Indication of geographical distribution by region.

The following chart shows, at 11 October 2006, the geographical distribution of the Loans in the preliminary portfolio, according to the region in which the registered office of the Debtors is located.

OUTSTANDING PRINCIPAL OF THE LOANS BROKEN DOWN BY REGIONS				
Region	**Outstanding principal**		**Loans**	
	(€ 000s, except total, in €)	%	**Num.**	%
Valencia	285,102,162.30	16.94%	3,037	21.23%
Andalusia	200,896,753.04	11.93%	1,850	12.93%
Madrid	211,373,778.99	12.56%	1,489	10.41%
Catalonia	240,419,075.29	14.28%	1,390	9.71%
Castilla La Mancha	75,636,583.22	4.49%	1,166	8.15%
Galicia	140,207,740.18	8.33%	1,070	7.48%
Castilla y Leon	78,394,778.02	4.66%	705	4.93%
The Basque Country	135,071,512.17	8.02%	613	4.28%
Cantabria	30,074,413.15	1.79%	445	3.11%
Aragon	41,119,679.36	2.44%	442	3.09%
Other	245,020,479.94	14.56%	2,101	14.68%
Total:	**1,683,316,955.66**	**100.00%**	**14,308**	**100.00%**

Notwithstanding the Renewal Period Global Requirement which stipulates that the sum of the outstanding balance of the Assets granted to Debtors located in the three regions that concentrate the largest number of Debtors cannot exceed 56% of the sum of the outstanding balance of all Assets at the formation date of the Fund (approximately, €1,000,000,000) (section 2.2.2.2(c)(ii)4 of the Additional Building Block), it is noted that a total of 81,500,000 euros of the portfolio of selected loans (after excluding the 171,500,000 euros referred to in section a) above) do not fulfil that requirement. Those loans will be excluded from the portfolio that is eventually assigned to the Fund, so that on the Formation Date the whole of the portfolio of selected loans will fulfil that requirement.

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

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

DELAYS IN PAYMENT OF INSTALMENTS

Range (days)	Outstanding principal (€ 000s, except total, in €)	%	Loans Num.	%
Current in payment	1,633,290,516.77	97.03%	13,821.00	96.60%
1 to 15	35,686,481.93	2.12%	314.00	2.19%
16 to 30	6,074,592.91	0.36%	79.00	0.55%
31 to 60	6,368,675.05	0.38%	80.00	0.56%
61 to 90	1,896,689.00	0.11%	14.00	0.10%
Total:	**1,683,316,955.66**	**100.00%**	**14,308**	**100.00%**

k) Timing of instalment payments

TIMING OF INSTALMENT PAYMENTS				
Frequency	Outstanding principal (€ 000s, except total, in €)	%	Loans Num.	%
MONTHLY	710,526,002.73	42.21%	5,452	38.10%
HALF-YEARLY	567,638,987.11	33.72%	7,949	55.56%
QUARTERLY	276,532,997.04	16.43%	664	4.64%
YEARLY	68,446,941.73	4.07%	104	0.73%
UPON MATURITY	58,044,330.25	3.45%	138	0.96%
CUSTOMISED REPAYMENT	2,127,696.80	0.13%	1	0.01%
Total:	**1,683,316,955.66**	**100.00%**	**14,308**	**100.00%**

l) Loan to value ratio or level of collateralisation.

The selected loans secured by mortgages at 11 October 2006 numbered 2023, with unmatured principal at that date of 302,269,891.04 Euros.

The ratio, expressed as a fraction of one, between the amount of principal outstanding at 11 October 2006 and the appraisal value of the assets mortgaged pursuant to the mortgage loans was between 0.0% and 87.5%, the weighted average ratio of the outstanding principal of each mortgage loan being 43.4%.

The following table shows distribution of the Mortgage Loans by 5% intervals of that ratio.

OUTSTANDING BALANCE RATIO				
Ratio Intervals (%)	Outstanding principal (€ 000s, except total, in €)	%	Loans Num.	%
1.00-5.00	507,921.73	0.17%	19	0.94%
5.01-10.00	3,079,166.75	1.02%	38	1.88%
10.01-15.00	6,187,754.99	2.05%	69	3.41%
15.01-20.00	7,932,164.02	2.62%	90	4.45%
20.01-25.00	13,917,801.04	4.60%	135	6.67%

25.01-30.00	19,031,523.97	6.30%	161	7.96%
30.01-35.00	32,104,076.05	10.62%	211	10.43%
35.01-40.00	30,102,750.54	9.96%	236	11.67%
40.01-45.00	43,217,588.70	14.30%	273	13.49%
45.01-50.00	48,068,021.12	15.90%	257	12.70%
50.01-55.00	36,380,141.98	12.04%	197	9.74%
55.01-60.00	32,417,808.01	10.72%	184	9.10%
60.01-65.00	13,577,604.83	4.49%	72	3.56%
65.01-70.00	8,132,957.15	2.69%	46	2.27%
70.01-75.00	4,862,815.96	1.61%	24	1.19%
75.01-80.00	2,469,794.20	0.82%	10	0.49%
80.00>=	280,000.00	0.09%	1	0.05%
Total:	**302,269,891.04**	**100.00%**	**2,023**	**100.00%**
Average:	39.9%			
Weighted average:	43.4%			
Minimum LTV:	0.0%			
Maximum LTV:	87.5%			

2.2.2.2 Additional Assets.

After its formation, the Fund, represented by the Gestora, will on each Payment Date during the Renewal Period make successive acquisitions of Additional Assets to cover the decrease of the Outstanding Balance of the Assets in the aggregate amount of the Available Principal Funds.

a) Renewal Period

The Gestora, for and on behalf of the Fund, will make quarterly acquisitions of Additional Assets on each Payment Date during the time period running from the first Payment Date (inclusive) to the Payment Date corresponding to 15 December 2008, both inclusive (the "**Renewal Period**").

Notwithstanding the above, the early and definitive termination of the Renewal Period will be effected on the Payment Date of the Renewal Period on which any of the following circumstances takes place:

(i) If interest accrued on the Series A1, A2, B or C Bonds is not paid due to insufficiency of Available Funds on the relevant Payment Date.

(ii) If on the preceding Determination Date the cumulative Outstanding Balance of Defaulted Loans since the Formation Date is greater than or equal to 2.00% of the Outstanding Balance of the Assets at the Fund Formation Date.

(iii) If proceedings have begun to submit BANESTO to insolvency proceedings or liquidation or any other situation which could lead to revocation of its authorisation as credit institution.

(iv) If BANESTO has been replaced as Administrator of the Assets.

(v) If on the preceding Determination Date the Outstanding Balance of Non-performing Loans is greater than 1.75% of the Outstanding Balance of the Non-defaulted Loans.

(vi) If the Required Reserve Amount cannot be allocated to the Reserve Fund on the relevant Payment Date.

(vii) If on the two (2) immediately and consecutively preceding Payment Dates, the Outstanding Balance of the Non-defaulted Loans is less than or equal to 90% of Outstanding Principal Balance of the Bonds.

(viii) If on the preceding Determination Date the Outstanding Balance of the Non-defaulted Loans was less than 80% of the aggregate Outstanding Principal Balance of the Bonds.

(ix) If Spanish tax laws have changed so as to render assignment of the Additional Assets excessively costly for BANESTO.

(x) If the Interest Swap Contract has been terminated and no interest swap contract is signed and delivered to replace it within fifteen (15) days.

(xi) If the BANESTO audited annual financial statements for the last year present qualifications.

The Payment Date on which any of the above circumstances exists will not form part of the Renewal Period, and the Available Principal Funds will be applied to redemption of the Bonds according to the Ranking of Payments and to the terms of section 4.9 of the Securities Note.

b) Amount

The maximum amount which the Gestora, for and on behalf of the Fund, will use on each Payment Date during the Renewal Period to acquire Additional Assets (the "**Acquisition Amount**") will be the amount of the Available Principal Funds on the relevant Payment Date, subject to the limit of the Outstanding Balance of the Bonds at the Issue Date.

During the Renewal Period, the remaining amount of the Available Principal Funds not used for the acquisition of Additional Assets will remain on deposit in the Principal Account.

c) Selection requirements

Assignment to and inclusion in the Fund of Additional Assets will be subject to the fulfilment on the respective Assignment Date of all of the selection requirements established in this section (the "**Selection Requirements**").

(i) Individual Requirements

Without prejudice to the fulfilment of the rest of the Loan characteristics contained in sections 2.2.8.b), c) and d) of this Additional Building Block (which will be ratified by the Seller on each Additional Assets acquisition date), the Selection Requirements that must be fulfilled individually by each of the Additional Assets for their assignment to the Fund (the "**Individual Requirements**") are as follows:

1. That the Loan has been granted by BANESTO in the ordinary course of its business following its customary credit risk analysis and evaluation procedures described in section 2.2.7 of this Additional Building Block to the Securities Note.

2. That the Loan has been granted to legal persons engaged in economic activity with revenues of less than 3 million euros or to natural persons engaged in economic activity with revenues of

more than 0.3 million euros and less than 3 million euros, and which have been taken from the bank's SAME system for analysing risks of medium size enterprises and SAPE system for analysis of small enterprises, with domicile in Spain for the purpose of financing its business or the acquisition of the real property used in its business, and that the Loan is subject to the laws of Spain.

3. That the Loan has no payments more than thirty (30) days past due.

4. That the Debtor has paid at least two of the Loan principal instalments.

5. That the Loan provides for periodic interest payments and periodic repayment of principal.

6. That the Loan does not include provisions that allow deferral of the periodic payments of interest or principal after the assignment date.

7. That the final due date of the Loan is not later than 31 December 2027.

8. That the Loan is denominated in euros.

9. That the Loan has been granted at a variable interest rate referenced to the EURIBOR.

10. That the payment obligations under the Loan are performed by standing order for direct debit to an account held in BANESTO.

11. That the Loan is not related to financing extended to property developers for the construction or restoration of homes and/or commercial or industrial properties intended for sale.

12. That the Assets do not consist of credit rights derived from a finance lease operation.

(ii) Global Requirements

In addition to fulfilment of the Individual Requirements, the Selection Requirements which must be met by all of the Assets in aggregate, including Additional Assets to be acquired by the Fund on each Assignment Date (except in the case of the requirement described in subparagraph 2 below, which will only apply with respect to the set of Additional Assets to be acquired by the Fund on each Assignment Date), for their assignment to the Fund (the "**Global Requirements**") are as follows:

1. That the weighted average margin of the Assets is not less than sixty basis points (0.60%) (that is, the interest rate margin applied to each Asset over its reference rate).

2. That the weighted average age (that is, the time elapsed since the grant of the Loan in question) of the Additional Assets is greater than or equal to 6 months.

3. That the weighted average term to maturity of the Assets is less than or equal to 10 years.

4. That the sum of the Outstanding Balance of the Assets corresponding to a single Debtor is not greater than (0.60%) of the sum of the outstanding principal balance of all of the Assets.

5. That the aggregate Outstanding Balance of the Assets relating to the five top Debtors is no greater than three percent (3.00%) of the aggregate outstanding principal of all of the Assets.

6. That the aggregate Outstanding Balance of the Assets loaned to Debtors located in the same region is no greater than twenty-five percent (25%) of the aggregate outstanding principal of all of the Assets, and that the aggregate outstanding principal of the Assets loaned to Debtors located in the three regions with the largest number of Debtors is no greater than 56% of the aggregate outstanding principal of all of the Assets.

7. That the aggregate Outstanding Balance of the Assets loaned to Debtors in the same sector of the economy is no greater than 20% of the aggregate outstanding principal of all of the Assets, and that the aggregate outstanding principal of the Assets loaned to Debtors operating in the three economic sectors with the largest number of Debtors is no greater than 40% of the aggregate outstanding principal of all of the Assets.

8. That the aggregate Outstanding Balance of the Assets corresponding to Mortgage Loans is greater than or equal to 18% of the outstanding balance of all of the Loans.

9. That the Outstanding Balance of Assets with full redemption at maturity is not more than 5.80% of the Outstanding Balance of the Assets;

10. That the Outstanding Balance of Assets with annual repayment instalments is not more than 6.84% of the Outstanding Balance of Assets.

d) Offer Solicitation Dates and Offer Dates

"**Offer Solicitation Dates**" are the dates falling on the sixth Business Day before each of the Payment Dates in the Renewal Period on which an acquisition of Additional Assets is to be made.

"**Offer Dates**" are the dates falling on the fourth Business Day before each of the Payment Dates in the Renewal Period on which an acquisition of Additional Assets is to be made.

e) Procedure for acquisition of Additional Assets

On each Offer Solicitation Date, the Gestora will send the Seller a written notice demanding assignment of Additional Assets for the Fund, indicating the estimated Acquisition Amount and the Payment Date on which there shall be made the assignment to the Fund and the payment for the assignment.

Before 09:00 a.m. (CET) on the Offer Date, the Seller will send the Gestora written notice of the offer to assign Additional Assets, accompanied by a computer file with an itemised list of the selected loans and their characteristics included in the assignment offer and a declaration by the Seller that those

Additional Assets meet the Individual Requirements and rest of the characteristics contained in paragraphs b), c) and d) of section 2.2.8.

Before the second Business Day before the Payment Date, the Gestora will send the Seller written notice of acceptance of the assignment of Additional Assets, accompanied with a computer file with an itemised list of the Additional Assets accepted and their characteristics communicated by the Seller.

In order to determine the Additional Assets to be included in the acceptance of assignment, the Gestora will:

(i) check that the Loans in the assignment offer comply with the Individual Requirements and the Global Requirements according to the characteristics communicated by the Seller, without this implying verification of the fulfilment of the rest of the Loan characteristics contained in sections 2.2.8.b), c) and d) of this Additional Building Block that will be ratified by the Seller on each Additional Assets acquisition date; and

(ii) determine the Additional Assets that are accepted and suitable for assignment to the Fund for an overall amount equal or below but as close as possible to the Acquisition Amount.

In the event that the Outstanding Balance of the Additional Assets suitable for assignment to the Fund is less than the Acquisition Amount (whether due to insufficiency of the loans offered by the Seller, or because one or more of the Assets offered by the Seller do not meet the Individual Requirements), the Gestora, for and on behalf of the Fund, will proceed to acquire the suitable Additional Assets, without prejudice to the possibility of acquiring new suitable Additional Assets to cover that difference on the next Payment Date.

f) Annual audit of the Additional Assets.

Each year the Gestora will commission, for the account of the Fund, an audit to be conducted on a sampling of the Additional Assets acquired during the years 2006, 2007 and 2008, in the Renewal Period, and which remain outstanding at 31 December of each of those years.

The examination of the Additional Assets of the sample will cover the same attributed as the audit done of the loans selected for assignment to the Fund at its formation.

That examination will be done by an audit firm registered in the Official Register of Account Auditors (Registro Oficial de Auditores de Cuentas — ROAC) and sent to the CNMV together with the audit report on the Fund's annual financial statements for the years closed on 31 December 2006, 2007 and 2008.

2.2.3 Legal nature of the Assets.

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

The Assets are classified, according to the guarantee, into Assets derived from Mortgage Loans (that is, secured with a property mortgage) and Assets derived from Non-mortgage Loans (that is, not secured or secured with a personal guarantee or with a non-property security interest).

The assignment of the Assets arising from Non-mortgage Loans is governed by the general ordinary law of Spain, that is, by articles 1526 et seq. of the Civil Code.

In relation to assignment of Assets arising from Mortgage Loans, the general ordinary laws of Spain are the law naturally applicable to the assignment, which is executed by means of issuance by BANESTO of the mortgage transfer certificates (MTCs) (each one of which represents a one hundred percent (100%) interest in the outstanding principal of the Assets arising from the related Mortgage Loans) for purposes of their complete subscription by the Fund, in accordance with the Fifth Additional Provision of Act 3/1994, in the wording given by article 18 of Act 44/2002; the Mortgage Market Regulatory Act 2/1981 of 25 March 1981 (Ley de Regulación del Mercado Hipotecario); Royal Decree 685/1982 of 17 March 1982; and the rest of the regulations prevailing from time to time that apply to the transferability and acquisition of mortgage market securities. The issuance, representation, transferability and registration of the MTCs is described in detail in section 3.3.3.1.(b) of this Additional Building Block to the Securities Note.

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

All of the Initial Assets have a maturity date prior to 28 December 2025.

The final maturity date of the Additional Assets that will be assigned to the Fund in the successive acquisitions during the Renewal Period shall be no later than 31 December 2027.

2.2.5 Amount of the Assets.

The Fund will be set up with the Initial Assets which BANESTO will assign to the Fund on the Formation Date, the total principal of which will be equal to or slightly higher than one billion (1,000,000,000) euros, the aggregate face value of the Bond issue.

The principal of the Mortgage Loans that will be assigned to the Fund at its formation will not be less than eighteen percent (18%) the nominal value of the Bond issue.

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

There is no overcollateralisation in the Fund, given that the principal of the Loans which BANESTO will assign to the Fund at its formation will be equal to or slightly higher than one billion (1,000,000,000) euros, the aggregate face value of the Issue.

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

There follows a description of the lending policy followed by the BANESTO Commercial Banking division for making loans and credit agreements to the SMEs segment:

1) Process and Criterion for Making Loans

Model Used for making Loans to SMEs

BANESTO has a specific analytical system for each group of customers: the Small Enterprises Analysis System (Sistema de Análisis de Pequeñas Empresas — SAPE) and the Medium Enterprises Analysis System (Sistema de Análisis de Medianas Empresas — SAME).

In both cases the risk analysts evaluate clients from qualitative and quantitative points of view.

- *Qualitative Analysis:* it rates the client with respect to the business process and competitive environment, evaluating the risk areas of shareholders/management, commitment of the partners to the business and product/demand/market.

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

In each of these areas a rating is assigned, associated with a numerical score, the arithmetical average of which gives the client's rating.

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

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

SAPE/SAME analysis is undertaken at two levels:

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

- *Analysis within central services*: At this level, the customer's risk profile is evaluated based on the information reflected in SAPE/SAME. In the case of medium-sized companies management is assigned to a Corporate Risk Manager (G.R.E.).

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

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

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

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

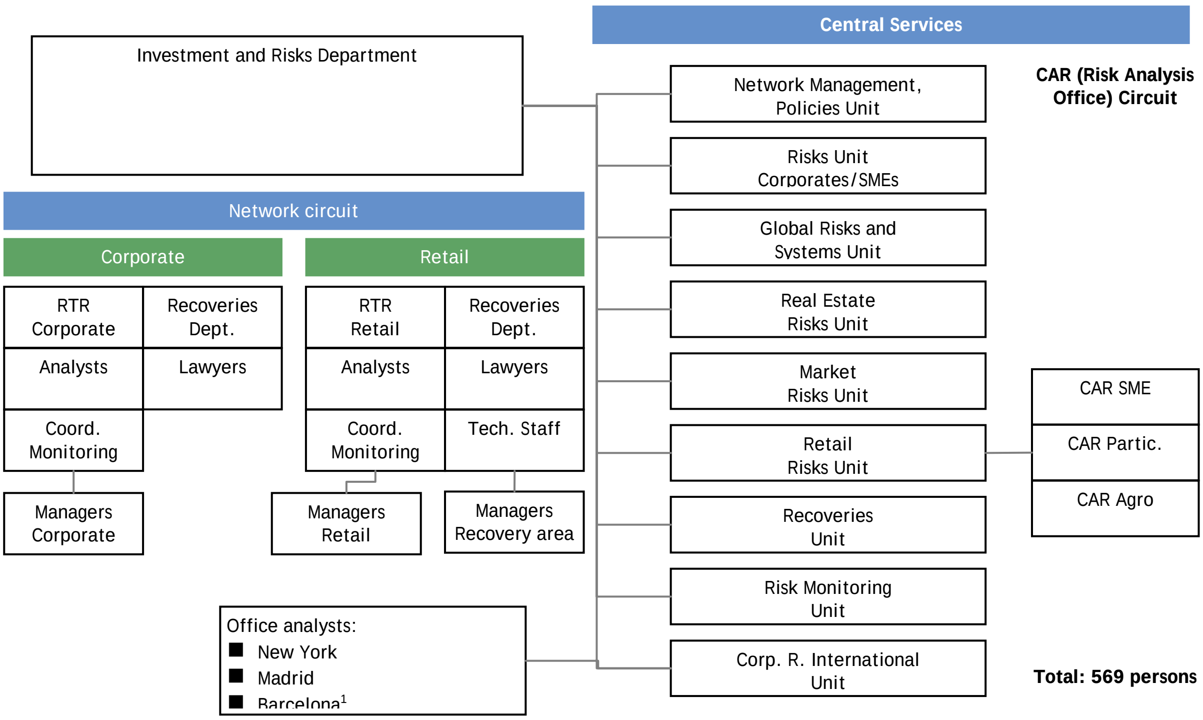
2) Monitoring

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

This active management of monitoring is achieved using a system of alarms established by the bank. It is based either on the bank's relationship with the client itself or on alert signals arising from behaviour (analysis of the client and checking thereof) through which clients with risks are identified. When an alarm is evaluated, it is decided whether to continue the normal monitoring system or subject the client to stricter monitoring, establishing a monitoring policy and considering the client to be on special watch.

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

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



3) Recovery Management

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

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

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

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

A client is characterized as doubtful after the decision of a committee, when it has at least one contract characterized as doubtful or very doubtful following the criteria in the Bank of Spain regulations: debt unpaid for more than three months, judicial claim by BANESTO, insolvency, by reason of BANESTO policy and other subjective criteria. By reason of characterization as doubtful, the client passes from the recovery to the recuperation phase, triggering more specialized management. The attempt is to establish a specific management policy and a recuperation strategy (judicial, extrajudicial or both), which is decided upon by a committee. For the sake of clarity, it is especially noted that this classification is unrelated to the definitions given in this Prospectus of "Non-performing Loan" and "Defaulted Loan".

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

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

2.2.8 Representations and collaterals given to the Issuer relating to the Assets.

In this section the Gestora reproduces the representations and warranties which BANESTO, as owner of the Assets until their assignment to the Fund at its formation and as issuer of the Mortgage Transfer Certificates, has given and which it will also give to the Gestora, as representative of the Fund at the Formation Date, as well as at each Payment Date on which an assignment of Additional Assets is carried out:

(a) In relation to BANESTO:

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

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

(3) That BANESTO is authorised to operate in the mortgage market. BANESTO is likewise authorised to grant all of the Loans assigned under the Deed of Formation and under the subsequent assignment agreements.

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

(5) That it has financial statements for the last three years closed, duly audited and the audit report for the last such year, 2005, contains no qualifications.

(b) In relation to all of the Assets:

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

(2) That the data included in the Deed of Formation, in the Prospectus and in the subsequent assignment contracts in respect of the Assets accurately reflect their status at the respective assignment date.

(3) That since the time they were granted or subrogated, as the case may have it, the Assets have been and are being administrated by BANESTO according to the customary procedures it has established.

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

(5) That the Assets derive from bilateral loans granted by BANESTO to legal persons engaged in economic activity with revenues of less than 3 million euros or to natural persons engaged in economic activity with revenues of more than 0.3 million euros and less than 3 million euros, and which have been taken from the bank's SAME system for analysing risks of medium size enterprises and SAPE system for analysis of small enterprises, with domicile in Spain for the purpose of financing its business or the acquisition of the real property used in its business, and that the Loan is subject to the laws of Spain, domiciled in Spain, for purposes of financing its respective business or the acquisition of real properties used in its business.

(6) That the Assets are denominated and are payable in euros and are secured, in the case of Assets derived from Mortgage Loans, by a property mortgage and, in the case of Assets derived from Non-mortgage Loans, are not secured by third parties or are secured by a personal guarantee or by a non-property security interest.

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

(8) That all of the Assets have a maturity date on or before 31 December 2027.

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

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

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

(12) That there is no impediment whatsoever to their free assignment to the Fund at its formation or, if the consent of the Debtor is needed, that such consent has been obtained.

(13) That it constitutes a valid and binding payment obligation for the Debtor and is enforceable according to its own terms.

(14) That the payment of principal and interest instalments on the Assets is done by direct bank debits done automatically and authorised by the respective Debtor at the time the transaction was agreed.

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

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

(17) That the Loans have been drawn down in full and the initial repayment period is not shorter than one (1) year after the grant of the relevant Loan.

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

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

(20) That according to its internal records, none of the Loans relates to financing extended to property developers for the construction or restoration of homes and/or commercial or industrial properties intended for sale.

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

(22) That none of the Assets relates to credit rights derived from a financial leasing transaction.

(23) That the respective Debtor has paid at least two instalments of principal on the respective Loan.

(24) That none of the Loans has provisions that allow deferral in the periodic payment of interest or in the repayment of principal after the Assignment Date.

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

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

(27) That on the Date of Formation of the Fund , the Outstanding Balance of the Mortgage Loans will not be greater than 20% of the total Outstanding Balance of the Loans nor less than 18% of the total of the Outstanding Balance of the Loans.

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

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

(30) That, on the Date of Formation of the Fund, the sum of the Outstanding Balance of the Loans of a single Debtor will not be greater than 0.60% of the Outstanding Balance of the Loans.

(c) In relation to the Mortgage Loans:

(1) That each of the Mortgage Loans is secured by a property mortgage, and the mortgage collaterals are subject to no prohibitions on their disposal, resolutory conditions or other limitation on control.

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

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

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

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

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

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

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

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

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

(11) That the mortgages are granted over properties (and, if they include buildings, those buildings have been constructed and completed) which are under the full ownership of and belong to the respective borrowers, and are the first mortgage over full ownership of the mortgaged property (or, if applicable, a later mortgage, but the Seller has documents showing the cancellation of the debts originated by previous mortgages, even though the formal registry cancellation is still pending), and BANESTO is not aware of any litigation relating to the ownership of the properties which may have adverse effects on the mortgages.

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

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

(d) In relation to the Mortgage Transfer Certificates (MTCs):

(1) That the MTCs are issued according to the terms of (i) Act 2/1981, (ii) Royal Decree 685/1982, (iii) Royal Decree 1289/1991, (iv) the Fifth Additional Provision of Act 3/1994 of 14 April 1991, in the wording given by article 18 of Act 44/2002 of 22 November 2002 whereby there is applied to the MTCs the laws applicable to mortgage participating units (participaciones hipotecarias), insofar as applicable, and (v) the rest of the applicable laws and regulations.

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

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

2.2.9 Substitution of the Assets.

If any of the Assets is affected by a hidden defect because at the respective Assignment Date to the Fund at its formation it does not fulfil the requirements which those Assets must meet to be eligible for assignment to the Fund, the Individual Requirements or the representations made to that effect by Seller to the Gestora and reproduced in section 2.2.8 of this Additional Building Block to the Securities Note, or does not at that date conform to the characteristics communicated by BANESTO to the Gestora, the party which learns of such circumstance shall given written notice thereof to the other, and both parties must within the following ten (10) Business Days proceed to remedy the hidden defect or, if the hidden defect is not capable of remedy, to substitute the affected Asset by another or others with an outstanding balance equal to or slightly less than the substituted Asset, which must comply with the representations of the Seller to the Gestora reproduced in section 2.2.8 above and be uniform as to residual maturity, interest rate, value of outstanding principal and quality of the guarantee, and, if applicable, the ranking of mortgages and the ratio between the outstanding principal and the appraised value of the mortgaged properties of the Mortgage Loans, such that the financial equilibrium of the Fund and the rating of the Bonds are not affected by the substitution.

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

In particular, modification by the Seller of the Loan conditions during the term of the Loans without subjection to the limits established in the special laws applicable thereto and to the terms covenanted between the Fund and the Seller in the Fund Deed of Formation and in this Prospectus, in section 3.7.1 of the Additional Building Block and, therefore, absolutely exceptional, would entail a breach of the obligations of the Seller that must not be borne by the Fund. In the face of such breach, the Fund, through the Gestora, may (i) demand the relevant damages and (ii) move for replacement or repayment of the affected Assets, according to the terms of this section, without this implying that the Seller warrants the successful outcome of the operation, but only the need to make repairs of the breach of its obligations according to article 1124 of the Civil Code. The Gestora will give the CNMV immediate notice of the substitutions or amortization of Assets done as a consequent of breach by the Seller. The expenses occasioned by the actions to remedy the Seller's breach must be borne by the Seller, and shall not be recovered from the Fund.

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

2.2.10 Relevant insurance policies relating to the Loans.

According to BANESTO internal policy, the mortgaged properties must be insured against the risk of fire and other damage for the life of the respective Mortgage Loan. Nevertheless, it should be noted that the existence of insurance policies in respect of the mortgaged properties has not been subject to audit.

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

Does not apply.

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

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

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

Does not apply.

2.2.14 If the Assets comprise equity securities, a description of the principal terms and conditions.

Does not apply.

2.2.15 If more than ten percent (10%) of the Assets are equity securities that are not traded on a regulated or equivalent market, a description of the principal terms and conditions.

Does not apply.

2.2.16 Where a material portion of the Assets are secured on real property, valuation reports setting out the valuation of the property and cash flow/income streams.

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

2.3 Actively managed pool of assets backing the issue.

Does not apply.

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

Does not apply.

3. STRUCTURE AND CASH FLOW.

3.1 Description of the structure of the transaction.

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

a) assignment to the Fund at its formation of the Initial Assets derived from Mortgage Loans and of the Assets derived from Non-mortgage Loans; and

b) issue of ten thousand (10,000) Bonds, distributed in the four (4) Series A1, A2, B and C Bonds.

A copy of the Deed of Formation will be filed with the CNMV prior to the opening of the Bond Subscription Period.

In addition, on each Payment Date during the Renewal Period, the Gestora will acquire Additional Assets from BANESTO with which to cover the decrease in the Outstanding Balance of the Assets in the amount of the Available Principal Funds.

Also, in order to strengthen its financial structure and procure the greatest possible protection against the risks inherent in the issue, the Gestora, as representative of the Fund, will proceed to enter into, amongst others, the contracts listed below, with the right, for purposes of having the Fund's operation comply with the terms of the laws and regulations prevailing from time to time, to extend or amend those contracts, replace each of the providers of services to the Fund thereunder and, if necessary, enter into additional contracts, upon prior notice to the CNMV, obtaining, if applicable, the relevant authorisation therefrom, and to the Rating Agencies, provided such actions do not harm the rights of the Bondholders and, in particular, provided they do not entail a downgrade in the rating of the Bonds.

The Gestora will enter into the following contracts, amongst others, with BANESTO:

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

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

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

(iv) a Swap Contract, in accordance with the Financial Transactions Master Agreement (CMOF) form;

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

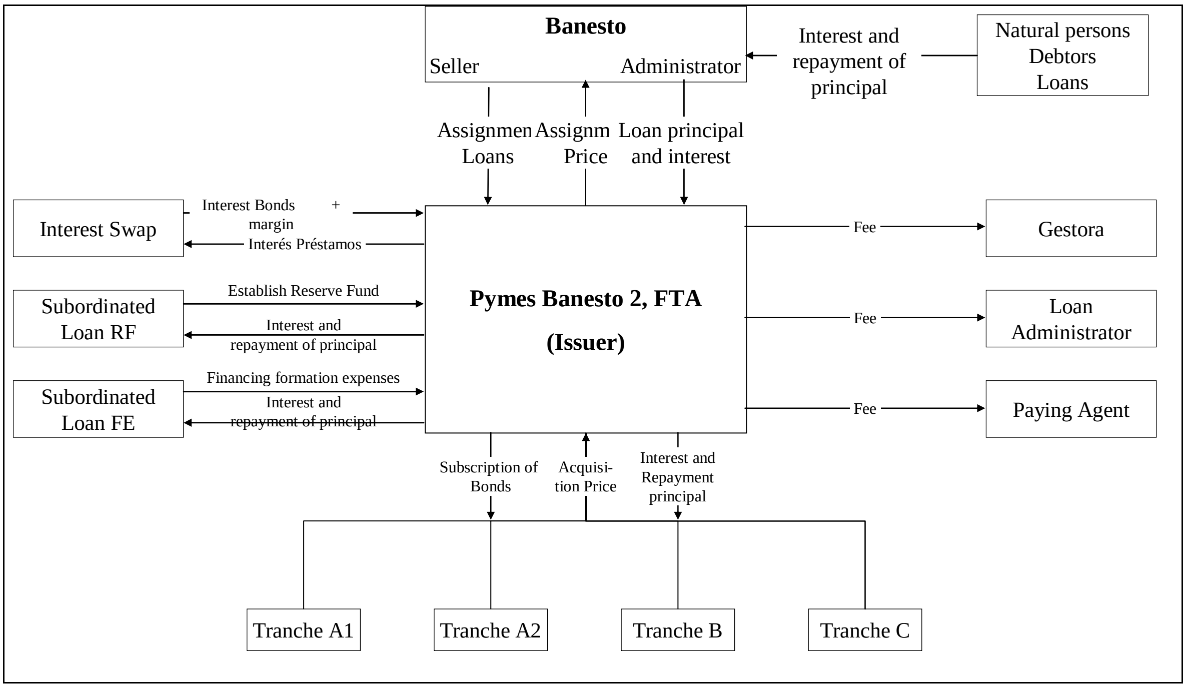
(vi) a Principal Account Guaranteed Yield Reinvestment Agreement whereby BANESTO will guarantee a variable yield on the amounts deposited by the Fund through its Gestora in the Principal Account;

(vii) a Financial Intermediation Agreement to compensate BANESTO for the intermediation undertaken by it.

On behalf and for the account of the Fund, the Gestora will also enter into the Issue Underwriting and Distribution Agreement with the Underwriters.

The description of the contracts included in this section and in sections 4.1.2 and 5.2 of the Securities Note and 3.4.3.1, 3.4.3.2, 3.4.4 and 3.4.6.4 of this Additional Building Block to the Securities Note faithfully reflects the most significant information contained in those contracts, omitting no data or information which could prove significant for the investor.

The operation is depicted in the following schematic diagram:


Banesto
Seller
Administrator
Interest and repayment of principal
Natural persons Debtors Loans
Assignmen Loans
Assignm Price
Loan principal and interest
Interest Swap
Interest Bonds + margin
Interés Préstamos
Pymes Banesto 2, FTA
(Issuer)
Fee
Gestora
Subordinated Loan RF
Establish Reserve Fund
Interest and repayment of principal
Fee
Loan Administrator
Subordinated Loan FE
Financing formation expenses
Interest and repayment of principal
Fee
Paying Agent
Subscription of Bonds
Acquisi-tion Price
Interest and Repayment principal
Tranche A1
Tranche A2
Tranche B
Tranche C

Initial balance sheet of the Fund

The balance sheet of the Fund at the Closing Date will be as follows:

ASSETS		EQUITY AND LIABILITIES	
FIXED ASSETS	€ 1,001,750,000.00	BOND ISSUE	1,000,000,000.00
Assets	€ 1,000,000,000.00	Series A1 Bonds	€ 400,000,000
		Series A2 Bonds	€ 541,700,000
Formation Expenses	€ 1,750,000.00	Series B Bonds	€ 24,300,000
		Series C Bonds	€ 34,000,000
CURRENT ASSETS	€ 25,000,000.00	OTHER L-T DEBTS	€ 26,750,000.00
Treasury Account	€ 25,000,000.00	Subordinated Loan for Formation Expenses	€ 1,750,000.00
Principal Account	€ 0.00	Reserve Fund Subordinated Loan	€ 25,000,000
TOTAL:	**€ 1,026,750,000.00**	**TOTAL:**	**€ 1,026,750,000.00**

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

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

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

BANESTO will assign to the Fund on the Formation Date the Initial Assets the total principal of which will be equal to or slightly higher than ONE BILLION EUROS (€ 1,000,000,000).

After its formation, the Fund, represented by the Gestora, will on each Payment Date during the Renewal Period make successive acquisitions of Additional Assets to cover the decrease of the Outstanding Balance of the Assets in the aggregate amount of the Available Principal Funds.

3.3.1 Assignment of the Initial Assets

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

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

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

b) Assignment of the Initial Assets derived from Mortgage Loans:

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

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

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

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

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

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

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

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

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

The book will also contain the following information:

- Date of opening and maturity of the Mortgage Loan, initial amount and assessment method; and
- Registry particulars of the mortgage.

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

3.3.2 Assignment of Additional Assets

The Deed of Formation will contain the Seller's obligation to assign to the Fund on each Payment Date in the Renewal Period the Additional Assets selected by the Gestora from amongst those offered by the Seller that comply with the Selection Requirements and for an amount no greater than the Acquisition Amount.

Each new acquisition by the Fund of Additional Assets will be formally executed:

(i) in the case of Additional Assets derived from Non-mortgage Loans: by means of a contract signed by the Gestora, for and on behalf of the Fund, and BANESTO on each Assignment Date (distinct from the Formation Date); and

(ii) in the case of Additional Assets derived from Mortgage Loans: by means of issuance by the Seller and subscription by the Fund of the relevant Mortgage Transfer Certificate, with the Seller issuing a new multiple certificate reflecting the number of MTCs that exist at that date in order for the new certificate to be exchanged for the one delivered on the Formation Date or on the previous Assignment Date (distinct from the Formation Date) and/or substitution date.

All expenses and taxes generated in respect of the execution of the successive assignments of Additional Assets shall be for the account of the Fund.

On each new acquisition of Additional Assets, the Gestora will deliver to the CNMV on the respective Assignment Date (distinct from the Formation Date):

(i) Itemisation of the Additional Assets assigned to the Fund with their principal characteristics that allow them to be identified.

(ii) Written representation by the Gestora, signed also by BANESTO, that the Additional Assets fulfil all of the Selection Requirements (Individual and Global) established for their assignment to the Fund at its formation.

For the foregoing purposes and for the purposes provided in article 1227 of the Civil Code, the Gestora has signed up for the CNMV's Cifradoc system for telematic reporting of the itemised details of the Additional Assets, by means of submission of electronic files and the Gestora's declaration that the Additional Assets comply with the Selection Requirements (Individual and Global).

The contract by which each assignment of Additional Assets is effected will be filed with the CNMV the Business Day following the relevant Assignment Date (distinct from the Formation Date).

In the case of Additional Assets derived from Mortgage Loans, the rules set out in subparagraphs (i) to (v) of section 3.3.1.2 above shall also apply.

3.3.3 Terms and conditions of the assignment of Assets.

The assignment of the Assets to the Fund will be done in the following conditions:

(i) The assignment of the Assets will cover the entire outstanding principal, as well as ordinary and default interest accrued from Formation Date of the Fund or, in the case of Additional Assets, from the respective assignment date. Consequently, the assignment of the Assets will not include interest accrued but not yet fallen due at the last interest settlement date of each of the Loans until the relevant Assignment Date (that is, the Formation Date in relation to the Initial Assets or, if applicable, each Payment Date during the Renewal Period in relation to the Additional Assets). Such interest will belong to the Seller.

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

(iii) The price of assignment of the Assets will be at par, that is, the outstanding principal of the Assets pooled in the Fund at the Formation Date of the Fund or, in the case of Additional Assets, at the relevant Assignment Date (that is, the Formation Date in relation to the Initial Assets or, if applicable, each Payment Date during the Renewal Period in relation to the Additional Assets).

The sale price must be fully paid before 3:00 p.m. hours (CET time) on the Closing Date, with value on that date, after payment for the subscription of the Bonds, or, in the case of Additional Assets, on the respective Assignment Date (distinct from the Formation Date), with value on that date. The payment will be made by means of an order issued by the Gestora to BANESTO to debit to the Treasury Account held in BANESTO in the name of the Fund for the acquisition price of the Assets. BANESTO will not receive interest for deferred payment of the price of the Initial Assets until the Closing Date.

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

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

(v) Until the respective Debtor is notified of the assignment of one of the Assets, BANESTO will pursue in its name and for the account of the Fund any court actions (including, if applicable, those relating to enforcement of guarantees) available against that Debtor by reason of the Asset in question. Once the notice has been given, pursuit of the said actions shall rest with the Gestora (or with the authorised representatives for such purpose) on behalf and for the account of the Fund (except as refers to the Mortgage Transfer Certificates, which will be governed by article 661 of Royal Decree 685/1982 of 17 March 1982, as described in section 3.4.5 of this Additional Building Block to the Securities Note).

(vi) The Seller shall bear no liability for the creditworthiness of the Debtors or for the sufficiency of the guarantees securing the Assets.

The Seller will only be liable for the existence and legitimacy of the Assets at the time of assignment on the terms and conditions determined in the Prospectus, as well as for the personality with which the assignment is made and the representations reproduced in section 2.2.8 of this Additional Building Block to the Securities Note.

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

(viii) Without prejudice to what is provided in section 2.2.9 of this Additional Building Block to the Securities Note, BANESTO shall assume no repurchase obligation with respect to the Assets.

(ix) The assignment of the Assets is subject to the ordinary general laws of Spain. According to that legislation, the validity of the Seller's assignment of the Assets to the Fund is subject to the absence of any impediment whatsoever to their free assignment to the Fund at its formation or, if the consent of the Debtor is necessary, to the attainment of such consent.

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

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

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

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

The Seller will assume the costs of notice to the Debtors even if it is given by the Gestora.

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

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

Specifically, the Assets confer the following rights:

a) to receive the whole of the amounts accrued from repayment of the principal of the Assets;

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

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

d) any amounts or assets received by court resolution or notarial proceeding of enforcement of the guarantee, from sale or operation of property awarded to the Fund upon foreclosure of the mortgages, or administration or temporary possession of the property (subject to the foreclosure proceedings) up to the amount of the sums owed by the respective Debtor, acquisition at the auction sale price or the amount determined by court resolution; and

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

The assignment of the Assets will cover the whole of the outstanding principal, as well as ordinary and default interest accrued from the Formation Date of the Fund or, in the case of Additional Assets, from the relevant Assignment Date (that is, the Formation Date in relation to the Initial Assets or, if applicable, each Payment Date during the Renewal Period in relation to the Additional Assets).

The commission fees arising from the assigned Assets are not subject to assignment to the Fund at its formation.

All of the above rights will inure to the benefit of the Fund as from the Formation Date or, in the case of Additional Assets, from the relevant Assignment Date (that is, the Formation Date in relation to the Initial Assets or, if applicable, each Payment Date during the Renewal Period in relation to the Additional Assets).

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

3.4 <u>Explanation of the flow of funds, including</u>:

3.4.1 How the cash flow from the assets will meet the issuer's obligations to the holders of the securities.

The sums received by the Fund under the Assets will be paid by the Administrator into the Treasury Account or, if applicable, into the Surplus Funds Account immediately and, in all events, no later than forty-eight (48) hours following the day on which they were received. Therefore, the Fund will be receiving deposits in the Treasury Account or in the Surplus Funds Account on practically a daily basis.

The weighted average interest rate of the selected loans at 11 October 2006, as specified in section 2.2.2.1.e) above, is three point nine six five percent (3.965%). Nevertheless, the Swap mitigates the interest rate risk to which the Fund is exposed because the Loans have floating rates with different reference indices and different revision timetables and different assessment periods than those of the Bond yields, which are benchmarked to the three month Euribor and has quarterly accrual and payment periods, as wells as the risk arising from possible renegotiations of the interest rate of the Loans which could even lead to their novation at a fixed interest rate.

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

3.4.2 Information on all credit enhancements

3.4.2.1 Description of the credit enhancements

With the aim of strengthening the Fund's financial structure, enhancing the certainty or regularity of the bond payments, covering temporary timing gaps between the principal and interest payment timetable of the Loans and that of the Bond and, in general, of transforming the financial characteristics of the Bonds issued, and to complement the administration of the Fund, the Gestora, as representative of the Fund, will proceed at the execution of the Deed of Formation to enter into the contracts and operations indicated below in accordance with the applicable laws and regulations:

- Guaranteed rate accounts: The accounts opened in the name of the Fund by the Gestora (Treasury Account and Principal Account) bear interest at stipulated rates that guarantee a minimum yield on the balances held in each such account. In this manner the reduction of the yield on Fund liquidity by reason of the timing gap between the daily revenues received on the Loans until payment of interest and repayment of principal on the Bonds on the immediately following Payment Date is partially mitigated.

- Reserve Fund: Set up with a charge to the Subordinated Loan for Reserve Fund, it will allow payment of the Fund in the face of losses due to Defaulted Loans.

- Interest Rate Swap: The interest rate swap seeks to hedge: (i) the interest rate risk to which the Fund is exposed because the Loans are subject to floating interest rates with different references indices and different revision timetables than those established for the Bonds and (ii) the risk implied by the possibility of renegotiations of the Loans that reduce the covenanted interest rate. Also, through the Interest Rate Swap the Fund receives the result of applying to the Outstanding Balance of the Loans which are not past due on payments the nominal interest rate per annum obtained from the sum of (i) the Reference Interest Rate of the Bonds plus (ii) a margin of 0.60% (which, in all events, is higher than the weighted average interest rate of the Bonds).

- Subordination and postponement of payment of interest and repayment of principal among the Bonds of the various Series.

3.4.2.2 The Reserve Fund

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

(i) Amount:

a) Initially funded with twenty-five million EUROS (€25,000,000), an amount equal to two point five zero percent (2.50%) of the Outstanding Principal Balance of the Bonds at the Closing Date (the "**Initial Reserve Amount**").

b) After the Formation Date, on each Payment Date the Reserve Fund will be allocated funds, if applicable, with a charge to the Available Funds in accordance with the Ranking of Payments until it reaches an amount equal (the "**Required Reserve Amount**"), to the lower of the following sums:

(i) the Initial Reserve Amount; and

(ii) the higher of the following sums:

(1) 5.00% of the Outstanding Principal Balance of the Bonds; and

(2) 1.25% of the Outstanding Principal Balance of the Bonds at the Closing Date.

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

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

(ii) if on the Determination Date immediately before the relevant Payment Date, the Outstanding Balance of Non-performing Loans is higher than 1.00% of the Outstanding Balance of all the Loans that are not Defaulted Loans;

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

(ii) Application:

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

3.4.3 Details of any subordinated debt finance.

3.4.3.1 Subordinated Loan for Formation Expenses Agreement.

The Gestora, on behalf and for the account of the Fund will enter into the Subordinated Loan Agreement with BANESTO for a commercial loan of one million six hundred fifty thousand euros (€1,750,000) that will be used to pay the Fund formation and Bond issuance expenses, and to finance part of the acquisition of Assets.

The amount of the Subordinated Loan for Formation Expenses will be disbursed to the Treasury Account at the Closing Date.

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

Interest accrued and not paid on a Payment Date will be accumulated and bear interest at the same rate as the nominal interest rate of the Subordinated Loan for Formation Expenses (without this implying capitalisation of the debt or accrual of default interest) and will be paid, provided the Fund has sufficient liquidity and in accordance with the ranking of payments set out in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note, on the next following Payment Date or, if applicable, on the date of application of the Liquidation Ranking of Payments set out in section 3.4.6.3 of this Additional Building Block to the Securities Note.

The part of the Subordinated Loan for Formation Expenses used to pay for the formation expenses of the Fund and the part used to pay the Bond issuance expenses will be repaid quarterly, as those expenses are amortised, during the first three (3) years after the establishment of the Fund and issuance of the Bonds. The part of the Subordinated Loan for Formation Expenses destined to pay for part of the acquisition of Assets will be repaid on the last Payment Date of the Fund and, in all events, prior to the Statutory Maturity Date of the Fund. All of the above will hold provided the Fund has sufficient liquidity in accordance with the Ranking of Payments established in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note or, if applicable, in accordance with the Liquidation Ranking of Payments established in section 3.4.6.3 of this Additional Building Block to the Securities Note.

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

If, prior to the start of the Subscription Period, the Rating Agencies do not give confirmation as final to any of the provisional ratings assigned, this will give rise to the termination of the Subordinated Loan for Formation Expenses Agreement except as refers to the initial expenses of setting up the Fund and issuing the Bonds.

3.4.3.2 Subordinated Loan for Reserve Fund Agreement.

The Gestora, on behalf and for the account of the Fund will enter into the Subordinated Loan for Reserve Fund Agreement with BANESTO for a commercial loan of twenty-five million EUROS (€ 25,000,000) that will be used to set up the Reserve Fund.

The amount of the Subordinated Loan for Reserve Fund will be disbursed to the Treasury Account at the Closing Date.

The Subordinated Loan for Reserve Fund will earn a nominal interest rate per annum, determined quarterly for each Interest Accrual Period, which will be equal to the sum of: (i) the Reference Interest Rate determined for the Bonds, and (ii) a margin of 1.80%, which will be paid only if the Fund has sufficient liquidity in accordance with the ranking of payments set out in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note or, if applicable, in accordance with the Liquidation Ranking of Payments set out in section 3.4.6.3 of this Additional Building Block to the Securities Note. The accrued interest payable on a given Payment Date will be calculated on the basis of: (i) the actual number of days contained in each Interest Accrual Period and (ii) a year composed of three hundred sixty (360) days

Interest accrued and not paid on a Payment Date will be accumulated and bear interest at the same rate as the nominal interest rate of the Subordinated Loan (without this implying capitalisation of the debt or accrual of default interest) and will be paid, provided the Fund has sufficient liquidity and in accordance with the Ranking of Payments set out in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note, on the next following Payment Date or, if applicable, on the date of application of the Liquidation Ranking of Payments set out in section 3.4.6.3 of this Additional Building Block to the Securities Note.

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

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

If, prior to the start of the Subscription Period, the Rating Agencies do not give confirmation as final to any of the provisional ratings assigned, this will give rise to the termination of the Subordinated Loan for Reserve Fund Agreement.

3.4.3.3 Rules of subordination between the Bonds.

(i) Interest payments:

- Payment of interest accrued on Series A1 and A2 Bonds ranks (i) fourth (4th) in the Ranking of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, and (ii) fourth (4th) in the Liquidation Ranking of Payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note.

- Payment of the interest accrued on Series B Bonds is ranked (i) fifth (5th) in the Ranking of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, and is therefore ranked below the payment of interest accrued by the Series A1 and A2 Bonds, unless there arises the situation provided for in number 5th of section 3.4.6.2.1.(b) of the Additional Building

Block to the Securities Note, in which case it will be ranked eighth (8th) in the Ranking of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note; and (ii) sixth (6th) in the Liquidation Ranking of Payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note, and is therefore ranked below the payment of interest accrued by the Series A1 and A2 Bonds and below the Withholding of Principal.

- Payment of the interest accrued on Series C Bonds is ranked (i) sixth (6th) in the ranking of payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, and is therefore ranked below the payment of interest accrued by the Series A1, A2 and B Bonds, unless there arises the situation provided for in number 6th of section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, in which case it will be ranked ninth (9th) in the Ranking of Payments described in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note; and (ii) eighth (8th) in the Liquidation Ranking of Payments described in section 3.4.6.3 of the Additional Building Block to the Securities Note, and is therefore ranked below the payment of interest accrued by the Series A1, A2 and B Bonds and below the Withholding of Principal.

(ii) Redemption of principal:

The amount of the Withholding of Principal used for acquisition of Additional Assets and, after the end of the Renewal Period, for redemption of the Bonds, ranks seventh (7th) in the ranking of payments set out in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note.

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

In relation to the payment of principal, the Series B Bonds are ranked below the Series A1 and A2 Bonds, and the Series C Bonds are ranked below the Series A1, A2 and B Bonds, in accordance with the Ranking of Payments (except as provided in section 4.9.3.6.(B) of the Securities Note regarding the conditions for Pro Rata Redemption) and in accordance with the Liquidation Ranking of Payments

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

3.4.4.1 Treasury Account

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

(i) principal and interest of the Assets;

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

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

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

(v) The aggregate returns obtained on the balance of the Treasury Account;

are to be deposited in the Treasury Account.

The Treasury Account will be used to centralise all collections and payments during the entire life of the Fund.

At the Closing Date the Treasury Account will receive the cash amount of the payment for subscription of the Bond issue and the initial amount of the Subordinated Loan for Formation Expenses and the Subordinated Loan for Reserve Fund and will pay the price of acquiring the Assets assigned by BANESTO in their initial amount and the Fund formation expenses.

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

The calculation of the return on the balance of the Treasury Account will be done by reference to the actual number of days and on the basis of a three hundred sixty-five (365) day year. Interest will be assessed and settled monthly, on the last day of each calendar quarter.

In the event that the rating of the short-term debt of BANESTO is at any time during the life of the Bond issue downgraded to below A-1, P-1 or F1 (on the Standard & Poor's, Moody's and Fitch rating scales, respectively), the Gestora, will have a maximum of thirty (30) Business Days after the time of the downgrade within which, for and on behalf of the Fund, to transfer the Treasury Account of the Fund to an entity whose short-term debt has a rating of at least A-1, P-1 and F1, and the Gestora will contract the maximum possible return for the balance thereof, which may differ from the one contracted with BANESTO, with authority for a subsequent transfer to BANESTO once its short-term debt regains the A-1, P-1 and F1 rating (on the said rating scales).

The Guaranteed Yield Reinvestment Agreement mitigates the risk of a timing gap between Fund revenues from principal and interest with varying frequencies and the quarterly redemption and payment of interest on the Bonds.

If the cumulative amount in the Treasury Account exceeds 20% of the Outstanding Balance of the Bonds, the Gestora will open for the account of the Fund a new account (the "**Surplus Funds Account**") in an entity with a rating of A-1+, P-1 and F1 (on the Standard & Poor's, Moody's and Fitch rating scales, respectively) in which it will deposit all sums above the said 20%, contracting the highest possible return for the balance of the account, which must be at least equal to the one contracted for the Treasury Account. In the event that entity loses the A-1+, P-1 or F1 rating (on the Standard & Poor's, Moody's and Fitch rating scales, respectively), the Gestora will have 30 calendar days within which to find a new entity with an adequate rating. The Gestora will notify Standard & Poor's, Moody's and Fitch as far as possible in advance of the likelihood of this event occurring.

Once established, the Surplus Funds Account will remain open during the entire life of the Fund even though its balance will undergo changes as a result of the transfer of funds deposited therein to the Treasury Account on the Payment Date on which there is a balance in this Surplus Funds Account. The balance of the Surplus Funds Account will include both the excess of the 20% accumulated in the Treasury Account and the amounts received as yield on its balance.

3.4.4.2 Principal Account

The Gestora, on behalf and for the account of the Fund, and BANESTO will enter into the Principal Account Agreement whereunder BANESTO will guarantee a return on the amounts deposited by the Fund through its Gestora in the Principal Account. Specifically, the Principal Account Agreement will stipulate that the sums received by the Fund in respect of Available Principal Funds not applied to the acquisition of Additional Assets during the Renewal Period will be deposited in the Principal Account.

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

The calculation of the return on the balance of the Principal Account will be done by reference to the actual number of days and on the basis of a three hundred sixty-five (365) day year. Interest will be assessed and settled monthly, on the last day of each calendar quarter.

In the event that the rating of the short-term debt of BANESTO is at any time during the life of the Bond issue downgraded to below A-1, P-1 or F1 (on the Standard & Poor's, Moody's and Fitch rating scales, respectively), the Gestora, will have a maximum of thirty (30) Business Days after the time of the downgrade within which, for and on behalf of the Fund, to transfer the Principal Account of the Fund to an entity whose short-term debt has a rating of at least A-1, P-1 and F1, and the Gestora will contract the maximum possible return for the balance thereof, which may differ from the one contracted with BANESTO, with authority for a subsequent transfer to BANESTO once its short-term debt regains the A-1, P-1 and F1 rating (on the said rating scales).

The Guaranteed Yield Reinvestment Agreement mitigates the risk of a reduction of the yield on the amount of the Pr Available Principal Funds not applied to the acquisition of Additional Assets during the Renewal Period.

3.4.5 How payments are collected in respect of the Assets.

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

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

In the event of a decrease of the rating of short-term unsubordinated and unsecured debt of BANESTO below F2 in accordance with the Fitch rating scales, or the fact that BANESTO's credit rating could give rise to a downgrade of the ratings granted by the Rating Agencies to each of the Series of Bonds, the Gestora, by written notice addressed to BANESTO, will give instructions so that those amounts will be deposited in advance in the Treasury Account even if that means deposit on the day immediately following the day the amounts are received by BANESTO. In addition, in the event of a decrease in BANESTO's rating of short-term unsubordinated and unsecured debt below F2 in accordance with the Fitch rating scale, the Gestora must adopt such measures as all allow the ratings assigned to each Bond Series to be maintained in accordance with what is required by Fitch and S&P to maintain those ratings.

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

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

a) Enforcement action against the Debtors of the Assets.

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

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

b) Action against the Administrator.

The Gestora, on behalf and for the account of the Fund, will be entitled to pursue enforcement actions against the Administrator to enforce payment at the maturity of the Assets of principal and interest, if the default on the payment obligation in respect thereof is not the result of lack of payment by the Debtors of the Assets.

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

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

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

The Fund, either through the Gestora or through the Administrator, will have a right of action against Debtors who default on their payment obligations under the Mortgage Loans. Such action must be pursued through the judicial enforcement proceedings that apply according to the terms of articles 517 et seq. of the Civil Procedure Act.

In the event of non-payment of the principal or interest of an MTC due to non-payment of the Mortgage Loan by the Debtor, the Gestora, acting for the account and as representative of the Fund, will have the following powers provided in article 66 of Royal Decree 1289/1991:

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

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

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

(iv) If the proceedings pursued by the Seller are halted, the Fund, duly represented by the Gestora, as holder of the relevant MTC, may be subrogated to the position of the former and continue the foreclosure proceedings without the need to wait for the stipulated time limit to expire.

In the events provided in subparagraphs (ii) and (iv), the Gestora, as representative of the Fund, may apply to the competent Judge to initiate or continue the relevant mortgage foreclosure proceedings, submitting with the application the original certificate of the separated MTC, including the notary demand stipulated in subparagraph (iii) above and the registry certificate of registration and survival of the mortgage, for those cases involving MTCs and the document evidencing the balance claimed.

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

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

The costs and related advances of funds, where such is the case, in respect of the enforcement proceedings indicated in this section will be for the account of the Fund.

3.4.6 Source and use of funds.

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

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

1. **Source:** the Issuer will have proceeds available from:

   a) Payment for subscription of the Bonds.

b) Draw against the principal amount of the Subordinated Loan for Formation Expenses. The part of the principal of the Subordinated Loan for Formation Expenses that is not used will remain on deposit in the Treasury Account until the first Payment Date.

c) Draw against the principal amount of the Subordinated Loan for Reserve Fund.

2. **Use:** in turn the Issuer will use the proceeds described above to make the following payments:

a) Payment of the part of the price of acquisition of the Non-mortgage Loans and subscription of the Mortgage Transfer Certificates at their nominal value.

b) Payment of the expenses of establishment of the Fund and issue and listing of the Bonds.

c) Establishment of the Reserve Fund.

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

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

3.4.6.2.1 Available Funds: source and use

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

(i) The sums received in respect of principal of the Assets in each preceding Determination Period.

(ii) The interest collected on the Assets during each preceding Determination Period (including, where applicable, default interest).

(iii) The returns obtained during each preceding Determination Period from reinvestment of the Reserve Fund and from the rest of the sums deposited in the Principal Account, in the Treasury Account and, where applicable, in the Surplus Funds Account.

(iv) (iv)The Reserve Fund, on the terms of section 3.4.2 of this Additional Building Block to the Securities Note.

(v) The net amount received according to the terms of the Swap Contract, as described in section 3.4.7 of this Additional Building Block to the Securities Note.

(vi) All other sums which the Fund may receive, including those arising from enforcing the guarantees of the Loans, where such exist.

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

1st. Payment of the ordinary and extraordinary expenses of the Fund (whether or not funded by the Gestora), duly evidenced.

2nd. Payment to the Gestora of the periodic administration fee.

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

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

5th. Payment of the interest accrued on the Series B Bonds, except where this payment is downgraded to the 8th position in the Ranking of Payments.

Such downgrading in the ranking will take place in the event that on the Determination Date previous to the relevant Payment Date, the outstanding cumulative balance of Defaulted Loans without taking into account the amounts recovered since the formation of the Fund is greater than seven point nine zero percent (7.90%) of the initial amount of the Assets and the Series A1 and A2 Bonds have not been fully redeemed and will not be fully redeemed on the relevant Payment Date.

6th. Payment of the interest accrued on the Series C Bonds, except where this payment is down graded to the 9th position in the Ranking of Payments.

Such downgrading in the ranking will take place in the event that on the Determination Date previous to the relevant Payment Date, the outstanding cumulative balance of Defaulted Loans without taking into account the amounts recovered since the formation of the Fund is greater than five percent (5.00%) of the initial amount of the Assets and the Series A1, A2 and B Bonds have not been fully redeemed and will not be fully redeemed on the relevant Payment Date.

7th. Allocation to the Withholding of Principal, which will be used for acquisition of Additional Assets during the Renewal Period and, after that period ends, for redemption of the Bonds of all of the Series in the order described in section 4.9 of the Securities Note.

8th. Payment of the interest accrued on the Series B Bonds, if such payment has been downgraded in ranking from the 5th in the Ranking of Payments.

9th. Payment of the interest accrued on the Series C Bonds, if such payment has been downgraded in ranking from the 6th in the Ranking of Payments.

10th. Withholding of the amount needed to keep the Reserve Fund at the Required Reserve Amount.

11th. Payment of any amounts to be paid by the Fund corresponding to the settlement payment on the Swap Contract, except in the circumstances contemplated in ranking 3 above (that is, in the event of termination of the Interest Rate Swap Contract by reason of breach by the Fund's counterparty or because it is the party affected by any Grounds for Acceleration).

12th. Repayment of principal and payment of interest accrued under the Subordinated Loan for Reserve Fund.

13th. Repayment of principal and payment of interest accrued under the Subordinated Loan for Formation Expenses.

14th. Payment to BANESTO of the administration fee.

15th Payment to BANESTO of the Financial Intermediation Income.

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

The following are considered Ordinary Expenses:

- Expenses arising from the annual audits of the Fund's accounts;
- Expenses arising from maintenance of the ratings of the four (4) Series of Bonds;
- Expenses which may arise from mandatory administrative examinations, registrations and authorisations.
- Expenses arising from redemption of the Bonds.
- Expenses relating to the notices which must be sent to the Bondholders according to the terms of this Prospectus.
- Fee of the Paying Agent (if such exists).
- Expenses relating to keeping the accounting records of the Bonds needed for their representations by the book-entry system, for their admission to trading in AIAF and for maintaining all of the above.
- In general, all other expenses borne by the Gestora as a result of its work of representing and managing the Fund.

The following are considered Extraordinary Expenses:

- If applicable, the expenses arising in respect of presentation and formalisation of amendments to the Deed of Formation and to the contracts, as well as for the making of additional contracts.
- The expenses needed to foreclose the loans underlying the Assets.
- In general, all other extraordinary expenses borne by the Fund or by the Gestora on behalf and for the account of the Fund.

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

3.4.6.2.2 Available Principal Funds: source and use.

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

3.4.6.3 Liquidation Ranking of Payments of the Fund.

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

1st. Reserve to cover final termination and liquidation expenses of a tax, administrative or advertising nature.

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

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

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

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

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

7th. Repayment of the principal on Series B Bonds.

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

9th. Repayment of principal on Series C Bonds.

10th. Payment of any amounts to be paid by the Fund corresponding to the settlement payment on the Swap Contract, except in the circumstances contemplated in ranking 3 above (that is, in the event of termination of the Interest Rate Swap Contract by reason of breach by the Fund's counterparty or because it is the party affected by any Grounds for Acceleration).

11th. Payment of interest accrued under the Subordinated Loan for Reserve Fund.

12th. Repayment of principal of the Subordinated Loan for Reserve Fund.

13th. Payment of interest accrued under the Subordinated Loan for Formation Expenses.

14th. Repayment of principal of the Subordinated Loan for Formation Expenses.

15th. Payment to BANESTO of the administration fee.

18th. Payment of the Financial Intermediation Income.

If in a single ranking number there are amounts due for different items on the Statutory Maturity Date or when Early Liquidation is to occur and the Available Liquidation Funds are insufficient to cover all amounts due under those items, the remaining Available

Liquidation Funds will be allocated in the order of maturity of the amounts due and, if applicable, pro rata over the amounts due on the same date.

3.4.6.4 Financial Intermediation Income.

The Gestora, for and on behalf of the Fund, will enter into a Financial Intermediation Agreement with BANESTO to compensate the latter for the financial intermediation undertaken that has allowed the financial transformation defining the activity of the Fund, the sale of the Loans to it and the rating given to each of the Bond Series.

BANESTO will be entitled to receive variable and subordinated compensation (the "**Financial Intermediation Income**") from the Fund, which will be determined and accrue upon conclusion of each quarterly period which, except for the first period, will include the three calendar months immediately prior to each Payment Date, in an amount equal to the positive difference, if any, between the revenues and expenses, including the losses of prior periods, if any, incurred by the Fund in accordance with its accounting prior to the close of the months of February, May, August and November.

Payment of the Financial Intermediation Income at the ends of the months of February, May, August and November will be made on the Payment Date immediately following the last day of each of those months, provided that the Fund has sufficient liquidity in accordance with the Ranking of Payments set forth in section 3.4.6.2.1(b) of the Additional Module to the Securities Note or, if applicable, in accordance with the Liquidation Ranking of Payments for the Fund set forth in section 3.4.6.3 of the Additional Module to the Securities Note.

By way of exception, the first period for accrual of the Financial Intermediation Income will cover the period from the date of establishment of the Fund until 28 February 2007, both included, which corresponds the last day of the month prior to the first Payment Date. The first date of payment of the Financial Intermediation Income will occur on the first Payment Date, 15 March 2007.

If the Fund, in accordance with the Ranking of Payments set forth in section 3.4.6.2.1(b) of the Additional Module to the Securities Note, on a Payment Date does not have sufficient liquidity to pay all of the Financial Intermediation Income, the unpaid amount will be added without any penalty to the Financial Intermediation Income, if any, accruing during the following quarterly period, and will be paid on the following Payment Dates when the Available Funds allow payment in accordance with the Ranking of Payments set forth in section 3.4.6.2.1(b) of the Additional Module to the Securities Note or, if applicable, in accordance with the Liquidation Ranking of Payments set forth in section 3.4.6.3 of the Additional Module to the Securities Note. The amounts of the Financial Intermediation Income not paid on prior Payment Dates will be paid with preference over the amount to be paid on the corresponding Payment Date.

The Financial Intermediation Agreement will be terminated by operation of law if the Rating Agencies do not confirm the ratings assigned on a provisional basis to each Series of Bonds as final prior to the start of the Subscription Period.

3.4.7 Details of other arrangements upon which payments of interest and principal to Bondholders are dependent.

The Gestora, on behalf and for the account of the Fund, and BANESTO will enter into an Interest Rate Swap Contract as per the model Financial Transactions Master Agreement, the key terms of which are described below.

The Interest Rate Swap is entered into due to the need to mitigate the interest rate risk to which the Fund is exposed because the Assets are subject to variable interest rates with different reference indices and different revision and payment timetables than those for the variable interest rates established for each of the Bond Series issued with a charge to the Fund.

Under the Interest Rate Swap, the Fund will make payments to BANESTO calculated on the interest rate of the Assets and, as counterparty, BANESTO will make payments to the Fund calculated on the weighted average Nominal Interest Rate of the Bond Series, all as described below.

Party A:

The Fund, represented by the Gestora.

Party B:

BANESTO.

Calculation Agent:

BANESTO will act as calculation agent for the Swap Contract.

Payment Dates:

The Payment Dates will coincide with the Payment Dates of the Bonds. The first Payment Date will be 15 March 2007.

Settlement Dates:

The Settlement Dates will coincide with the Determination Dates. The first Settlement Date will be 8 March 2007.

Settlement Periods:

The Settlement Periods for Party A and for Party B are exactly the same, based on the number of days actually contained in the period between two consecutive Determination Dates, including the first and not including the last. By way of exception, the first Settlement Period for each of the parties will have a duration equal to the actual number of days between 23 November 2006 (included) and the first Determination Date.

Sum payable by Party A:

On each Settlement Date, this will be a sum equal to the amount of all interest on the Assets received by the Fund during the Settlement Period of reference.

Sum payable by Party B:

On each Settlement Date, this will be the result of applying the Party B Interest Rate to the Swap Notional according to the number of calendar days actually contained in the period between two Payment Dates and on the basis of a 360-day year.

Party B Interest Rate:

For each Settlement Period this will be the nominal interest rate per annum calculated as the sum of (i) the Reference Interest Rate of the Bonds determined for the Interest Accrual Period in progress plus (ii) a margin of 0.60%.

Swap Notional:

The daily average Outstanding Balance of the Loans that are up to date on their payments during the Settlement Period of reference.

Events of breach of the Swap:

If on a Payment Date the Fund does not have sufficient liquidity to pay the whole of the net amount (in the event the sum payable by the Fund to BANESTO is greater than the sum payable by BANESTO to the Fund) payable by the Fund to BANESTO, the part of the net amount not paid will be carried forward and accrue default interest at the Party A Interest Rate, and will be paid on the next Payment Date on which the Fund has sufficient liquidity in accordance with the ranking of payments, so that the Swap is not terminated.

If on a Payment Date BANESTO does not pay the whole of the net amount it must pay to the Fund, the Gestora will terminate the Swap and, if applicable, BANESTO will assume the obligation of paying the settlement amount stipulated in the Swap. Also, in this event, if the settlement amount of the Swap is payable by the Fund, the payment will be made subject to the Ranking of Payments set out in section 3.4.6.2.1.(b) above or, if applicable, to the Liquidation Ranking of Payments set out in section 3.4.6.3 above.

The settlement amount will be calculated by BANESTO, as Swap calculation agent, according to the market value of the Swap.

Downgrade of the rating of Party B:

a) Change of rating of Party B.

If BANESTO debt at any time during the term of the Bond issue has its rating decreased below A-1 (on the Standard & Poor's rating scale for unsubordinated and unsecured short-term debt), or below A2 or P1 (on the Moody's rating scale for unsubordinated and unsecured short and long-term debt, respectively), or below A/F1 (on the Fitch rating scales for unsubordinated and unsecured long and short-term debt, respectively), BANESTO within a maximum term of thirty (30) Business Days after notice of that circumstance must choose one of the following alternatives:

(i) make a deposit of cash or securities for the benefit of the Issuer with an entity whose unsubordinated and unsecured debt has a rating of A2 and P1 (on the Moody's rating scale for unsubordinated and unsecured short and long-term debt, respectively) and a rating of A-1+ pursuant to the Standard & Poor's rating scale, in an amount calculated on the basis of, among other factors, the market value of the Swap Contract, as required by the Standard & Poor's Swap Criteria prevailing at that time, in which there are defined the standards for quantifying the said deposit. In addition, the amount of the deposit must be such that it does not have a negative impact on the ratings assigned by Moody's to each Bond Series;

ii) a third party institution with a rating of its debt of at least A-1 according to the Standard & Poor's short-term rating scale, of A2 and P-1 according to the Moody's long and short-term rating scales, and of A/ F1 according to the Fitch long and short-term rating scales, guarantees performance of its contractual obligations;

(iii) a third party institution with a rating of its debt of at least A-1 according to the Standard & Poor's short-term rating scale, of A2 and P-1 according to the Moody's long and short-term rating scales, and of A/ F1 according to the Fitch long and short-term rating scales, assumes its contractual position, the Swap Contract being terminated by operation of law. The new institution will replace BANESTO before termination of this Contract, all subject to the terms and conditions deemed to be appropriate by the Fund, represented by the Gestora, and the Rating Agencies.

b) Subsequent change of rating of Party B.

If the rating of the unsecured and unsubordinated debt of Party B is decreased below A3 or BBB- for long-term debt in accordance with, respectively, the Moody's and Standard & Poor's rating scales, or below P-2 for short-term debt according to the Moody's rating scale, then options (ii) and (iii) in section a) will be the only ones that can be used to avoid a decrease in the rating given to the Bonds by Standard & Poor's and Moody's. Those options must be implemented within a maximum term of ten (10) calendar days after the date on which any of those circumstances arises. Until one of options (ii) or (iii) cited above is implemented, it must proceed to make the deposit of cash or securities contemplated in point (i) of section a) above from the day any such circumstance exists.

All costs, expenses and taxes incurred due to non-performance of the above obligations will be for the account of BANESTO.

An early termination of the Interest Rate Swap will not on its own serve as grounds for accelerated maturity of the Bond issue and Early Liquidation of the Fund, unless it leads in conjunction with other events or circumstances relating to the financial position of the Fund to a substantial or permanent disruption of its financial equilibrium.

Other arrangements:

The Interest Rate Swap will be cancelled for all purposes if the Rating Agencies do not confirm as final prior to the start of the Subscription Period the ratings assigned on a provisional basis to each Series.

The Gestora will employ all available means needed to maintain a Swap Contract in force at all time.

3.5 Name, address and significant business activities of the Seller.

The Seller of the Assets is Banco Español de Crédito, S.A.

The primary financial activities of BANESTO are those proper to all banks, according to the specific nature of such entities and to the applicable legal provisions. In this regard, the following basic activities bear mention:

- Raising funds (through passbook savings accounts, term deposits, investment funds, pension plans, insured plans, assignment of assets, issuance of securities, unit linked products and annuities, amongst others);
- Finance activities, mainly through personal loans, mortgage loans, credit accounts, discounting of bills, guarantees and lease, confirming and factoring transactions;
- Provision of services such as credit and debit cards, retail outlet payment systems, collections services, direct deposit and standing transfer and debit orders, wealth management, currency exchange, etc.

Shown below is the selected financial information of the BANESTO Group for the third quarter of the years 2006 and 2005 and a comparison between the two.

The information at 30 September 2006 and 2005 in millions of euros has been prepared according to the International Financial Reporting Standards that apply under EC Regulation 1606/2002 and Bank of Spain Circular 4/2004.

GRUPO BANESTO. RELEVANT DATA
(In thousands of euros)

BALANCE SHEET	**30/9/06**	**30/9/05**	**Change**
Total Assets	95,729,621	76,836,918	24.6
Assets weighted by risk	61,715,571	52,342,589	17.9
Capital and reserves	3,182,647	2,860,762	11.3
Loans and advances to customers (1)	58,207,970	47,239,398	23.2
Loans and advances to customers (2)	56,699,747	45,239,630	25.3
Total funds managed	81,168,255	67,200,706	20.8
Delinquent / Risks (%)(1)	0.42	0.49	
Delinquent / Risks (%)(2)	0.43	0.51	-
Coverage (%)	396.04	363.68	-

(1) Adjusted to securitization of receivables

(2) Stripped of the receivables securitization effect

INCOME STATEMENT	**30/9/06**	**30/9/05**	**Change**
Net Interest Income	907,994	822,501	10.4
Net fees and insurance business	462,156	427,241	8.2
Ordinary income	1,469,565	1,328,629	10.6
Net Operating Expenses	587,676	564,193	4.2
Net operating income	870,101	748,131	16.3
Profit before Tax	757,832	645,160	17.5
Group results	515,502	440,370	17.1
Efficiency ratio (%)(*)	38.17	40.80	-

(*) Calculated over the last 12 months

RELEVANT RATIOS	**30/9/06**	**30/9/05**	
Bis Ratio	10.62%	11.68%	
Tier 1	6.72%	7.21%	
ROE (*)	19.85%	19.07%	
ROA (*)	0.74%	0.78%	
RORWA (*)	1.14%	1.15%	

(*) Return on Risk Weighted Assets calculated over the last 12 months

PER SHARE DATA	**30/9/06**	**30/9/05**	
Period ending quote	16.27	11.76	38.4%
Earnings per share for the period	0.74	0.63	17.1%
PER SHARE VTC	5.33	4.75	12.0%
PER (*)	17.50	15.71	-
Price over VTC	3.05	2.47	-

(*) Calculated over the last 12 months

OTHER INFORMATION	**30/9/06**	**30/9/05**	**Change**
Employees	9,748	9,456	292
Offices	1,788	1,698	90

The BANESTO office network on 30 September 2006 covers 1788 offices distributed throughout Spain

3.6 <u>Return and/or repayment of the securities linked to others that are not assets of the issuer</u>.

Does not apply.

3.7 <u>Administrator and functions of the Gestora as administrator</u>.

3.7.1 Administrator.

BANESTO, whose name, address and significant activities are detailed in section 3.5 above, the Seller of the Assets, in accordance with the terms of article 2.2. of Royal Decree 926/1998 undertakes to exercise custody and administration of the Assets, with the relations between BANESTO and the Fund being regulated by this Prospectus.

BANESTO will accept the mandate received from the Gestora and by virtue of that mandate undertakes to:

(i) To perform the administration and management of the Assets acquired by the Fund on the terms of the rules and ordinary administration and management procedures established in this Prospectus;

(ii) To continue administrating the Assets, dedicating the same time and attention and level of expertise, care and diligence in their administration as it would dedicate and apply to the administration of its own loans and, in all events, it will apply an adequate level of expertise, care and diligence in providing the services referred to in this Additional Building Block to the Securities Note;

(iii) That the procedures it applies and will apply to the administration and management of the Assets conform and will continue to conform to the prevailing laws and legal provisions applicable thereto;

(iv) To comply with the instructions given to it by the Gestora with due loyalty;

(v) To compensate the Fund for such damages and losses as may arise from breach of the obligations undertaken.

A succinct summary of the rules and ordinary procedures for administration and custody of the Assets is given in the sections that follow.

(1) Duration

The services will be provided by the Administrator until, all of the Assets acquired by the Fund having been repaid, all obligations assumed by the Administrator as Seller thereof have been extinguished, or when liquidation of the Fund has been concluded after its extinction, without prejudice to possible early revocation of the mandate.

In the event of bankruptcy of the Administrator, intervention by the Bank of Spain, breach by the Administrator of the obligations that this Additional Building Block imposes on it or a decrease in or loss of the credit rating of the Administrator or change in its financial status that results in prejudice to or risk for the financial structure of the Fund or the rights and interests of the Bondholders, the Gestora, in addition to demanding that the Administrator perform its obligations under the Administration Agreement, if legally possible will, inter alia, after notice to the Rating Agencies, proceed with any of the following actions so that the rating assigned to the Bonds by the Rating Agencies will not be prejudiced:

(i) require the Administrator to subcontract or delegate to another entity the performance of those obligations by another entity which, in the opinion of the Gestora, has the appropriate legal and technical capacity, provided this does not have a negative impact on the rating of the Bonds;

(ii) obtain the guarantee of a third party institution with sufficient credit rating and quality of all or a part of the Administrator's obligations; or

(iii) revoke the appointment of the Administrator, in which case the Gestora must first appoint a new Administrator that has sufficient credit quality and accepts the obligations set forth in this Additional Building Block. Any additional expense or cost deriving from such actions will be covered by the Administrator, in no event by the Fund or the Gestora.

In the event of bankruptcy of the Administrator, the only possible action will be (iii) above.

The Gestora will take into account the proposals submitted to it by the Administrator in relation to the subcontracting, delegation or appointment of a substitute for the performance of its obligations, as well as in relation to the entity that may guarantee its performance thereof.

The Administrator, in turn, may voluntarily decline to carry on the administration and management of the Assets if this is possible under the laws prevailing from time to time and provided that (i) it is authorised to do so by the Gestora; (ii) the Gestora has appointed a new Administrator; (iii) the Administrator has indemnified the Fund for the damages and losses which may be occasioned to it by the resignation and substitution, and any additional cost will be borne by it and cannot be passed on to the Fund; and (iv) there is no negative impact on the rating of the Bonds.

(2) Liability of BANESTO in the custody and administration.

BANESTO undertakes to carry on the custody and administration of the Assets with all due diligence and shall be liable to the Fund, through its Gestora, for any harm which may arise from its negligence.

BANESTO will compensate the Fund, through its Gestora, for all damages, losses or expenses incurred due to breach of its custody and/or administration obligations in respect of the Assets.

(3) Liability of BANESTO in collections management.

BANESTO undertakes to carry on the collections management for the Loans with all due diligence and shall be liable to the Fund, through its Gestora, for any harm which may arise from its negligence.

BANESTO shall bear no liability for directly or indirectly warranting the successful outcome of the operation, shall grant no guarantees or endorsements or enter into repurchase agreements in respect of the Assets, except for those Assets which do not conform to the representations given by the Seller and reproduced in section 2.2.8 of this Additional Building Block to the Securities Note.

(4) Custody of contracts, deeds, documents and archives.

The Administrator will maintain all contracts, copies of deeds, documents and computer records relating to the Assets and the damage insurance policies, where applicable, in its safe custody and will not relinquish possession, custody or control thereof without the prior written consent of the Gestora to such effect, unless a document is required to initiate enforcement proceedings on an Asset.

The Administrator will facilitate reasonable access at all times to the said contracts, deeds, documents and records by the Gestora or the statutory auditor of the Fund, duly authorised for such purpose. Also, if requested by the Gestora, it will provided, within five (5) Business Days following such request and free of expense, a copy or photocopy of the said contracts, deeds and documents. The Administrator shall proceed in the same manner in the case of requests for information by the statutory auditor of the Fund.

The Administrator in all events waives the privileges conferred upon it by law as collections manager of the Fund and custodian of the Loan contracts and, in particular, those provided in articles 1730 and 1780 of the Civil Code (regarding the retention as a pledge of the deposited items) and article 276 of the Code of Commerce (guarantee similar to retention as a pledge of the deposited item).

(5) Collections management.

BANESTO, as collections manager, will receive for the account of the Fund all sums paid by the Debtors deriving from the Assets, in respect of principal or interest or any other item included in the insurance contracts assigned to the Fund and will deposit the sums that belong to the Fund in the Treasury Account immediately and, in all events, within no more than forty-eight (48) hours.

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

(6) Fixing the interest rate.

In the Loans subject to a floating interest rate, the Administrator will continue fixing the interest rates according to the terms of the relevant Loans, giving the notices and communications established for such purpose in the respective contracts.

(7) Advance of funds.

BANESTO will in no event make an advance of any amount which has not been previously received from the Debtors in respect of principal or instalment pending maturity, interest or financial charges, prepayment or other items arising from the Assets.

(8) Information.

The Administrator must periodically inform the Gestora on the degree of fulfilment by the Debtors of their obligations in respect of the Assets, on the Administrator's fulfilment of its obligation to deposit the sums received from the Assets, and on the actions taken in the event of non-payment and auction of properties, and on the existence of hidden defects in the Assets.

The Administrator must prepare and deliver to the Gestora such additional information regarding the Loans or the rights arising thereunder as may be reasonably requested by the Gestora.

(9) Subrogation of the Debtor of the Assets.

The Administrator will have authority to allow substitutions into the position of the Debtor in the Loan contracts, solely in those cases in which the characteristics of the new Debtor are similar to those of the previous one and that they meet the lending policy requirements described in section 2.2.7 of this Additional Building Block to the Securities Note, and provided the expenses arising from such change are fully for the account of the Debtors. The Gestora may completely restrict this authority of the Administrator where such substitutions are capable of having a negative effect on the ratings given to the Bonds by the Rating Agencies.

In any event, all substitutions done according to the terms of the preceding paragraph must be immediately notified by the Administrator to the Gestora.

In relation to the Mortgage Loans, the Debtor may instruct the Administrator to carry out the substitution in the Mortgage Loans under Act 2/1994. The substitution of a new creditor in the Mortgage Loan and consequent payment of the amount owed will produce the prepayment of the Mortgage Loan and early redemption of the related MTC.

(10) Powers and actions in relation to renegotiations of the Loans.

The Gestora gives the Administrator general authority to carry on renegotiations, without its prior consent, on the terms and conditions described below.

The Administrator cannot voluntarily cancel the guarantees of the Assets for any reason other than payment of the Asset, or waive or settle the Assets, condone the Assets in full or in part or extend them, or in general carry out any act which diminishes the ranking, legal effectiveness or economic value of the guarantees of the Assets, without prejudice to its attending to the requests of the Debtors with the same diligence and procedures as with other loans.

In no event may the Administrator commence at its own initiative, without a request from the Debtor, renegotiations of the interest rate that could lead to a reduction of the interest rate applicable to an Asset or amendments of the final maturity date of a Loan from which an extension thereof could result.

The Gestora authorises the Administrator to renegotiate the interest rate applicable to the Loans pursuant to a request from the Debtors, subject to the following requirements:

a) The Administrator will renegotiate the interest rate of the Loans at a rate considered to be a market rate and that does not differ from the one applied by the Administrator in the renegotiation of the credit facilities and loans it has granted. For these purposes, market interest rate is considered to be the interest rate offered by credit institutions in the Spanish market for loans or credit facilities in amounts and conditions substantially similar to the Loan.

b) In no event will renegotiation of the applicable interest rate result in a modification of that rate to a variable interest rate or index different from that of the interest rates or indices used by the Administrator for the credit facilities and loans it has granted. Nevertheless, renegotiation will be possible if it results in a change from a variable to a fixed interest rate, taking into account the restriction set out in subparagraph c) below.

In addition, the Administrator's renegotiation authority recognised in this section is subject to the following limits:

a) In no event can the amount of the Loan be increased.

b) The frequency of payment of instalments on the Loan cannot be modified.

c) The margin over the reference index cannot be renegotiated to below zero point five zero percent (0.50%).

d) The maturity period of a specific Loan can be extended provided the following requirements are met:

- The amount of the sum of the initial capital or principal of the Loans assigned to the Fund with respect to which there is an extension of the term may not exceed 10% of the initial Outstanding Balance of the Loans on the Date of Establishment of the Fund.
- That, in all cases, the regularity of interest payments and amortization of capital or principal of the Loan is maintained or increased (that is, the payment dates take place with greater frequency), maintaining the same amortization system.
- That the new final maturity or last repayment date of the Loan is no later than 31 December 2027.

In all events, after any renegotiation is done according to the terms of this section, the Administrator will proceed to give immediate notice to the Gestora of the conditions resulting from each renegotiation. That notice will be given using the computer or electronic file envisaged for updating the Loan conditions.

The Gestora, as representative of the Fund, may in certain exceptional circumstances suspend or modify the renegotiation authority and requirements of the Administrator set out in this section.

If the Administrator breaches the provisions of this section regarding renegotiation of any of the Loans, the replacement procedure described in section 2.2.9 of the Additional Building Block of the Securities Note will apply with respect to the Loan in question. The Administrator assumes the obligation of compensating the Fund for any damages, losses or expenses it may incur due to breach by the Administrator of the obligations described in this section.

(11) Fee for provision of services.

As consideration for custody, administration and management of the Loans and deposit of the documents representing the Mortgage Transfer Certificates, the Administrator will be entitled to receive at the ends of periods on each Payment Date during the term of the Administration Agreement, an administration fee equal to 0.01% per annum, with VAT included if not exempted, which will be earned for the days effectively elapsed during each Determination Period prior to the Payment Date on the average daily Outstanding Balance of the Loans it administers during the Determination Period.

If BANESTO is replaced in the administration of the Assets by another entity that does not belong to the BANESTO consolidated group, the replacement entity will be entitled to receive an administration fee that will be ranked 1st in the Ranking of Payments set out in section 3.4.6.2.1.(b) of this Additional

Building Block to the Securities Note or, if applicable, in the Liquidation Ranking of Payments set out in section 3.4.6.3 of the Additional Building Block to the Securities (in both cases taking the ordinary expenses of the Fund into account).

If the Fund, through its Gestora, does not pay on a Payment Date the whole of the fee because it does not have sufficient liquidity in the Treasury Account and, if applicable, in the Surplus Funds Account in accordance with the Ranking of Payments set out in section 3.4.6.2.1.(b), the amounts not paid will be accumulated with no penalty whatsoever with the fee payable on the next Payment Date and be paid at that time.

For its part, BANESTO will be entitled on each Payment Date to be reimbursed for the exceptional expenses it has incurred in relation to the administration of the Assets, upon prior evidence thereof to the Gestora. Those expenses will include inter alia those occasioned by reason of enforcement of guarantees and, if applicable, the sale of properties, and will be paid provided the Fund has sufficient liquidity in the Treasury Account and, if applicable, in the Surplus Funds Account and in accordance with the provisions of section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note on the ranking of payments.

(12) Other expenses and remuneration.

BANESTO will be entitled on a quarterly basis to receive, as remuneration or compensation for the financial intermediation it undertakes, the Financial Intermediation Income on the terms contemplated in section 3.4.6.4 above.

BANESTO's right to receive this compensation is independent of its status as Administrator.

(13) Notices.

The Gestora and the Seller have agreed not to give notice of the assignment to the respective Debtors. For these purposes, notice is not a requirement for validity of the assignment of the Assets or the issue of the Mortgage Transfer Certificates.

Nevertheless, the Seller will grant powers as ample as legally necessary to the Gestora so that the latter on behalf of the Fund can give the Debtors notice of the assignment at the time it deems to be appropriate.

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

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

The Seller will assume the costs of notice to the Debtors even if it is given by the Gestora.

3.7.2 Management Company.

The administration and legal representation of the Fund will rest with the Gestora, whose name, address and significant activities are detailed in section 6 of the Registration Document on the terms provided in Royal Decree 926/1998 and the rest of the applicable laws and regulations.

The Gestora is likewise responsible, in its capacity as manager of third-party businesses, for representing and defending the interests of the Bondholders and of the rest of the ordinary creditors of the Fund. Consequently, the Gestora must strive to defence at all times the interests of the Bondholders, subordinating its actions to the defence thereof and observing the regulatory provisions established for such purpose.

The actions the Gestora will carry on to perform its function of administration and legal representation of the Fund are as follows, merely by way of illustration and without prejudice to other actions provided for in this Additional Building Block to the Securities Note. The Gestora will:

(i) open in the name of the Fund the Treasury Account, initially with BANESTO, for so long as the short-term rating of BANESTO does not drop below A-1, P-1 or F1 (on the Standard & Poor's, Moody's and Fitch scales, respectively).

In the case the aggregate sum in the Treasury Account is more than 20% of the Outstanding Balance of the Bonds, the Gestora for the account of the Fund will open a new account (the Surplus Funds Account) in another entity with a rating of A-1, P-1 and F1 (on the scales referred to above), on the best possible conditions, in which there will be deposited all amounts above the said 20%. If the new entity loses its A-1, P-1 or F1 rating, the Gestora will have 30 days within which to find a new entity with an adequate rating. The Gestora will notify Standard & Poor's, Moody's and Fitch as far as possible in advance of the likelihood of this event occurring.

(ii) Exercise the rights attaching to the Fund's ownership of the Assets and, in general, carry out all acts of administration and disposal that are needed for the proper performance of the administration and legal representation of the Fund;

(iii) Carry on the financial administration of the Assets with diligence and rigour, without prejudice to the management functions assumed by the Seller in its capacity as Administrator according to the provisions of section 3.7.1 above;

(iv) Verify that the amount of revenues actually received by the Fund match the sums payable to it according to the conditions of each Asset and to the conditions of the various contracts;

(v) Validate and control the information received from the Administrator on the Loans, both as regards collections of ordinary instalments, prepayments of principal, payments received of unpaid instalments and situation and control of defaults;

(vi) Calculate the available funds and movements of funds that it will have to make once they have been applied according to the relevant ranking of payments, ordering the relevant transfers between asset and liability accounts and giving the relevant payment instructions, including those assigned for covering the financial service of the Bonds;

(vii) Calculate and settle the amounts in respect of interest and fees to be received and paid by the different financial asset and liability accounts, as well as the fees payable for the various financial services arranged and the sums that correspond to each Bond Series in respect of repayment of principal and interest;

(viii) In the event that the ratings assigned to BANESTO's debt by the Rating Agencies drops, at any time during the life of the Bonds, below the ratings established in the Guaranteed Yield Reinvestment, Swap, and Issue Underwriting and Distribution Agreements, insofar as refers to BANESTO's position as Paying Agent, it will carry out the actions stipulated in relation to those contracts that are described in sections 3.4.4 and 3.4.7 of this Additional Building Block to the Securities Note and section 5.2.1 of the Securities Note;

(ix) Perform its payment obligations stipulated in this Additional Building Block to the Securities Note and in the Subordinated Loan for Formation Expenses, Subordinated Loan for Reserve Fund, Treasury Account Guaranteed Yield Reinvestment Agreement and Principal Account Guaranteed Yield Reinvestment Agreement described in sections 3.4.3 and 3.4.4 of this Additional Building Block to the Securities Note;

(x) Closely monitor the actions of the Administrator to recover non-payments, issuing instructions, where appropriate, to initiate enforcement proceedings and, where applicable, on the position to adopt in the auctions of properties. Pursue the relevant remedies when the circumstances so require;

(xi) Carry on the accounting of the Fund duly separated from the Gestora's own accounting, rendering accounts and complying with the tax and other legal obligations that rest with the Fund;

(xii) Provide the holders of the Bonds issued with a charge to the Fund, to the CNMV and to the Rating Agencies all such information and notices as are provided for in the prevailing legislation and, specifically, those envisaged in this Prospectus;

(xiii) In order to allow the Fund to operate as provided in the Prospectus and in the laws and regulations prevailing from time to time, renew or amend the contracts it has signed in the name of the Fund, replace each of the providers of services to the Fund under those contracts and even, if necessary, enter into additional contracts, all subject to the legislation in force from time to time, to the prior authorisation, if necessary, of the CNMV or competent administrative body and to notification thereof to the Rating Agencies, and provided such actions do not lead to a downgrade of the rating of the Bonds and do not harm the interests of the Bondholders. Any amendment to the Deed of Formation will be notified in advance to the CNMV for attainment of the requisite authorisation and to the Rating Agencies.

(xiv) Appoint and replace, where applicable, the auditor that audits the annual financial statements of the Fund;

(xv) Prepare and file with the CNMV and with the competent bodies, all document and information which must be submitted under the applicable laws and regulations and this Prospectus, or which are required of it, and prepare and submit to the Rating Agencies such information as they may reasonably request;

(xvi) Adopt the pertinent decisions in relation to the Fund's liquidation, including the decision to declare accelerated maturity of the Bond issue and liquidation of the fund, according to the terms of this Prospectus;

(xvii) Not carry out actions that could impair the rating of the Bonds and procure the adoption of the measures reasonably available to it so that the rating of the Bonds is not negatively affected at any time;

(xviii) Manage the Fund so that its net assets are zero at all times.

The Gestora will pursue its activity with the diligence required of it under Royal Decree 926/1998, representing the Fund and defending the interests of the Bondholders and of the rest of the Fund's creditors as if they were its own interests, applying the utmost levels of diligence, information and defence of those interests and avoiding situations that imply conflicts of interests, giving priority to the interests of the Bondholders and of the rest of the Fund's creditors versus its own interests. The Gestora will be liable to the Bondholders and other creditors of the Fund for all harm caused to them due to breach of its obligations. It will likewise be liable for the disciplinary provisions applicable thereto under Act 19/1992.

The Gestora has the necessary resources, including adequate computer systems, to carry on the Fund administration functions attributed to it by Royal Decree 926/1998.

The Gestora has established an Internal Code of Conduct pursuant to the provisions of Chapter II of Royal Decree 629/1993 of 3 May 1993 on standards of conduct in securities markets and mandatory record-keeping, and it has been communicated to the CNMV.

The Gestora may act as Management Company of the Fund, as well as of any other securitisation fund, without the simultaneous management of the same in any way constituting a violation of the its obligations of diligence as Gestora of the Fund or other securitisation funds.

Substitution of the Gestora

The Gestora will be substituted in the administration and representation of the Fund according to the regulatory provisions established in this regard. Thus, in accordance with the terms of articles 18 and 19 of Royal Decree 926/1998, the substitution of the Gestora will be done according to the following procedure:

(i) The Gestora may discontinue performing its functions when it deems fit and voluntarily request to be substituted by sending a written notice to the CNMV in which it will designate the substitute management company. The notice will be accompanied by a notice from the new management company duly authorised and registered as such in the special registers of the CNMV, in which it declares that it is prepared to accept the function and solicits the relevant authorisation. Resignation by the Gestora and appointment of a new company as management company of the Fund will require the approval of the CNMV. In no event may the Gestora discontinue exercising its functions until all of the requirements and formalities have been complied with for its substitute to be able to fully assume its functions in relation to the Fund. Nor may the Gestora discontinue its functions if the said substitution will lead to a downgrade of the rating granted to any of the Series of Bonds issued with a charge to the Fund. All expenses generated as a result of the substitution will be borne by the Gestora itself, and will in no event be passed on to the Fund.

(ii) In the event the Gestora is affected by any of the grounds for winding up set out in article 260.1 of the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas), the Gestora will be replaced. The existence of any of those grounds will be notified by the Gestora to the CNMV. In such event, the Gestora will be obliged to comply with the provisions of paragraph (i) above before its winding up.

(iii) In the event the Gestora is declared subject to insolvency proceedings, or its authorisation is revoked, it must proceed to name a substitute management company. The substitution will have to take effect within four (4) months after the date of occurrence of the event which requires the substitution. If four (4) months pass after such event without the Gestora having appointed a new management company, the Fund will be liquidated early and the Bonds redeemed, to which end there shall be carried out the actions provided in section 4.4.3.(3) of the Registration Document.

(iv) The substitution of the Gestora and appointment of a new company, approved by the CNMV as provided in the foregoing paragraphs, must be notified to the Rating Agencies and made public, within fifteen (15) days, by publishing a notice in two daily newspapers with nationwide circulation and in the AIAF bulletin.

The Gestora undertakes to execute the public and private documents needed to carry out its substitution by another management company in accordance with the provisions set out in the foregoing paragraphs of this section. The substitute management company must be subrogated to the rights and obligations that rest with the Gestora in relation with the Additional Building Block to the Securities Note. The Gestora must also deliver to the new management company all accounting and computer documents and records in its possession relating to the Fund.

<u>Arrangements for compensation of the Gestora for performance of its functions</u>

The Gestora will be entitled, on each Payment Date of the Bonds, to a periodic administration fee equal to two percent (2.00%) per annum, which will accrue over the actual number of days in each Interest Accrual Period, will be paid quarterly on each of the Payment Dates and will be calculated on the basis of the aggregate Outstanding Principal Balance of the Bonds on the Determination Date for that Payment Date. The fee accrued from the Fund Formation Date to the first Payment Date of the Bonds will be adjusted in proportion to the days contained in the period between those two dates, calculated on the basis of the face value of the Bonds in issue.

The periodic administration fee payable on a given Payment Date will be calculated according to the following formula

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

Where:

A = Fee payable on a given Payment Date.

B = Aggregate Outstanding Balances of the Bonds of all Series on the Determination Date for that Payment Date.

d = Number of days in each Interest Accrual Period.

3.8 <u>Name, address and brief description of any counterparty for swap operations and providers of credit, liquidity or accounts</u>.

BANESTO is the counterparty of the Fund in the contracts described below. A brief description of BANESTO is included in section 3.5 of this Additional Building Block to the Securities Note

a) Treasury Account Guaranteed Yield Reinvestment Agreement.

The Treasury Account will be initially opened with BANESTO. Said account will be maintained at BANESTO for so long as the BANESTO short-term rating does not drop below A-1, P-1 and F1 (on the Standard & Poor's, Moody's and Fitch scales, respectively).

A description of the contract is given in section 3.4.4 of this Additional Building Block to the Securities Note.

b) Principal Account Guaranteed Yield Reinvestment.

The Principal Account will be initially opened with BANESTO. Said account will be maintained at BANESTO for so long as the BANESTO short-term rating does not drop below A-1, P-1 and F1 (on the Standard & Poor's, Moody's and Fitch scales, respectively).

A description of the contract is given in section 3.4.4 of this Additional Building Block to the Securities Note.

c) Subordinated Loan for Formation Expenses Agreement.

A description of the contract is given in section 3.4.3.1 of this Additional Building Block to the Securities Note.

d) Subordinated Loan for Reserve Fund Agreement.

A description of the contract is given in section 3.4.3.2 of this Additional Building Block to the Securities Note.

e) Interest Rate Swap Contract (Swap).

A description of the contract is given in section 3.4.7 of this Additional Building Block to the Securities Note.

f) Financial Intermediation Agreement.

A description of the contract is given in section 3.4.6.4 of this Additional Building Block to the Securities Note.

4. POST ISSUANCE REPORTING.

a) Obligations and projected timing for formulation, examination and approval of the annual financial statements and management report.

The Gestora will file the annual financial statements of the Fund, together with the audit report thereon, with the CNMV within four (4) months following the close of the Fund's financial year, which will be coterminous with the calendar year (that is, prior to 30 April of each year).

b) Obligations and projected frequency of public disclosure and reporting to the CNMV and to the Rating Agencies of periodic information on the economic-financial situation of the Fund

b.1.- Periodic ordinary reporting.

The Gestora, in its management and administration of the Fund, undertakes to report to the CNMV and to the Rating Agencies, with the utmost possible diligence, quarterly or with such other timing as they may request, the information described below or any other type of information required of it, in relation to the Bonds of the four (4) Series, the performance of the Assets, prepayments and economic-financial situation of the Fund, as well as providing them with all additional information requested of it.

(b.1´) Within the time period between the Rate Fixing Date and a maximum of three (3) Business Days following each Payment Date, it will notify the Bondholders as to the nominal interest rates determined for each Series of Bonds for the following Interest Accrual Period.

(b.1") At least one (1) calendar day ahead of each Payment Date, it will notify the Bondholders of the following:

i. The interest resulting on the Bond together with their redemption;

ii. The Average Prepayment Rates of the Assets at the Determination Date;

iii. The average residual life of the Bonds calculated assuming the said actual prepayment rate is maintained;

iv. The Outstanding Principal Balance (after the redemption to be effected on each Payment Date) of each Bond, and the percentage which the said Outstanding Balance represents in relation to the initial face value of each Bond.

v. Outstanding Balance of the Assets, interest accrued thereon, including those collected and not collected, and the amount past due of the Assets.

vi. During the Renewal Period, the amount of the acquisition of Additional Assets.

vii. Report on the source and subsequent application of the Available Funds in accordance with the ranking of payments set out in section 3.4.6.2.1.(b) of this Additional Building Block to the Securities Note.

If applicable, it will likewise proceed to inform the Bondholders of the interest accrued on the Bonds and not paid and/or the Principal Gap due to insufficiency of Available Funds.

The notices indicated in paragraphs b.1') and b.1") will be given according to the provisions of section b.3 below and will also be sent to Iberclear and AIAF within a maximum of two (2) Business Days before each Payment Date.

b.2- Extraordinary notices.

The Fund, through its Gestora, will also notify the Bondholders of all significant events which may occur in relation to the Assets, to the Bonds, to the Fund and to the Gestora itself which are capable of having a material influence on the trading in the Bonds and, in general, of any material modification in the Fund assets or liabilities, and also of any eventual decision to redeem the Bonds early for any of the reasons provided in the Prospectus, submitting to the CNMV in such event the notary certificate of liquidation and procedure referred to by section 4.4.3(3) of the Registration Document.

By way of exception, the final margins to be applied in determining the Nominal Interest Rate of each Series and the Nominal Interest Rate determined for the Bonds of each Series for the first Interest Period will be notified in writing by the Gestora, prior to the start of the Subscription Period, to the Underwriters in order for them to inform thereof the investors interested in subscribing for the Bonds. The Gestora will also notify it to the CNMV, to the Paying Agent, to the AIAF and to Iberclear.

b.3.- Procedure.

The notices which must be sent to bondholders according to the above by the Fund, through its Gestora, will issued in the following manner:

1. The periodic ordinary reports referred to in section b.1) above, by publication either in the daily bulletin of the AIAF, or such other publication as may replace it in the future or another of similar characteristics, or by means of publication in a daily newspaper with wide circulation in Spain.
2. The extraordinary notices referred to in section b.2) above, by means of their publication in a daily newspaper with wide circulation in Spain.

In addition, the above notices may be issued by publishing them in other media with a wide dissemination.

These notices will be considered to be made on the date of their publication, for which purpose any day of the calendar, whether or not a Business Day (within the meaning of this Prospectus) will be valid.

(c) Reporting to the Comisión Nacional del Mercado de Valores.

The Gestora will report to the CNMV the information stipulated in the foregoing sections, as well as any information requested of it in addition to the above.

(d) Information to be provided by BANESTO to the Gestora.

In addition, BANESTO undertakes to inform the Gestora, as representative of the Fund, on a quarterly basis and, in all events, at the request of the Gestora, on payment defaults, prepayments and modifications of interest rates and, on a timely basis, on the payment requests, court actions and any other circumstances affecting the Assets. BANESTO will likewise provide the Gestora with all documents the latter may request in relation to those Loans and, in particular, the documentation required for the Gestora to initiate, where applicable, court actions.

Ignacio Ortega Gavara, for and on behalf of SANTANDER DE TITULIZACIÓN, S.G.F.T. and in his capacity as General Manager signs this Prospectus in Madrid on 16 November 2006

GLOSSARY OF DEFINITIONS

For the proper interpretation of this Prospectus, the terms written in uppercase will be understood according to the definition given below for each of them, unless some other meaning is expressly attributed thereto. The terms not expressly defined will be understood according to their normal and obvious meaning as generally used. It is also noted that the terms given in singular include the plural and vice versa, wherever the context so requires.

The terms given in uppercase below will have the following meaning:

"**Assets**": Means the credit rights arising under the Loans granted by BANESTO and which are included in the assignment to the Fund at its formation.

"**Additional Assets**": Means the Loans acquired by the Fund during the Renewal Period.

"**Initial Assets**": Means the Assets acquired by the Fund on the Formation Date.

"**Administrator**": Means Banco Español de Crédito, S.A. (or such entity as may replace it as Administrator).

"**Rating Agencies**": Means, collectively, Fitch, Moody's and Standard & Poor's.

"**Paying Agent**": Means Banco Español de Crédito, S.A. (or such entity as may replace it as Paying Agent)

"**Early Redemption**": Means redemption of the Bonds on a date prior to the Statutory Maturity Date under the circumstances of Early Liquidation of the Fund in accordance with the requirements established in section 4.4.3(1) of the Registration Document.

"**AIAF**": Means AIAF, Mercado de Renta Fija.

"**BANESTO**": Means Banco Español de Crédito, S.A.

"**Bonds**": Means the securitisation bonds issued with a charge to the Fund.

"**Seller**": Means Banco Español de Crédito, S.A.

"**Mortgage Transfer Certificates**" or "**MTCs**": Means the mortgage transfer certificates to be issued by BANESTO in accordance with the provisions of section 3.3 of the Additional Building Block to the Securities Note.

"**CET**": Means "Central European Time".

"**CNMV**": Means the Comisión Nacional del Mercado de Valores, the Spanish securities exchange regulator.

"**Paying Agency Agreement"**: Means the paying agency agreement to be entered into by the Gestora, for and on behalf of the Fund, and BANESTO.

"**Issue Underwriting and Distribution Agreement**": Means the agreement for underwriting and distribution of the Bonds to be entered into by the Gestora, for and on behalf of the Fund and the Underwriters.

"**Financial Intermediation Agreement**": Means the financial intermediation agreement to be entered into by the Gestora, for and on behalf of the Fund, and BANESTO.

"**Subordinated Loan for Reserve Fund Agreement**": Means the contract for a subordinated loan of twenty-five million euros (€25,000,000) to be entered into by the Gestora, for and on behalf of the Fund, and BANESTO, to be used to set up the Reserve Fund.

"**Subordinated Loan for Formation Expenses Agreement**": Means the contract for a subordinated loan of one million seven hundred thousand fifty EUROS (€ 1,750,000) to be entered into by the Gestora, for and on behalf of the Fund, and BANESTO, to be used to pay for the expenses of setting up the Fund and issuing the Bonds and to pay for part of the acquisition of the Assets.

"**Treasury Account Guaranteed Yield Reinvestment Agreement**": Means the contract for reinvestment of the Treasury Account at a guaranteed interest rate to be entered into by the Gestora, acting for and on behalf of the Fund, and BANESTO, whereunder BANESTO will guarantee a variable yield on the amounts deposited by the Fund (through its Gestora) in the Treasury Account.

"**Principal Account Guaranteed Yield Reinvestment Agreement**": Means the contract for reinvestment of the Principal Account at a guaranteed interest rate to be entered into by the Gestora, acting for and on behalf of the Fund, and BANESTO, whereunder BANESTO will guarantee a variable yield on the amounts deposited by the Fund (through its Gestora) in the Principal Account, which will be the amounts remaining in the Available Principal Funds that were not used to acquire Additional Assets during the Renewal Period.

"**Swap Contract**"; "**Swap**" or "**Interest Rate Swap**": Means the interest rate swap contract, according to the model Financial Transactions Master Agreement (Contrato Marco de Operaciones Financieras), to be entered into by the Gestora, acting for and on behalf of the Fund, and BANESTO.

"**Surplus Funds Account**": Means the account to be opened in the name of the Fund by the Gestora in an entity that meets the rating requirements established by the Rating Agencies, in which there will be deposited all sums in excess of twenty percent (20%) of the Outstanding Principal Balance of the Bonds accumulated in the Treasury Account.

"**Principal Account**": Means the financial account opened in the name of the Fund in BANESTO into which the Gestora, in the name of the Fund, will deposit the amount of the Available Principal Funds that were not applied to the acquisition of Additional Assets during the Renewal Period.

"**Treasury Account**": Means the account to be opened in BANESTO in the name of the Fund by the Gestora whose use will be the subject matter of the Guaranteed Yield Reinvestment Agreement.

"**Principal Gap**": Means the difference, if any, between the Withholding of Principal and the Available Principal Funds.

"**Debtors**": Means the legal persons with economic activities with sales of less than 3 million euros and the individuals with economic activities with sales of more than 0.3 million euros and less than 3 million euros, taken from two bank risk analysis systems, SAME (system for analysis of medium-size enterprises) and SAPE (system for analysis of small enterprises), to which BANESTO has granted the Loans from which the Assets subject to securitization are drawn.

"**Business Day**": Means any day other than:

(i) Saturday;

(ii) Sunday;

(iii) holiday on the TARGET calendar (solely for the purposes of determining the Nominal Interest Rate applicable in each Interest Accrual Period). This includes in addition to the days indicated in subparagraphs (i) and (ii) above, 1 January, Good Friday, Easter Monday, 1 May, 25 December and 26 December; and

(iv) holiday in Madrid (for the purposes of determining the Nominal Interest Rate applicable in each Interest Accrual Period and for the rest of the conditions of the issue).

"**Registration Document**": Means the registration document consisting of Annex VII approved by the CNMV on 16 November 2006, part of this prospectus.

"**Lead Managers**": Means, collectively, Banco Español de Crédito, S.A., J.P. Morgan Securities Ltd. and Société Générale, Sucursal en España.

"**Lead Managers**": Means, collectively, Banco Español de Crédito, S.A., J.P. Morgan Securities Ltd. and Société Générale, Sucursal en España.

"**Deed of Formation**": Means the Deed of Formation of the securitisation fund Fondo de Titulización de Activos PYMES BANESTO 2, Assignment of Assets and Issuance of Securitisation Bonds.

"**Assignment Date**": Means, in relation to the Initial Assets, the Formation Date, or in relation to each Additional Asset, if applicable, each Payment Date during the Renewal Period.

"**Formation Date**": Means the date on which the Deed of Formation is executed. It is expected that the Formation Date will be 17 November 2006.

"**Closing Date**": Means the fourth Business Day following the execution of the Deed of Formation, initially being contemplated to take place on 23 November 2006.

"**Determination Dates**": Means the dates falling on the fifth (5th) Business Day before each Payment Date.

"**Rate Fixing Dates**": Means the second Business Day on the TARGET (Transeuropean Automated Real-time Gross Settlement Express Transfer System) calendar before each Payment Date.

"**Offer Dates**": Means the dates falling on the fifth (5th) Business Day before each of the Payment Dates in the Renewal Period on which an acquisition of Additional Assets is to be made.

"**Payment Dates**": Means days 15 of March, 15 of June, 15 of September and 15 of December of each year or, if any of these dates is not a Business Day, the next following Business Day. The first Payment Date will take place on 15 March 2007.

"**Offer Solicitation Dates**": Means the dates falling on the sixth (6th) Business Day before each of the Payment Dates in the Renewal Period on which an acquisition of Additional Assets is to be made.

"Statutory Maturity Date": Means 31 December 2031.

"**Fitch**": Means Fitch Ratings España, S.A.

"**Prospectus**": Means, collectively, the index, the document describing the risk factors, the Registration Document, the Securities Note, the Additional Building Block to the Securities Note and the document containing the definitions.

"**Fund**" or "**Issuer**": Means Fondo de Titulización de Activos, PYMES BANESTO 2.

"**Reserve Fund**": Means the reserve fund to be set aside by the Gestora, on behalf and for the account of the Fund, according to the provisions of section 3.4.2 of the Additional Building Block to the Securities Note.

"**Available Funds**": Means, in relation to the Ranking of Payments stipulated in section 3.4.6.2.1.(b) of the Additional Building Block to the Securities Note, and on each Payment Date, the amounts that will be used to perform the payment or withholding obligations of the Fund and previously deposited in the Treasury Account, in accordance with the terms of section 3.4.6.(a) of the Additional Building Block.

"**Available Liquidation Funds**": Means, in relation to the Ranking of Payments stipulated in section 3.4.6.3 of the Additional Building Block to the Securities Note, on the Statutory Maturity Date or when Early Liquidation of the Fund is to take place in accordance with the provisions of section 4.4.3 of the Registration Document, the amounts that will be used to meet the payment or withholding obligations of the Fund corresponding to the following Items: (i) the Available Funds, and (ii) the amounts obtained by the Fund from disposition of the Loans and the remaining assets

"**Available Principal Funds**": Means the sum available on each Payment Date that will be used for acquisition of Additional Assets during the Renewal Period and, after the end thereof, for redemption of the Bonds. The Available Principal Funds will be determined according to the provisions of section 4.9.3.5 of the Securities Note.

"**Iberclear**": Means the registration, clearing and settlement service, Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.

"**Acquisition Amount**": Means the maximum amount which the Gestora, for and on behalf of the Fund, will apply on each Payment Date during the Renewal Period to acquisition of Additional Assets, which will be equal to the amount of the Available Principal Funds on the Payment Date of reference.

"**Initial Reserve Amount**": Means the amount initially set aside in the Reserve Fund that is, twenty-five million EUROS (€25,000,000), equivalent to two point five zero percent (2.50%) of the Outstanding Principal Balance of the Bonds at the time of issue thereof

"**Required Reserve Amount**": Means the amount which must be set aside in the Reserve Fund on each Payment Date, which is equal to the lower of the following sums: (i) the Initial Reserve Amount, and (ii) the larger of the following: (a) five percent (5.00%) of the Outstanding Principal Balance of the Bonds; and (2) one point two five percent (1.25%) of the Outstanding Principal Balance of the Bonds on the Closing Date.

"**VAT**": Means the Valued Added Tax.

"**Act 19/1992**": Means Act 19/1992 of 7 July 1992 governing Real Estate Investment Companies and Funds and Mortgage Securitisation Funds (Ley sobre Régimen de Sociedades y Fondos de Inversión Inmobiliaria y sobre Fondos de Titulización Hipotecaria).

"**Act 37/1992**": Means Act 37/1992 of 28 December on the Value Added Tax (Ley del Impuesto sobre el Valor Añadido).

"**Act 3/94**": Means Act 3/1994 of 14 April 1994 on Adaptation to the Second Directive on Banking Coordination (Ley de Adaptación a la Segunda Directiva de Coordinación Bancaria).

"**Civil Procedure Act**": Means the Civil Procedure Act 1/2000 of 7 January 2000 (Ley de Enjuiciamiento Civil).

"**Spanish Securities Market Act**" or "**Act 24/1988**": Means Act 24/1988 of 28 July 1988 regulating the Securities Market (Ley reguladora del Mercado de Valores) as amended by Act 37/1998 of 16 November 1998, by Act 44/2002 of 22 November 2002 and by Royal Decree Ley 5/2005 of 11 March 2005 on urgent reforms to promote productivity and improve public sector procurement.

"**Early Liquidation**": Means the early liquidation of the Fund prior to 31 December 2031, and thereby the Early Redemption on a Payment Date of the total Bond issue under the circumstances and in the form established in section 4.4 .3 of the Registration Document.

"**Financial Intermediation Income**": Means, by virtue of the Financial Intermediation Agreement, the variable and subordinated remuneration that will be determined and accrue quarterly in arrears, which except for the first period will cover the three calendar months immediately prior to each Payment Date, in an amount equal to the positive difference, if any, between the revenues and expenses, including the losses for prior periods, if any, incurred by the Fund in accordance with its accounting prior to the close of the months of February, May, August and November.

"Additional Building Block to the Securities Note": Means the additional building block to the securities note on the Bond issue drawn up according to Annex VIII of Regulation (EC) 809/2004, approved by the CNMV on 16 November 2006, part of this Prospectus.

"**Moody's**": Means Moody's Investors Service España, S.A.

"**Securities Note**": Means the securities note on the Bond issue drawn up according to Annex XIII of Regulation (EC) 809/2004, approved by the CNMV on 16 November 2006, part of this Prospectus.

"**Ranking of Payments**": Means the ranking for application of payment or withholding obligations of the Fund, both for application of Available Funds and for distribution of Available Principal Funds starting on the first Payment Date and until the last Payment Date or liquidation of the Fund, not included.

"Liquidation Ranking of Payments": Means the ranking of payment or withholding obligations of the Fund for application of the Available Liquidation Funds on the Statutory Maturity Date or when Early Liquidation of the Fund is to take place.

"**Determination Period**": Means the period between two consecutive Determination Dates, excluding the initial Determination Date and including the final Determination Date.

"**Renewal Period**": Means the period running from but not including the first Payment Date until and including the Payment Date corresponding to 15 December 2008 or, in the event of early expiry of the Renewal Period, until but not including the Payment Date on which such expiry takes place.

"**Subscription Period**": Means the one hour period from 12:00 noon to 1:00 p.m. Madrid time on the first Business Day after the Formation Date (which is expected will fall on 17 November 2006), during which subscription applications must be submitted in the offices of the Underwriters. The Subscription Period is expected to take place on 20 November 2006.

"**Interest Accrual Periods**": Means each of the periods into which the Bond issue is divided, including the days actually contained between each Payment Date, with each Interest Accrual Period including the initial Payment Date and not including the end Payment Date. The first Interest Accrual Period will have a term of greater than one quarter, equal to the period from the Closing Date (23 November 2006) (included) to the first Payment Date (15 March 2007).

"**Loans**": Means the loans, both Mortgage Loans and Non-mortgage Loans granted by BANESTO to a Debtor with domicile in Spain, for the purpose of financing its business or the acquisition of the real property used in its business, from which there arise the Assets assigned to the Fund at its formation.

"**Defaulted Loans**": Means the Loans which at a given date are twelve (12) or more months past due on payment of their debts or which are classified as defaulted by the Gestora because they present reasonable doubts as to their full repayment according to the indications or information obtained from the Administrator.

"**Non-defaulted Loans**": Means Loans that on a given date are not considered to be Defaulted Loans.

"**Mortgage Loans**": Means Loans guaranteed by means of a property mortgage.

"**Non-performing Loans**": Means the Loans that at a given date are more than ninety (90) days past due on the payment of their debts, not including the Defaulted Loans.

"**Performing Loans**": Means the Loans that on a given date are not considered to be Non-performing Loans, also excluding Defaulted Loans.

"**Non-mortgage Loans**": Means Loans that are not secured or are secured solely with a personal guarantee.

"**Royal Decree 1310/2005**": Means Royal Decree 1310/2005 of 4 November 2005 with its partial implementation of the Securities Market Act 24/1988 of 28 July 1988 on matters of admission of securities to trading in official secondary markets, public sale and subscription offerings and the requisite prospectus for such operations.

"**Royal Decree 926/1998**": Means Royal Decree 926/1998 of 14 May 1998 regulating Asset Securitisation Funds and management companies of securitisation funds.

"**Royal Decree 1777/2004**": Means Royal Decree 1777/2004 of 30 July 2004 approving the Corporate Income Tax Regulations (Reglamento del Impuesto sobre Sociedades).

"**Legislative Royal Decree 4/2004**": Means Legislative Royal Decree 4/2004 of 5 March 2004 approving the consolidated text of the Corporate Income Tax Act (Ley del Impuesto sobre Sociedades).

"**Legislative Royal Decree 1/1993**": Means Legislative Royal Decree 1/1993 of 24 September 1993 approving the consolidated text of the Transfer Tax and Stamp Duty Act (Ley del Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados).

"**Regulation (EC) 809/2004**": Means Commission Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

"**Selection Requirements**": Means the Individual and Global Requirements which must be met by the Additional Assets for their assignment to and inclusion in the Fund on the relevant assignment date.

"**Global Requirements**": Means the requirements which all of the Additional Assets will have to meet in aggregate for their assignment to and inclusion in the Fund on the relevant assignment date.

"**Individual Requirements**": Means the individual requirements which each one of the Additional Assets will have to meet for its assignment to and inclusion in the Fund on the relevant assignment date.

"Withholding of Principal": Means the difference (if positive) between (i) the Outstanding Principal Balance of the Bonds and, (ii) the sum of (1) the balance of the Principal Account and (2) the Outstanding Balance of the Assets which are not Defaulted Loans.

"**Outstanding Principal Balance of the Bonds**": Means the aggregate outstanding balances of the Bonds of all Series (that is, the amount of principal of the Bonds pending redemption).

"**Outstanding Principal Balance of the Series":** Means the aggregate outstanding balances of the Bonds comprised by the Series (that is, the amount of principal of the Bonds comprised by that Series pending redemption).

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

“**Series**”: Means each one of the four (4) series into which the overall amount of the Bond issue is divided.

"**Series A1**": Means the Series for a total nominal amount of four hundred million EUROS (€ 400,000,000), composed of four thousand (4,000) Bonds each with a nominal value of ONE HUNDRED THOUSAND EUROS (€100,000).

"**Series A2**": Means the Series for a total nominal amount of five hundred forty-one million seven hundred thousand EUROS (€ 541,700,000), composed of five thousand four hundred seventeen (5,417) Bonds each with a nominal value of ONE HUNDRED THOUSAND EUROS (€100.000).

"**Series B**": Means the Series for a total nominal amount of twenty-four million three hundred thousand EUROS (€ 24,300,000), composed of two hundred forty-three (243) Bonds each with a nominal value of ONE HUNDRED THOUSAND EUROS (€100.000).

"**Series C**": Means the Series for a total nominal amount of thirty-four million EUROS (€ 34,000,000), composed of three hundred forty (340) Bonds each with a nominal value of ONE HUNDRED THOUSAND EUROS (€100.000).

“**Gestora**”: Means Santander de Titulización, S.G.F.T., S.A.

“**Standard & Poor’s**”: Means Standard & Poor’s España, S.A.

“**CPR**”: Means the constant annual prepayment rate used to estimate the average life and duration of the Bonds in this Prospectus.

“**Nominal Interest Rate**”: Means the nominal interest rate per annum and variable quarterly at which the Bonds will accrue interest according to section 4.8.2 of the Securities Note and related provisions.

“Reference Interest Rate”: Means the benchmark rate used to calculate the Nominal Interest Rate, which will be the three (3) month EURIBOR or its substitute, if necessary, determined as described in section 4.8.3 of the Securities Note. EURIBOR is the benchmark rate for the euro money market.

“**IRR**”: Means the Internal Rate of Return for the Bondholders of each Series.