

GC SABADELL 1

MORTGAGE SECURITISATION FUND

SECURITISATION NOTE ISSUE

€ 1,200,000,000

Class A1:	150,000,000 euros	Aaa/AAA	Euribor 3M + 0.04% to 0.09%
Class A2:	1,020,600,000 euros	Aaa/AAA	Euribor 3M + 0.14% to 0.20%
Class B:	19,200,000 euros	A2/A	Euribor 3M + 0.40% to 0.45%
Class C:	10,200,000 euros	Baa2/BBB	Euribor 3M + 0.75% to 0.80%

PAYING AGENT AND ORIGINATOR



PLACEMENT DIRECTORS



MANAGERS

Barclays Bank PLC
 Credit Suisse First Boston (Europe) Limited
 Lehman Brothers International (Europe)
 Banco Sabadell, S.A.

FUND FORMED, REPRESENTED AND ADMINISTERED BY



GestiCaixa, S.G.F.T., S.A.

SUMMARY OF THE INFORMATIVE PROSPECTUS

Summary of the features of the securities which are the subject of the issue described in this Informative prospectus together with the procedures set forth for their distribution and allocation among investors.

Main terms and conditions of this Note issue are:

Type of security: Mortgage Securitisation Notes (the 'Notes') represented through book entries.

Issuer: GC SABADELL 1, MORTGAGE SECURITISATION FUND (the 'Fund'). The Fund's assets shall be formed at the time of its incorporation by the Mortgage Loans assigned by Banco de Sabadell, S.A. through the issuance of Mortgage Shares, for grouping therein.

Issue Amount: €1,200,000,000 nominal value, comprising of 12,000 Notes, grouped into four Classes of Notes as follows:

Class	Nominal per note	Number of Notes	Nominal Total
A1	100,000	1.500	150,000,000
A2	100,000		
B	100,000		
C	100,000		

The Class B Notes rank subordinated for payment of interest and repayment of principal to the Class A Notes in accordance with the Priority of Payments of the Fund.

The Class C Notes rank subordinated for payment of interest and repayment of principal to the Class A Notes and to the Class B Notes in accordance with the Priority of Payments of the Fund.

Issue Price: 100 per cent of the nominal value of each Note, free of any tax and subscription costs.

Ratings: Provisionally assigned by Moody's Investors Service España, S.A. ('**Moody's**') and Standard & Poor's España, S.A. ('**S&P**'), and together with Moody's, the '**Rating Agencies**') for each Class of Note issued by the Fund, in accordance with the following table:

Class of note	Moody's	S&P
A1	Aaa	AAA
A2	Aaa	AAA
B	A2	A
C	Baa2	BBB

It is expected that the above ratings shall be confirmed as final ratings by the Rating Agencies prior to the commencement of the Subscription Period. Failure to confirm the above provisional ratings prior to the commencement of the Subscription Period would constitute a termination event in respect of the incorporation of the Fund, the issue of the Notes and the issue and subscription of the Mortgage Shares.

Final ratings may be reviewed, suspended or withdrawn at any time by the Rating Agencies. Such event shall not constitute a reason for the Early Liquidation of the Fund.

Secondary market for the trading of the Notes: AIAF FIXED RATE MARKET ('AIAF').

The Managing Company undertakes to ensure the definitive listings of the Notes on this market no later than one month from the Disbursement Date. In any event this must be carried out before the first Payment Date of 20 September 2004.

Entity in charge of the accounting registry of the Notes: SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES, S.A. (either, 'Systems Company' or 'Iberclear').

The Noteholders shall be identified as such by book entries in the records kept by the entities participating in Iberclear or any other entity that may replace it.

Interest rate:

Each Class of Notes shall accrue an annual nominal interest rate, variable quarterly and payable on each Payment Date with reference to each Interest Rate Period, resulting from the application of the Nominal Interest Rate of each Class of Notes to the outstanding principal of the corresponding Class of Notes.

Interest accrual:

Interest shall accrue in respect of Interest Periods. Each Interest Period comprises the effective number of days that elapse between each two consecutive Payment Dates including the initial Payment Date and excluding the final Payment Date in respect of each Interest Period. The duration of the first Interest Period shall be equivalent to the effective number of days that elapse between the Disbursement Date, which is included, and the first Payment Date, 20 September 2004, which is excluded.

The Nominal Interest Rate shall accrue on an actual/360 days basis.

Nominal interest rate.

The Nominal Interest Rate is the result of the sum of: (i) the Reference Interest Rate, or the substitute Reference Interest Rate, and (ii) the following margins for each of the Classes, rounded up to the nearest 0.0001 per cent.

- **Class A1:** margin between 0.4% and 0.9%, both inclusive.
- **Class A2:** margin between 0.14% and 0.20%, both inclusive.
- **Class B:** margin between 0.40% and 0.45%, both inclusive.
- **Class C:** margin between 0.75% and 0.80%, both inclusive.

The margin applicable to each Class of Notes, expressed in percentages, shall be determined by the agreement of at least three (3) Placement Directors before 0900 (CET) on the first day of the Subscription Period ([00 July, 2004]).

In the event that an agreement is not reached between the Placement Directors the Managing Company shall set the margin in respect of the Class or Classes of Notes for which there is no agreement using the following margins:

- **Class A1:** margin of 0.6%.
- **Class A2:** margin of 0.16%.
- **Class B:** margin of 0.42%.
- **Class C:** margin of 0.77%.

Once they have been set, the definitive margins applicable to each Class of Notes shall be notified by the Managing Company to the Placement Directors as well as to the Managers for notification to investors who may be interested in subscribing the Notes.

Except for the first Interest Period, the Reference Interest Rate to be used for the determination of the Nominal Interest Rate applicable to each Class of Notes is the three months Euribor rate, set at 1100 hours (CET) on the Interest Rate Fixing Day (second Business Day prior to each Payment Date). Should this rate be impossible to obtain, the replacement rates set forth in section II.10.1.c) of this Informative prospectus shall apply.

The Nominal Interest Rate of each Classes of Notes shall be set on the second Business Day prior to each Payment Date and shall be applicable for the following Interest Period.

The Nominal Interest Rate for each Class of Notes for the first Interest Period shall be set with reference to two month Euribor, set at 1100 hours (CET) on the second (2) Business Day immediately prior to the Disbursement Date. This shall be notified to the Managers for notification to investors who may be interested in subscribing to the Notes. The Managing Company shall likewise inform the National Securities Market Commission (CNMV), the Paying Agent, AIAF and Iberclear.

Payment of interest and repayment of principal.

Payment of interest and repayment of principal for each Class of Notes shall occur on each 20 March, 20 June, 20 September and 20 December of each year or if any such day is not a Business Day, the next succeeding Business Day (each a 'Payment Date'). The first Payment Date shall be 20 September 2004.

For the purposes of this Note issue Business Day means any day which (i) is not a Saturday, Sunday or a public holiday in Madrid and/or Barcelona, and (ii) when the TARGET system is open for business.

Payment of any amount due under each Class of Notes shall take place on each Payment Date provided that the Fund has sufficient liquidity for such purpose, in accordance with the Priority of Payment described herein.

Amortisation of the Notes.

Redemption price: One hundred (100) percent of the nominal value of each Note.

1. Class A1 Notes.

Principal repayment of Class A1 Notes shall occur by means of a single payment for their total nominal value on 20 December, 2005 ('Class A1 Notes Maturity Date') or if this is not a Business Day, the following Business Day using the Available Principal Funds for Repayment available on this Payment Date. However, if the Available Principal Funds for Repayment are not sufficient to fully repay Class A1 Notes on the Class A1 Notes Maturity Date, the repayment of the Class A1 Notes shall be carried out pro rata between each of the Class A1 Notes on the Class A1 Notes Maturity Date and on each subsequent Payment Date, by reducing the nominal value of each Note until repayment is completed in accordance with the rules for the Allocation of Available Principal Funds for Repayment between each Class of Notes.

From 20 September, 2004, which is the first Payment Date, through to the Payment Date on 20 December 2005, both included, the Available Principal Funds for Repayment shall be credited, on each Payment Date, to a fund for the amortisation of the Class A1 Notes ('Fund for the Class A1 Notes Repayment') up to the nominal value of Class A1 Notes and in accordance with the rules for the Allocation of Available Principal Funds for Repayment between each Class of Notes. Such funds shall remain to the credit of the Amortisation Account until the Class A1 Notes Maturity Date when they shall be applied towards the repayment of the Class A1 Notes together with the Available Principal Funds for Repayment.

Without prejudice to the provisions of the foregoing paragraphs of this section, the full repayment of the Class A1 Notes shall occur on or prior to the Final Maturity Date (20 June 2038); also, without prejudice to any Early Repayment of the Notes that the Managing Company may carry out on behalf of the Fund prior to the Final Maturity Date.

2. Class A2 Notes.

Repayment of the Class A2 Notes shall be carried out in partial instalments on each Payment Date following commencement of such repayment, by reducing the nominal value of each Note until repayment is completed using, on each Payment Date, the Available Principal Funds for Repayment to be applied on a pro rata basis among the Class A2 Notes in accordance with the rules for the Allocation of Available Principal Funds for Repayment between each Class of Notes.

Repayment of the Class A2 Notes shall commence on the Payment Date which is the latter of the following dates: (i) the Payment Date immediately following the Payment Date on which the Class A1 Notes have been paid in full, or (ii) the Payment Date on 20 March 2006. From such date, the Available Principal Funds for Repayment shall be applied on a pro rata basis among the Class A2 Notes in accordance with rules for the Allocation of Available Principal Funds for Repayment between each Class of Notes.

If on any Payment Date prior to 20 March 2006, and once the principal of the Class A1 Notes is fully amortised or the Fund for the amortisation of that Class is fully provisioned, the amounts applied to the amortisation of the principal of the Class A2 Notes will be deposited into the Amortisation Account (or the Treasury Surplus Account).

In any event, full repayment of the Class A2 Notes shall occur on or prior to the Final Maturity Date (20 June 2038); also, without prejudice to any Early Repayment of the Notes that the Managing Company may carry out in name and on behalf of the Fund prior to the Final Maturity Date

3. Amortisation of the Class B Notes.

Repayment of the Class B Notes shall be carried out in partial instalments on each Payment Date following commencement of such repayment, by reducing the nominal value of each Note until repayment is completed using, on each Payment Date, the Available Principal Funds for Repayment to be applied on a pro rata basis among the Class B Notes in accordance with the rules for the Allocation of Available Principal Funds for Repayment between each Class of Notes.

Repayment of the Class B Notes shall commence on the Payment Date immediately following the Payment Date on which the balance of the outstanding principal amount of Class B Notes is equal to or greater than 3.20% of the total outstanding balance of all Classes of Notes. From such date the Available Principal Funds for Repayment shall also be applied to the amortisation of Class B Notes in accordance with the rules for the Allocation of Available Principal Funds for Repayment between each Class of Notes in such a way that the ratio between the balance of the outstanding principal amount of Class B Notes and the total outstanding balance of all Classes of Notes remains at 3.20% or the closest possible higher percentage. Notwithstanding the above the repayment of Class B Notes may be suspended under certain circumstances set forth in the rules for the Allocation of Available Principal Funds for Repayment between each Class of Notes.

In any event, full repayment of the Class B Notes shall occur on or prior to the Final Maturity Date (20 June 2038); also, without prejudice to any Early Repayment of the Notes that the Managing Company may carry out in name and on behalf of the Fund prior to the Final Maturity Date

4. Amortisation of the Class C Notes.

Repayment of the Class C Notes shall be carried out in partial instalments on each Payment Date following commencement of such repayment, by reducing the nominal value of each Note until repayment is completed using, on each Payment Date, the Available Principal Funds for Repayment to be applied on a pro rata basis among the Class C Notes in accordance with the rules for the Allocation of Available Principal Funds for Repayment between each Class of Notes.

Repayment under the Class C Notes shall commence on the Payment Date immediately following the Payment Date on which the balance of the outstanding principal amount of Class C Notes is equal to or greater than 1.70% of the total outstanding balance of all Classes of Notes. From such date the Available Principal Funds for Repayment shall also be applied to the amortisation of Class C Notes in accordance with the rules for the Allocation of Available Principal Funds for Repayment between each Class of Notes in such a way that the ratio between the balance of the outstanding principal amount of Class C Notes and the total outstanding balance of all Classes of Notes remains at 1.70% or the closest possible higher percentage. Notwithstanding the above repayment of Class C Notes may be suspended under certain circumstances set forth in the rules for the Allocation of Available Principal Funds for Repayment between each Class of Notes.

In any event, full repayment of the Class C Notes shall occur on or prior to the Final Maturity Date (20 June 2038); also, without prejudice to any Early Repayment of the Notes that the Managing Company may carry out in name and on behalf of the Fund prior to the Final Maturity Date

Placement and subscription procedures of the Notes.

Placement Directors: Barclays Bank PLC, Credit Suisse First Boston Limited, Lehman Brothers International and Banco de Sabadell, S.A.

Managers: Barclays Bank PLC, Credit Suisse First Boston Limited, Lehman Brothers International and Banco de Sabadell, S.A.

Investors to whom the Notes are offered.

The Issue of the Notes is directed to institutional investors.

Subscription period.

The subscription period (the 'Subscription Period') shall commence at 1200 hours (CET) on 16 July 2004 and shall terminate at 1300 hours (CET) on the same day.

Manner and date for effecting the disbursement.

The investors to whom the Notes are assigned, shall pay to the relevant Bookrunner on 20 July 2004 (the '**Disbursement Date**'), prior to 1200 hours (CET), with same day value, the Issue Price corresponding to each Note being allocated on subscription.

National legislation under which the securities are created and indication of the competent jurisdictional organisms in case of litigation.

The incorporation of the Fund and the issue of the Notes are subject to Spanish legislation, specifically the legal framework established in Law 19/1992, of 7 July, on Regimen applicable to Companies and Funds of Real Estate Investment and Mortgage Securitisation Funds ('Law 19/1992) and where applicable, Law 24/1988, dated 28 July, governing the securities market (the '**Securities Market Act**'), as amended by Law 37/1998, dated 16 November, and by Law 44/2002, dated 22 November, in Law 3/1994, of 14 April, which implements, in Spanish legislation, the Second Directive on Banking Coordination, and introduces other modifications regarding the financial system ('**Law 3/1994**'), and in Law 44/2002, of 22 November, on reform measures of the financial system, and specifically, article 18, ('**Law 44/2002**'), and in accordance with the provisions set forth in Royal Decree 291/1992, dated 27 March, on Issues and Public Offering of Sales of Securities (the '**Royal Decree 291/1992**') as amended by Royal Decree 2590/1998, dated 7 December, and by the Order dated 12 July 1993 which implements said decree. Finally, the National Securities Market Commission Circular 2/1994, dated 16 March, where the model of informative prospectus for the incorporation of the Mortgage Securitisation Funds was approved ('**Circular 2/1994**') and National Securities Market Commission Circular 2/1999, dated 22 April where the model informative prospectus for Issues and Public Offering of Sales of Securities was approved ('**Circular 2/1999**').

The incorporation of the Fund, the issue of the Notes, the contracts for the financial risk hedging and for the provision of services that the Managing Fund may enter into in name and on behalf of the Fund shall be governed by Spanish law. In any case, the Deed of Incorporation shall be governed by and construed in accordance with Spanish law.

All issues, discrepancies, litigation and claims which may derive from the incorporation, management and legal representation by the Managing Company of GC SABADELL 1 MORTGAGE SECURITISATION FUND, and from the issue and subscription of the mortgage shares and the issue of the Notes, shall be exclusively submitted to and settled by the competent Spanish courts and tribunals.

The Noteholders and any other creditor of the Fund shall not be entitled to take any action whatsoever against the Obligors of the Mortgage Loans that may have defaulted under their payment obligations, as the Managing Company, in its capacity of legal representative of the Fund owner of the Mortgage Shares issued on the Mortgage Loans, shall undertake such actions.

The Noteholders and any other creditor of the Fund shall not be entitled to take any action whatsoever against the Fund or the Managing Company in the event of non-payment of amounts due from the Fund resulting from a non-payment under the Mortgage Loans by the corresponding Obligor, or from the default of any counterparty under any contracts entered into in name and on behalf of the Fund.

The Noteholders and any other creditor of the Fund shall not be entitled to take any action whatsoever against the Managing Fund for any reason other than the breach of its duties or for non-compliance with the provisions set forth in the Deed of Incorporation and in this Informative prospectus. Such actions must be resolved through ordinary declaratory action that may be applicable depending on the amount of the claim.

Considerations with regard to the activities, financial situation and most relevant circumstances of the Fund.

Nature of the Fund.

The Incorporation of the Fund and the issue of the Notes are governed by the provisions set forth in Royal Decree 926/1998 and shall be subject to (i) Deed of Incorporation (ii) Law 19/1992, ; (iii) Law 3/1994; (iv) Law 44/2002 (specifically article 18); (v) Law 24/1988, governing the Securities Market; and (vi) any other relevant law or regulation that may be applicable from time to time.

In accordance with Article 5.1 of Law 19/1992, the Fund constitutes a separate and closed estate, without a separate and independent legal personality. As regards its assets, the Fund is composed of the Mortgage Shares it contains and the Reserve Fund and, as regards its liabilities, of the Notes, the Subordinated Loans and the Upfront Cost Loan, in such a way that the net value of the Fund is zero. In addition, the Interest Rate Swap shall be shown in the memorandum accounts.

The maximum term of the Fund shall be until 20 June 2038: the Final Maturity Date of the Notes.

Fund representation: Fund manager.

The management and legal representation of the Fund is exercised by the Managing Company, GESTICAIXA, S.G.F.T., S.A. in accordance with the terms set forth by Royal Decree 926/1998, in Law 19/1992 and other applicable law, without prejudice to the provisions set forth in the Deed of Incorporation.

The Managing Company, in its capacity as manager of business, also exercises the representation and defence of the interests of the Noteholders and of the other ordinary creditors of the Fund. Consequently, the Managing Company shall at all times maintain vigilance for the interests of the Noteholders and of the other creditors of the Fund, subordinating its actions to their defence in accordance with any regulatory dispositions established to that effect. The Noteholders and any other creditor of the Fund shall not be entitled to take any action whatsoever against the Managing Fund for any reason other than the breach of its duties or for non-compliance with the provisions set forth in the Deed of Incorporation and in this Informative prospectus.

The Managing Company shall provide the Noteholders with any information that may be of their interest through the publication of the appropriate advertisements under the terms set forth in section III.4.2 of this Informative Prospectus.

The Managing Company may be replaced under the terms and for the reasons set forth in this Informative Prospectus.

Assets that are grouped together in the Fund.

The credits rights which form the assets of the Fund shall only be credit rights previously owned by BANCO DE SABADELL, S.A. (hereinafter the 'Seller' or '*Banco Sabadell*') derived from loans extended by BANCO SABADELL to individuals and secured on a residential mortgage on completed properties located on Spanish territory, both directly and through subrogation of financing given to promoters for the construction of dwellings (the '**Mortgage Loans**'), and transferred by the Seller to the Fund through the issue of Mortgage Shares. In this chapter and the rest of the Informative prospectus, the term 'Mortgage Loans' shall be used with reference generically to both the Mortgage Loans and the Mortgage Shares, unless specific reference to Mortgage Shares is made.

Pursuant to the Deed of Incorporation, the Managing Company, in name and on behalf of the Fund, and BANCO SABADELL shall formalise the issue by the Seller of the Mortgage Shares over the Mortgage Loans and their subscription by the Fund.

The total capital or principal of the Mortgage Loans with reference to which BANCO SABADELL shall issue the Mortgage Shares for their grouping in the Fund at time of its incorporation shall be equal to or slightly lower than €1,200,000,000 (one billion two hundred million) euros, which is the nominal value of the Note issued.

The assignment of the Mortgage Loans through the issue of the Mortgage Shares shall be full and unconditional and shall be for the total remaining term to maturity. The Mortgage Shares confer the right to 100 percent of the outstanding principal and to the ordinary interest of the Mortgage Loans to which they relate, together with any other amount, good or right attached thereto, save for late-payment interest and the fees set forth in each of the Mortgage Loans which shall remain for the benefit of BANCO SABADELL.

The Mortgage Loans comply with the requirements set forth in section 2 of Law 2/1981, dated 25 March, governing the Regulation of the Mortgage Market in order of being assigned through the issue of the Mortgage Share grouped together in the Fund.

The issue price of the Mortgage Shares shall be equal to the nominal value of the capital or principal of the corresponding Mortgage Loans.

All rights of the Fund under the Mortgage Shares are subject to the payments made by the Obligors of the Mortgage Loans, and therefore they are directly affected by the evolution, delay, early repayment or any other development regarding said rights. BANCO SABADELL does not assume the risk of default of the Mortgage Loans and, therefore, assumes no responsibility for the non-payment by the obligors, whether of principal, interest or of any other amount owed under the Mortgage Loans. BANCO SABADELL shall not in any other way guarantee either directly or indirectly the success of the transaction; it shall not provide any security or guarantee, nor shall it enter in any arrangement for the substitution or repurchase of the Mortgage Shares other than in the case that they do not conform to the declaration set forth in Section IV.1.3 of the Informative Prospectus or to the specific characteristics notified by BANCO SABADELL to the Managing Company, or if the corresponding Mortgage Loan has not been issued.

The Mortgage Loans shall be constituted by most of the mortgage loan pool whose characteristics are set forth in section IV.4 of the Informative Prospectus. The principal outstanding amount of the 14,749 mortgage loans selected on 15 June 2004 was €1,305,561,759.36.

The most relevant characteristics of the 14,749 mortgage loans selected on 15 June 2004 are as follows:

Capital pending maturity	Average: €88,518.67 Minimum: €3,469.18 Maximum: €869,473.31
Seniority	Weighted Average: 2.74 years Minimum: 0.23 years Maximum: 9.43 years
Class interest rate	Total variable interest
Nominal Interest Rate	Weighted Average: 3.48% Minimum: 2.25% Maximum: 6.90%
Final Maturity Date	Weighted Average: 19.95 years Minimum: 30-09-2006 Maximum: 30-09-2035
Relation capital pending/valuation	Weighted Average: 59.83% Minimum: 0.65% Maximum: 79.99%
Geographical distribution	Catalonia: 38.06% Asturias: 16.64% Madrid: 14.46%

Risk mitigation transactions and services contracted and charged to the Fund.

In order to: strengthen the financial structure of the Fund; improve the security and the regularity of the payments under the Notes; cover the temporary timing mismatch between the cash-flow of the Mortgage Loans and that of the Notes or, more generally, to change the financial characteristics of the Mortgage Loans; as well as in order to supplement the management of the Fund, the Managing Company, in name and on behalf of the Fund, shall enter in the following contracts at the time of the Deed of Incorporation:

- (i) Contract for the Opening of a Guaranteed Interest Account (Cash Account).
- (ii) Contract for the Opening of a Guaranteed Interest Account (Amortisation Account).
- (iii) Contract for the Opening of an Excess Cash Account, if necessary.
- (iv) Subordinated Loan Agreement.
- (v) Initial Expenses Loan Agreement.
- (vi) Interest Rate Swap Agreement.
- (vi) Servicing Agreement for the Mortgage Loans and Custody Agreement for the Mortgage Shares.
- (vii) Agreement for the Management and Placement of the Note issue.
- (viii) Paying Agency Agreement.
- (ix) Financial Intermediation Agreement.

The Managing Company may extend or amend the aforementioned contracts entered into in name and on behalf of the Fund. It may also replace any of the service providers under the contracts in accordance with their terms, and, where necessary, it may enter into additional contracts, including credit line contracts, provided that they are in accordance with legal provisions in force, from time to time and that there are no circumstances preventing the foregoing. In any case, the Managing Company shall inform the CNMV or the competent administrative body and obtain authorisation where necessary. The Managing Company shall also notify the Rating Agencies and ensure that any such action does not negatively affect the rating of the Notes. The Deed of Incorporation as well as any of the above mentioned contracts may be subject to changes if so requested by the CNMV.

Ordinary rules of payment priority of the Fund. Origin and application of funds from the first Payment Date until the last Payment Date or winding up of the Fund, both included

On each Payment Date, the Managing Company shall sequentially apply the available funds and the Available Principal Funds for Repayment in accordance with the priority of payments set forth below for each of them ('Priority of Payments').

Priority of Payments

The Priority of Payments is the following:

1. Payment of the taxes and ordinary and extraordinary expenses of the Fund, whether or not borne by the Managing Company and duly justified, including the management fee of the Mortgage Loans in favour of the Servicer (unless the provisions of paragraph 15 of this Priority of Payment shall apply), and any other cost and

commission for services, including those derived from the Payment Agency Contract. With this priority, in relation to the Servicing Agreement, only the expenses advanced or borne by the Servicer on behalf of the Fund, or any amount due under such Agreement, duly justified, shall be reimbursed to the Servicer.

2. Payment of amounts resulting from each liquidation of the Interest Rate Swap Agreement, and only in the event of termination by reason of breach by the Fund, the termination amount, if any, owed by the Fund.

3. Payment of the interest accrued on Class A1 and Class A2 Notes.

4. Payment of the interest accrued on Class B Notes unless deferred to item 8 below. Deferral occurs in the event that on any given Payment Date the Principal Deficiency exceeds the sum of (i) one hundred fifty seven per cent (157%) of the initial nominal amount of the Class B Notes and (ii) one hundred percent (100%) of the initial nominal amount of the Class C Notes, provided in any case that the Class A Notes have not been fully repaid or would not be fully repaid on such Payment Date.

5. Payment of the interest accrued on Class C Notes unless deferred to item 9 below. Deferral occurs in the event that on any given Payment Date the Principal Deficiency exceeds one hundred forty per cent (140%) of the initial nominal amount of the Class C Notes, provided in any case that the Class A Notes have not been fully repaid or would not be fully repaid on such Payment Date.

6. Withholding for amortisation of the Notes which shall integrate the Available Principal Funds for Repayment which shall be allocated in accordance to the rules for the Allocation of Available Principal Funds for Repayment between each Class of Notes. The withholding for the amortisation required on each Payment Date shall be equal to the positive difference between (i) the Balance of the outstanding principal amount of all Classes of Notes minus the balance of the Amortisation Account, both as at on the immediately previous Determination Date and (ii) the current outstanding balance of the Mortgage Loans at the Determination Date.

7. Withholding of an amount sufficient to replenish the Reserve Fund up to the Reserve Fund Minimum Amount required on each Payment Date. This application shall not take place on the Final Payment Date or on the winding up of the Fund.

8. Payment of the accrued interest of the Class B Notes when this payment is deferred from 4. above, in accordance with the provisions thereto.

9. Payment of the accrued interest of the Class C Notes when this payment is deferred from 4. above, in accordance with the provisions thereto.

10. Payment of any termination amount owed by the Fund under the Interest Rate Swap Agreement if termination was due to reason of breach by the counterpart (part B) of the Fund.

11. Payment of interests accrued on the Initial Expenses Loan.

12. Repayment of the principal due under the Initial Expenses Loan.

13. Payment of the interests accrued on the Subordinated Loan corresponding to the ordinary rate of interest.

14. Repayment of the principal due under the Subordinate Loan.

15. Servicing Fee due to the Servicer under the Servicing Agreement. Should BANCO SABADELL be replaced as Servicer of the Mortgage Loans by another entity, the Servicing Fee payment, which shall accrue in favour of the new, third party administrator, shall occupy the position contained in previous order 1, together with the remaining payments included thereof.

16. Payment of the Financial Intermediation Margin.

When there are different items payable under the same priority and the remaining funds are not sufficient to meet the payments due, the remaining funds shall be applied pro-rata to the amounts due proceeding to the distribution of the amounts so applied in order of maturity of the payments due.

Liquidation and Extinguishment of the Fund.

Extinguishment of the Fund.

The **extinguishment** of the Fund shall arise from the following causes:

- (i) In case of entire repayment of the Mortgage Shares.
- (ii) In case of Early Liquidation of the Fund described in section III.7.1.
- (iii) In any case, with the final liquidation of the Fund on the Final Maturity Date set for the final amortisation of the Notes.
- (iv) In case of termination of the Deed of Incorporation due to failure of the Rating Agencies to confirm the provisional ratings as final prior to the commencement of the Subscription Period or in case of termination of the Subscription Agreement.

Early Liquidation of the Fund.

The Managing Company, following notification to the CNMV, shall be empowered to proceed to the early liquidation ('Early Liquidation') of the Fund and the early repayment, on a given Payment Date, of the total amount of the entire Note issue ('Early Repayment') when, in addition to the other Requirements for Early Liquidation set in section III.7.1, the current balance of the Mortgage Loans is lower than ten percent of their initial balance as long as all the payment obligations derived from the Note issue can be met in its entirety in accordance with the Priority of Payment and subject to the provisions of article 5.3 of Law 19/1992, and to the requirements and procedures set forth in the aforementioned section.

In order to proceed with the aforementioned Early Liquidation of the Fund, it is compulsory to obtain the necessary authorisation from the CNMV or from the competent authorities or administrative bodies. Noteholders must be notified pursuant to section III.4.2 of the Informative Prospectus thirty (30) Business Days in advance of the agreement of the Managing Company to proceed to the Early Liquidation of the Fund

NATURE OF THE PRESENT INFORMATION: This information bears the nature of Informative Prospectus to the effects of the provisions set forth in Royal Decree 291/1992 and subsequent modifications, and has been filed with the Official Registries of the National Securities Market Commission on July 1, 2004.

The Fund Manager, GestiCaixa, S.G.T.F, S.A., which forms and administers the Fund, is responsible for the contents of the Prospectus (without prejudice to the responsibility assumed by the other intervening entities).

The registration of this Informative Prospectus by the National Securities Market Commission does not imply whatsoever recommendation for the subscription to the Notes or declarations of whatsoever kind regarding the solvency of the issuing entity or the profitability or quality of the Notes offered.

CHAPTER I

PERSONS THAT ASSUME RESPONSIBILITY FOR CONTENT AND SUPERVISORY BODIES OF THE PROSPECTUS

I.1 Persons assuming responsibility for the contents of the prospectus

I.1.1 Name, surname(s), national identity document number or personal identity document and position or powers of attorney of the individual or individuals that, on behalf of the Fund Manager, assume responsibility for the contents of the prospectus

Mr Xavier Jaumandreu Patxot, of legal age, holder of N.I.F. (Spanish tax No.): 37.655.595 H, in name and on behalf of GESTICAIXA, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A. (hereinafter '**Fund Manager**'), promoter of GC SABADELL 1 MORTGAGE SECURITISATION FUND (hereinafter '**Fund**'), assumes responsibility for the content of this prospectus.

Mr Xavier Jaumandreu Patxot acts in his capacity as general director of the Fund Manager by virtue of the faculties conferred by the board at its meeting on 29 June 2001. He furthermore acts for the incorporation of the Fund by virtue of express powers awarded to him by the board at its meeting on 28 June 2004.

The registered offices of GESTICAIXA, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A., are at Avenida Diagonal, 621-629, Barcelona and its C.I.F. (Spanish Tax No.) is A58481227.

I.1.2 In the opinion of the referred individual(s), the details contained in the prospectus accord with the facts and no fact has been omitted that would be susceptible to altering its scope

Mr Xavier Jaumandreu Patxot states that to the best of his knowledge, the details and information contained in the prospectus are truthful and there are no omissions of relevant data or inducement to error.

I.2 Supervisory bodies

The incorporation of the Fund and the issue of the securitisation Notes (hereinafter '**Notes**'), are dependent on the preliminary registration of the prospectus and other documentary proof in the official registers of the National Securities Market Commission ('**CNMV**'). The present complete prospectus of incorporation of the Fund and issue of the Notes has been filed with the official registers of the CNMV on 1 July 2004.

Registration of the prospectus by the National Securities Market Commission does not imply a recommendation to the subscription or purchase of the Notes to which it refers, nor the pronouncement in any way as to the solvency of the Fund or the profitability or quality of the securities issued and offered.

I.3 Name, registered office and qualifications of the auditors that have verified the number, amount and characteristics or attributes of the assets being securitised through the Fund

Annexe V of this prospectus contains the audit report on a selection of mortgage loans from the BANCO DE SABADELL, S.A. portfolio, which shall be assigned, in their greater part, to the Fund through the issue of mortgage shares. The audit report has been prepared by the auditing firm Deloitte & Touche España, S.L., (hereinafter '**DELOITTE & TOUCHE**') registered in the official registry of accounts auditors (R.O.A.C.) with number S-0692 and with registered office in Madrid, Calle Raimundo Fernández Villaverde, 65.

Apart from other issues, the aforementioned report refers to the verification of the satisfaction of the conditions required by Law 2/1981 governing the issue of mortgage shares. The foregoing audit has been carried out using sampling techniques through the analysis of a number of inferior loans (sample) to the set of the selection of loans (sector) which allow a conclusion to be drawn. Verification over a series of attributes, both quantitative as well as qualitative on the mortgage loans of the sample, and specifically: purpose of loan, identification of borrower, date of formalisation, date of maturity, initial amount, current balance, variable

interest rate, rate of interest or reference index, differential or margin, payment delays, valuation assessment, ratio current loan balance/valuation assessment, address of the mortgaged property, mortgage guarantee and damages insurance cover. Loans with errors detected in the verification of the sample shall not be included by BANCO DE SABADELL, S.A. for the issue of the mortgage shares.

BANCO DE SABADELL, S.A., undertakes, in accordance with the provisions of section IV.1.7 of this prospectus, that if, despite its own checks and those carried out by the aforementioned firm of auditors, one of the mortgage shares does not fulfil the declarations contained in section IV.1.3 of this prospectus or the specific characteristics notified by BANCO DE SABADELL, S.A. to the Fund Manager, it shall proceed to the replacement of the corresponding mortgage holding or to its early liquidation in accordance with the provisions set forth in section IV.1.7.

CHAPTER II

INFORMATION REGARDING THE SECURITIES ISSUED AND CHARGED TO THE FUND

II.1 Information about requirements and prior agreements necessary for the incorporation of the Fund and about the securities being issued against it as well as about conditions for the acquisition by the Fund of the assets (mortgage loans assigned through the issue of mortgage shares) that are the object of the securitisation procedure

II.1.1 Issue of agreements and legal requirements

a) Company agreements

Agreement on the assignment of mortgage loans through the issue of mortgage shares:

At its session that took place on 19 May 2004 the board of BANCO DE SABADELL, S.A, agreed to authorise the issue of mortgage shares over mortgage loans it holds for the purposes of the Fund, subscribing to the total amount in the act of formation.

Enclosed as Annexe 1 to this prospectus is a photocopy of the certification of the agreements of the board of directors of BANCO SABADELL.

Incorporation of the Fund agreement:

At its meeting on 28 June 2004, the board of directors of GESTICAIXA SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A. agreed:

- i) The formation of the GC SABADELL 1, MORTGAGE SECURITISATION FUND in accordance with the legal regimen set forth in Law 19/1992 and wherever applicable, Royal Decree 926/1998.
- ii) The grouping of the mortgage shares issued by BANCO SABADELL over mortgage loans, into the Fund.
- iii) Issue of the Notes by the Fund.

Attached as Annexe 2 is a photocopy of the certificate of the agreement of the board of directors of the Fund Manager.

b) Registration by the CNMV

The incorporation of the Fund and the issue of the Notes have as a prior requirement the registration of the prospectus and other documentary proof in the official registers of the CNMV. This prospectus on the incorporation of the Fund and the issue of Notes has been registered by the CNMV in its official registers on 1 July, 2004.

c) Granting of the public Deed of Incorporation of the Fund

The Fund Manager, together with BANCO SABADELL, as assignor entity of the mortgage loans through the issue of the mortgage shares, shall proceed to grant the public Deed of Incorporation of GC SABADELL 1, MORTGAGE SECURITISATION FUND, issue and subscription to the mortgage shares and issue of Notes ('**Deed of Incorporation**'), under the terms set forth in Law 19/1992. This shall be carried out once the CNMV have registered this prospectus and before the opening of the Note subscription period.

The Deed of Incorporation shall essentially possess the following content: (i) it shall identify the mortgage shares added to the Fund, (ii) it shall accurately define the Notes to be issued, and (iii) it shall determine the rules that the Fund must adhere to and set forth the operations that the Fund Manager, in representation of the Fund, may carry out for the purposes of increasing the security or regularity of the note payment and to cover the temporary gaps between the calendar of the flows of principal and interest of the mortgage shares and that of the Notes. In this regard, the Deed of Incorporation allows that the Fund shall hold the contracts detailed in section V.3 of the prospectus, and shall do so through its Fund Manager.

The referred Deed of Incorporation shall be submitted to the CNMV for its incorporation to the public registries, prior to the start of the subscription period for the Notes.

II.1.2 Information about the requirements and prior agreements for the admission to trading on the stock market or on the organised secondary market

The Note issued against the Fund shall be represented exclusively by book entries and the Deed of Incorporation shall have the effects provided for in article 6 of the Securities Market Act. The Fund Manager shall apply, in representation and on account of the Fund, immediately upon the granting of the Deed of Incorporation, for the inclusion of the issue in the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A (either 'systems company' or 'Iberclear'), or any other entity that may replace it, and once the disbursement of the Notes has been made, for the inclusion of the present note issue on the AIAF fixed income market ('AIAF'). This market is recognised as a secondary securities market by virtue of the Transitory provision 6 of Law 37/1998, dated 16 November, governing reform of the Securities Market Act, in such a way that trading, compensation and liquidation of the Notes is done in accordance with the operating rules established to that effect or that may be approved in the future by Iberclear and AIAF or any other entity that may substitute them. It is expected that definitive admission of the Notes to be quoted on the referred market shall take place no later than one month from the payment date. Under all circumstance this must be carried out before the first payment date of 20 September 2004.

II.2 Preliminary administrative authorisation of the note issue

No administrative authorisation for the issue of the Notes is required other than the prior registration of the prospectus by the CNMV. The CNMV has not formulated any warning or recommendation as regards the incorporation of the Fund and the issue of the Notes.

II.3 Evaluation of the risk that is inherent to the securities issued against the Fund, carried out by a ratings agency recognised by the CNMV

The Fund Manager has entrusted the credit risk assessment of the Notes to Moody's Investors Service España, S.A., and to Standard & Poor's España, S.A.; ratings entities (jointly referred to as 'ratings agencies') recognised by the CNMV, for the purposes of the provisions set forth in article 5.8 of Law 19/1992.

Moody's Investors Service España, S.A., is a Spanish company that forms part of, and operates in accordance with, the methodology, criteria and quality of Moody's Investors Service Limited (both may be referred to without distinction as 'Moody's'). On 29 June 2004, Moody's assigned the provisional ratings to each Class of note. These ratings are given below and it is expected that the same ratings shall be made final before the commencement of the note subscription period.

Class of Notes	Moody's rating
Class A1	Aaa
Class A2	Aaa
Class B	A2
Class C	Baa2

Standard & Poor's España, S.A., is a Spanish company that forms part of, and operates in accordance with, the methodology, criteria and quality of Standard & Poor's Rating Services (both may be referred to without distinction as 'S&P'). On 29 June 2004, S&P assigned the provisional ratings to each Class of note. These ratings are given below and it is expected that the same ratings shall be made final before the commencement of the note subscription period.

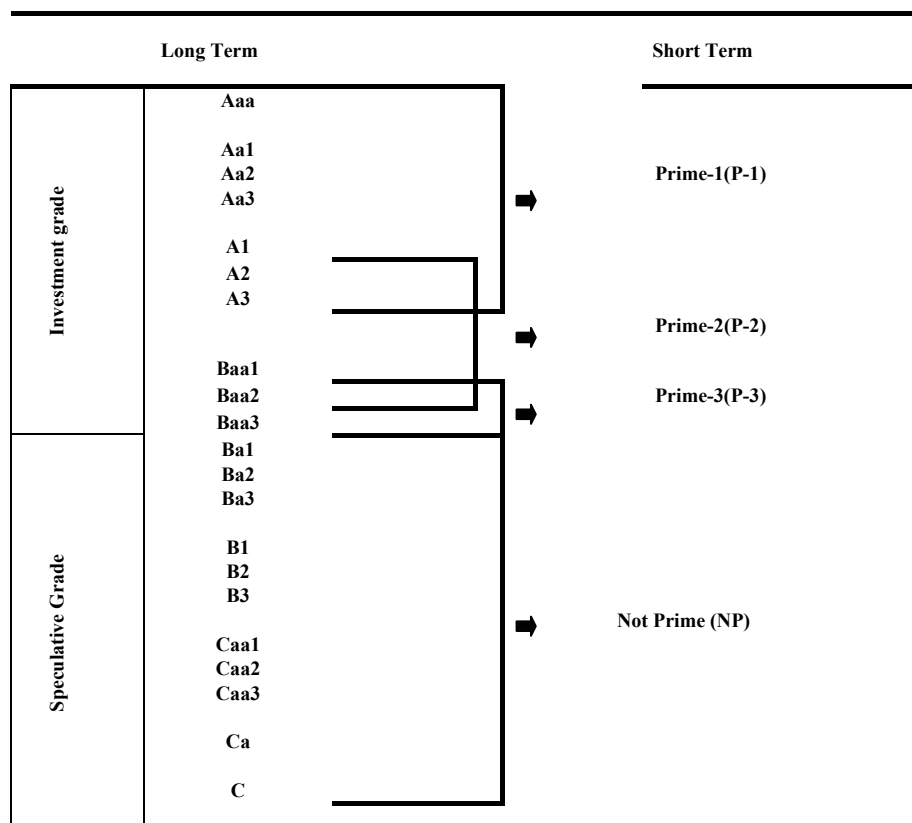
Class of Notes	S&P ratings
Class A1	AAA
Class A2	AAA
Class B	A
Class C	BBB

In the event that the rating agencies do not confirm as final the provisional rating granted before the start of the subscription period, such circumstance would be immediately communicated to the CNMV and would be made public in the manner established in section III.4.2.c). This circumstance would likewise allow termination of the incorporation of the Fund, the issue and subscription of the mortgage shares, and the note issue.

Annexe 5 of this prospectus contains a copy of the letters of communication of the provisional ratings granted by Moody's and by S&P.

Ratings granted by Moody's

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



The following is a description of the meaning attributed by Moody's to the ratings for long term and short term used in this prospectus.

Long term

Aaa Notes rated as 'Aaa' are considered as having the best possible quality. They entail the lowest investment risk and are generally denominated as 'maximum guarantee'. Payment of the interest is guaranteed by a margin that is either wide or exceptionally stable and the principal is safe.

Aa Notes rated 'Aa' are considered high quality under all criteria. Together with the Aaa group they make up what is generally referred to as 'high grade' Notes. They are rated below the best Notes because their margins

of protection are not as great as the Aaa securities, or the variability of the protective elements may be wider or there may be other elements that make the long-term risk higher than for Aaa securities.

A Notes that are rated 'A' have many favourable attributes for investment and are considered as 'medium-high grade' securities. The factors that grant security to the principal and to the interest payments are considered adequate, but there may be other elements present that indicate susceptibility for future weakening.

Baa Notes rated as 'Baa' are considered as 'medium grade' Notes. The security regarding the payment of interest and principal is adequate at present but certain protection elements may be missing or may not be very reliable in the very long term. This type of note lacks outstanding investment attributes and, in fact, they also have speculative characteristics.

Moody's applies the numeric modifiers 1, 2 and 3 to each long term rating category ranking from Aa to Caa, both inclusive. Modifier 1 indicates values in the higher range of the rating category, modifier 2 indicates medium range and modifier 3 indicates values in the lower range.

Short term

P-1 Excellent capacity to face the payment of short term obligations.

Ratings granted by S&P.

The rating scales used by S&P for long-term and short-term debt issues are the following:

	Long term	Short term	
Investment Degree	AAA		A-1+
	AA+		
	AA		
	AA-		
	A+		
	A		
	A-		
	BBB+		
	BBB		
	BBB-		
Speculative Degree	BB+		
	BB		B
	BB-		
	B+		
	B		
	B-		C
	CCC+		
	Customer Account Code		
	CCC-		
	CC		
C		D	
D			

The following is a description of the meaning attributed by S&P to the ratings for long term and short term used in this prospectus.

Long term

AAA A debtor rated 'AAA' has an extremely strong capacity to satisfy their financial obligations. 'AAA' is the highest rating awarded by S&P.

AA A debtor rated 'AA' has a strong capacity to satisfy their financial obligations. A small degree separates these debtors from the maximum rating debtors.

A An 'A' rated debtor has a strong capacity to satisfy their financial obligations but is somewhat more susceptible to the adverse effects of economic conditions than debtors from higher categories.

BBB A debtor rated 'BBB' has an adequate capacity to satisfy their financial obligations. However, it is more likely that adverse economic conditions or a change of circumstances could lead to a weakening of the debtor's capacity to satisfy their financial obligations.

Ratings between 'AA' and 'CCC' may be modified by adding (+) or (-) to show their relative position within each of the main categories.

Short term

A-1 A debtor rated 'A-1' has a strong capacity to satisfy their financial obligations. This is qualified in the highest category of S&P. Within this category certain debtors are qualified with a plus symbol (+). This means that the debtor has an extremely strong capacity to satisfy their financial obligations.

Considerations about the ratings

Moody's rating for this operation measures anticipated loss before the legal maturity date of the Fund. The structure allows for prompt payment of interest and payment of the principal throughout the life of the operation, and in any case before the final maturity of the operation.

The rating takes into account the structure of the Note issue, the legal aspects thereof and those of the issuing Fund, the characteristics of the mortgage loans selected for the issue of the mortgage shares regularity and continuity of the flows of the operation.

The ratings by the ratings agencies do not constitute an evaluation of the probability that the debtors should make advanced principal reimbursements, or with regard to the extent such advanced reimbursements may differ from that originally anticipated. The ratings do not constitute, in any way, an evaluation as to the actual performance.

The ratings assigned, as well as any revision or suspension of the same:

- i) are formulated by the rating agencies based on wide-ranging information received by them. They cannot be held responsible under any circumstances for the exactitude of this information, or that it is complete, and,
- ii) it does not constitute, and therefore can in no way be interpreted as an invitation, recommendation or provocation directed at investors to carry out any operation on the Notes and, in particular, to acquire, keep, burden or sell the referred Notes.

The final rating granted can be revised, suspended or retired at any time by the rating agencies, by reason of any information that comes to their knowledge. Such situations, which shall not constitute early liquidation of the Fund, shall immediately be brought to the attention of both the CNMV and the Noteholders, in accordance with the provisions of section III.4.2.

In order to carry out the rating and follow-up procedure, the rating agencies trust in the exactitude and complete nature of the information provided by 'BANCO SABADELL, the Fund Manager, the auditors, the lawyers and other experts.

Undertakings by the Fund Manager

The Fund Manager, representing the Fund, undertakes to provide the rating agencies with periodical information about the situation of the Fund and the behaviour of the mortgage loans. It shall likewise provide the referred information whenever reasonably requested to do so and in any case, whenever there is a modification to the conditions of the Fund or to the contracts approved through the Fund Manager or to the interested parties.

II.4 Nature and denomination of the securities offered indicating the Class or issue number

The total value of the securitisation note issue ('**note issue**' or generically '**Notes**') rises to a nominal value of one billion two hundred million euros (€1,200,000,000), and is made up of twelve thousand (12,000) Notes with a nominal value of one hundred thousand (100,000) euros each, grouped into four (4) Classes (Class A1, Class A2, Class B and Class C), as detailed in the following section II.6.

II.4.1 Legal regime of the securities, specifying the procedures that guarantee the certainty and effectiveness of the rights of their first holder and those of the subsequent holders. Implications produced over the financial service of each of the Classes of the securities issued against the Fund by the necessary relation between the calendar for the payments of principal and interest of the referred securities and the flows of income and expenses derived from the assets being securitised through the Fund

The incorporation of the Fund and the issue of the Notes against the Fund is undertaken within the scope of Law 19/1992.

The Notes have the legal nature of negotiable fixed-income securities with explicit return, being subject therefore, to the regimen established by the Securities Market Act.

As provided for in section II.5 of this chapter, the Notes shall be represented by book entries. Noteholders shall be identified as such according to the accounting registry kept by Iberclear or any other entity that may substitute Iberclear. The corresponding participating entity shall be entitled to issue the legitimacy certificates upon request of the Noteholders and at their cost. For these purposes, the provisions set forth in the Securities Market Act shall apply, as shall those set forth in the fourth section of chapter I, heading I, of Royal Decree 116/1992, dated 14 February, governing representation of securities through book entries and compensation and liquidation of stock market operations ('Royal Decree 116/1992').

The Notes may be freely transferred between institutional investors through any lawful means. Title over each Note shall be transferred by accounting transfer. Inscription of the transfer in favour of the purchaser in the accounting registry shall have the same effects as the handing over of the titles, and, as from the moment of the transmission onwards, shall be exceptionable against third parties. In this sense, the third party purchaser by onerous title of the Notes represented by book entries in the name of a person that, according to the records of the accounting registry, is entitled to transfer them, shall not be subject to replevy, except in the case where such third party may have acted in bad faith or with ill intent.

Noteholders are subject, with regard to the payment of interest and reimbursement of principal of the Notes, to the Priority of Payments of the Fund. For the purposes of covering temporary gaps between the calendar of amortisation flows of the principal and interests of the mortgage loans and that of the Note issued against the Fund, the Fund Manager shall sign the following: (i) an account opening contract at a guaranteed interest rate (cash account) with BANCO SABADELL, through which the amounts received through the Fund and which come from the mortgage loans, shall be invested. This shall be carried out both for the amortisation of the principal, as well as interest, and shall be in addition to the amounts referred to in section V.3.1 of the prospectus, until the following payment date of the Notes; (ii) an account opening contract with a guaranteed rate of interest (amortisation account) with BANCO SABADELL, through which the amounts endowed from the Fund for amortisation of the Class A1 shall be invested and accumulated on each payment date, until the maturity date of the Class A1, and the amounts for the reimbursement of the Class A2 until its first amortisation date; (iii) a financial interest swap contract with BANCO SABADELL, by virtue of which BANCO SABADELL shall make

payments to the Fund calculated on the interest rate of the Notes and the Fund to BANCO SABADELL, taking the interest of the mortgage loans as reference.

In addition, the Fund has at its disposal other risk-protection financial operations that cover, up to a limit, the risk of insufficiency of resources of the Fund to attend the financial service of the Notes, and which have been considered sufficient by the rating agencies in order to assign to each of the Classes of Notes the rating indicated in section II.3 of the present prospectus.

II.4.2 Other risks and implications which, due to the legal and economic nature of the assets grouped into the Fund, may affect the financial service of the securities issued at the charge of the Fund as a consequence of the procedure for the securitisation of the referred assets

a) Risk of default of the mortgage loans

In accordance with the provisions of article 5.8. of Law 19/1992, the holders of Note issued against the Fund run the risk of payment default of the mortgage loans transferred to the Fund through subscription to the issue of the mortgage shares, subject to the priority of payments set forth in section V.4.2.1.2.

BANCO SABADELL accepts no responsibility whatsoever for default by debtors, whether of the principal, interest or any other amount that they may owe by virtue of the mortgage loans. No responsibility in any other manner is assumed either. This includes responsibility for guaranteeing direct or indirect success of the operation. No guarantees shall be given and no agreements to replace or repurchase the mortgage shares shall be entered into. The exception is when one of the foregoing does not accord with the declarations contained in section IV.1.3 of the prospectus or to the specific characteristics notified by BANCO SABADELL to the Fund Manager.

The Note issued by the Fund do not represent or constitute any obligation on the part of 'BANCO SABADELL' or of the Fund Manager. There are no other guarantees granted by any public or private entity, including BANCO SABADELL, the Fund Manager, and any other company affiliated to or held by any of the foregoing.

b) Risk of early amortisation of the mortgage loans

The mortgage shares grouped into the Fund shall be amortised early when the debtors of the mortgage loans liquidate the capital pending early under the terms set forth in each of their assignment deeds. Likewise, the mortgage shares shall be fully amortised in the event of subrogation by BANCO SABADELL into the mortgage loans of another financial entity empowered for these purposes, in accordance with Law 2/1994, dated 30 March, governing subrogation and modification of mortgage loans ('**Law 2/1994**'), or by virtue of any other cause that produces the same effect.

The risk that is supposed by the referred early amortisation shall be passed, in certain circumstances, quarterly, on each payment date, to the Noteholders through the partial amortisation of the same, in accordance with the provisions set forth in section II.11.3 of this prospectus.

c) Limited protection

Investment in the Notes may be affected by, among other things, a deterioration of the general economic conditions, which has a negative effect on the payments of mortgage loans that support the note issue of the Fund. Should defaults reach high levels, the limited protection against losses of the mortgage loans portfolio, which the Notes have as a result of the existence of improved credit operations described in section V.3 of this prospectus, could be reduced or even removed. Likewise, the degree of subordination in the payment of interest and the reimbursement of the principal of the Class C Notes, with regard to the Class A Notes and the Class B Notes, and of the latter with regard to the Class A Notes, which derives from the place they occupy in the priority of payments, constitutes a differentiating protection mechanism between the different Classes.

d) Liquidity

There is no guarantee that the Notes shall be trading at a minimum volume or frequency on the market.

There exists no agreement that any entity shall intervene in the secondary contracting, giving liquidity to the Notes through the offer of consideration.

In addition, in no case shall the Fund be permitted to repurchase the Notes from their holders, although the Notes can be amortised fully in advance in the case of the early liquidation of the Fund, under the terms established in section III.7.1 of this prospectus.

e) Return

Satisfaction of the amortisation of the mortgage loans is influenced by a variety of geographic, economic and social factors. These include seasonal variation, market interest rates, the job situation and financial conditions of the debtors, and the general level of economic activity, all of which makes predictions difficult.

The calculation of the internal rate of return, of the average life and of the duration of the Notes, is subject, among other things, to the hypothesis of the rates of early amortisation and default of the mortgage rates that may not come to take place, as well as the future interest rates of the market, given the variable character of the nominal interest rate of each Class.

f) Default interest

In no case shall the existence of delays in the payment of interest or the reimbursement of the principal to the Noteholders give rise to the accrual of default interest in their favour.

f) Actions

The Noteholders and the rest of the creditors of the Fund shall have no remedies against the debtors of the mortgage loans that may have defaulted in their payment obligations, where the Fund Manager, as representative of the Fund, shall be entitled to exercise such action.

The Noteholders and remaining Fund creditors shall not be entitled to take any action whatsoever against the Fund or the Fund Manager in the event of non-payment of amounts due from the Fund as a consequence of non-payment of mortgage loans by the corresponding debtors, or default by the counter-parties of the operations contracted in name and on behalf of the Fund.

Neither the Fund nor the Noteholders shall have any recourse against the assignor entity that issues the mortgage shares or against the Fund Manager respectively, other than those derived through breach of their respective functions, or non-observance of the provisions set forth in the Deed of Incorporation or in the prospectus. There shall therefore be no recourse to action as a consequence of default or early amortisation.

II.5 Form of representation, denomination and domicile of the entity in charge of the accounting registry

The Note issued against the Fund shall be represented exclusively through book entries. This is in accordance with the provisions set forth in article 5.9 of Law 19/1992, and shall be constituted as such by virtue of their registration in the corresponding accounts registry. To this end, it is hereby stated that the Deed of Incorporation shall have the effects provided for by article 6 of the Securities Market Act.

Iberclear shall be designated the entity in charge of the accounting registry of the Notes in the Deed of Incorporation so that compensation and liquidation of Notes is done in accordance with the operating rules which, regarding securities admitted to trading in AIAF and represented by book entries, are established or may be approved in the future by Iberclear or any other entity that may substitute it. Such designation shall be registered in the official registries of the CNMV. The Noteholders shall be identified as such as a result of the accounting registry kept by the entities participating in Iberclear or any other entity that may replace it.

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear), is domiciled in Calle Pedro Teixeira, 8, Madrid.

II.6 Nominal value of the set of securities issued at the charge of the Fund, number of securities it comprises and numbering of the same, if applicable, broken down by the different Classes it comprises

The total value of the note issue rises to a nominal value of one billion two hundred million euros (€1,200,000,000), and is made up of twelve thousand (12,000) Notes grouped into four (4) Classes of Notes and distributed in the following manner:

a) Class A made up of a total nominal value of one billion, one hundred and seventy million, six hundred thousand (€1.170.600.000) euros (either 'Class A' or the 'Class A Notes'):

i) Class A1 for a total nominal amount of one hundred and fifty million euros (€150,000,000) comprising one thousand five hundred (1,500) Notes with a nominal value of one hundred thousand euros (€100,000) each, represented through account entries (either 'Class A1' or the 'Class A1 Notes').

ii) Class A2 for a total nominal amount of one billion, twenty million, six hundred thousand (€1.020.600.000) Notes with a nominal value of one hundred thousand euros (€100,000) each, represented through account entries (either 'Class A2' or the 'Class A2 Notes').

b) Class B comprising a single Class B for a total nominal amount of nineteen million, two hundred thousand euros (€19.200.000) made up of one hundred ninety two (192) Notes with a nominal value of one hundred thousand euros (€100,000) each, represented through account entries (either 'Class B' or the 'Class B Notes').

c) Class C comprising a single Class C for a total nominal amount of ten million two thousand euros (€10.200.00) made up of one hundred and two (102) Notes with a nominal value of one hundred thousand euros (€100,000) each, represented through account entries (either 'Class C' or the 'Class C Notes').

The Class B and C Notes are subordinated in the payment of interests and the reimbursement of the principal, with regard to the Class A Notes. This is in accordance with the provisions of the priority of payments of the Fund.

The Class C Notes are subordinated in the payment of interests and the reimbursement of the principal, with regard to the Class A Notes and of the Class B. This is in accordance with the provisions of the priority of payments of the Fund.

The holding or subscription of Notes of one of the Classes does not imply holding or subscription of Notes of the other Classes.

II.7 Nominal value and effective value of each security, indicating, where applicable, the issue fee expressed as a proportion of the nominal value and in monetary units per security. Currency in which each of the Classes of the securities issued at the charge of the Fund is expressed

The Notes are issued at one hundred (100) percent of their nominal value. The issue price of the Notes of each of the A1, A2, B and C Classes shall be one hundred thousand euros (€100,000) per note, free of fund taxes and subscription expenses for the subscriber.

The taxes and expenses inherent to the note issue shall be borne by the Fund.

II.8 Fees and related expenses of all kinds that must be borne by the subscribers upon subscription of the securities issued against the Fund

The Fund, as issuer of the Notes, shall not make any charge under any concept to the investor for the subscription of the Notes. The issue price, detailed in the foregoing section II.7, is free of fund taxes and expenses for the subscriber.

II.9 Mention, if applicable, of the existence of commissions chargeable to the holders of the securities issued against the Fund, necessarily represented by account entries, regarding inscription and balance maintenance

The expenses of inclusion of the note issue in the accounting registry of Iberclear, shall be borne by the Fund, and shall not be passed on to the Noteholders. This entity has no commission established with regard to the maintenance of balances.

However, the entities participating in Iberclear may establish, in accordance with the current legislation, the commissions and expenses, chargeable to the holder of the Notes for the administration of securities, which they may freely determine, providing they notify the Banco de España (Bank of Spain) or the CNMV as supervisory body of the securities thereof.

II.10 Interest rate clause

II.10.1 Note interest rate

The Notes of each Class shall accrue annual nominal interest. This shall be accrued from the disbursement date until the total maturity of the Notes, Calculation and payment shall be quarterly. The foregoing shall be based on the application of criteria set forth below for each of the Classes.

The referred rate of the resultant annual Nominal Interest Rate (**'rate of nominal interest'**) for each of the Classes shall be paid for matured interest accrual periods on each payment date on the balance of principal outstanding of the Notes of each Class, providing that the Fund has sufficient liquidity, in accordance with the Priority of Payments.

Retentions, payments and taxes that are either current or that may be established in the future on the principal, the interest or the return of the Notes, shall be borne exclusively by the Noteholders and the amount thereof shall be deducted by the Fund Manager, if applicable, in the name and on the account of the Fund, in the legally established manner.

a) Accrual of interest

The duration of this issue shall be split into successive periods of Interest Period (**'interest periods'**), including the effective days that elapse between each consecutive payment date. The initial payment date is included in each interest accrual period and the final payment date is excluded. In exceptional circumstances, the duration of the first interest accrual period shall be equivalent to the days that elapse between the payment date, which is included, and the first payment date - 20 September 2004 - which is excluded.

The nominal interest rate shall accrue over the effective days that elapse during each interest accrual period for which it had been set, and shall be based on a 360-day year.

b) Nominal interest rate

The nominal interest rate applicable to each Class of Notes and determined for each interest accrual period shall be the result of the sum of:

- (i) the reference interest rate, as established in section c) below; and
- (ii) a margin for each of the Classes in accordance with the following:
 - **Class A1:** margin between 0.04% and 0.9%, both inclusive.
 - **Class A2:** margin between 0.14% and 0.20%, both inclusive.
 - **Class B:** margin between 0.40% and 0.45%, both inclusive.
 - **Class C:** margin between 0.75% and 0.80%, both inclusive.

The margin applicable to each of the Classes, expressed in percentages, shall be determined through common agreement of at least three (3) Placement Directors before 0900 (CET) on the first day of the subscription period ([00 July, 2004]). In the absence of an agreement, the Fund Manager shall set the correct margin over those that have not been agreed, using the following margins:

- **Class A1:** margin of 0.06%.
- **Class A2:** margin of 0.16%.
- **Class B:** margin of 0.42%.
- **Class C:** margin of 0.77%.

The definitive margins applicable to each of the Classes that has been set shall be notified by the Fund Manager to the Placement Directors prior to the commencement of the subscription period. Notice shall also be given to the management and placement entities so they may pass on this information to investors interested in subscribing to the Notes.

The rate of interest applicable to the Notes of each Class for the first interest accrual period shall be made public before the payment date by means of the announcement provided for in section III.4.

The resulting rate of interest shall be expressed through rounding up by the ten thousandth of a percent in accord with the rise.

c) Reference interest rate and its determination.

The reference interest rate for the determination of the nominal interest rate applicable to each of the Classes of Notes is the following (the '**reference interest rate**')

- i) i) The Euribor rate, 'Euro InterBank Offered Rate', calculated and distributed by the financial information system BRIDGE under the instructions of FBE ('Federation Bancaire de l'Union Européenne') at three (3) months of maturity, save for the first interest accrual period, set at 1100 hours in the morning (CET) of the interest rate fixing date, described below, currently published in the electronic pages EURIBOR01, supplied by Reuters and 248, supplied by Dow Jones Markets (Bridge Telerate) or any other page that may substitute them in these services.

In exceptional cases, the reference rate of interest for the first interest accrual period shall be the Euribor rate at two (2) months set at 1100 hours (CET) on the second (2) business day prior to the payment date, taking into account the number of days from the first interest accrual period.

The Euribor rate is currently the offered rate for interbank time deposits denominated in euros calculated as the daily average of the quotations provided by a panel of 57 banks, among the most active in the euro zone. The rate is quoted based on the calculation of the calendar days to maturity and a 360-day year and it is fixed at 1100 hours (CET), being expressed to three (3) decimal positions.

The definitions regarding the Euribor rate that were approved by the FBE and by the Asociación Cambista Internacional (ACI), complementary to the current definition of the Euribor rate, shall be considered as introduced for the purposes of the Euribor reference rate of interest without the need for modification of the current terms of the Euribor reference rate of interest or notification to the Noteholders by the Fund Manager.

- ii) In the event of absence or the impossibility of obtaining the Euribor rate set forth in the previous section (i), the replacement reference interest rate shall be the rate of interest that results from the simple arithmetic of the average of the interbanking interest rate offer for non-transferable euro deposit operations at three (3) months' maturity. The referred rate shall be based on the amount equivalent to the balance of outstanding principal of the note issue, offered by four (4) top-ranking banking entities in the euro zone, following simultaneous request to the head offices of each one carried out by the payment agency before and after 1100 hour (CET) on the interest rate fixing date.
- iii) In exceptional circumstances, the replacement reference interest rate for the first interest accrual period shall be the rate of interest that results from the simple arithmetic of the average of the interbanking interest rate offer for non-transferable euro deposit operations at two (2) months' maturity. The referred rate shall be based on the amount equivalent to the balance of outstanding

principal of the note issue, offered by four (4) top-ranking banking entities in the euro zone, following simultaneous request to the head offices of each one carried out by the payment agency before and after 1100 hours (CET) on the interest rate fixing date.

The replacement reference rate of interest shall be expressed as a percentage rounded off to the nearest ten thousandth percent or in accordance with the rise if the upper and lower whole ten thousandth differences are the same.

In the event that the substitute reference interest rate above cannot be applied, by reason of one or more of the referred reference entities failing to supply quotation declarations, as set forth in the first paragraph of this section, the interest rate resulting from calculating the simple arithmetic average of the interest rates declared by at least two of the remaining entities shall be applied.

- iv) In the absence or impossibility of obtaining the rates established in sections (i) and (ii) above, the last reference interest rate applied to the last interest accrual period shall be applied, and so on for successive interest accrual periods for as long as the referred situation continues.

On each interest rate fixing date, the payment agency shall notify the Fund Manager of the reference interest rate set in accordance with the foregoing sections i) and ii).

d) Interest rate fixing date

The nominal rate of interest applicable to each of the Class of Notes for each interest accrual period shall be determined by the Fund Manager, in name and on behalf of the Fund, in the manner set forth in the foregoing sections b) and c), over the base rate, either as reference interest or replacement thereof, on the second (2) business day prior to each payment date ('**interest rate fixing date**'), and shall apply for the following interest accrual period.

In exceptional cases, the nominal rate of interest of the Notes of each of the Classes for the first interest accrual period shall be determined in the manner set forth in the foregoing sections b) and c). In this case, the reference interest rate shall be the Euribor rate at (2) months referring to the second (2) business day prior to the payment date and shall be communicated in writing by the Fund Manager to the management and placement entities prior to the subscription period, so that the latter parties may notify investors who may be interested in subscribing to the Notes. The Fund Manager shall likewise notify the CNMV, the payment agency, AIAF and Iberclear.

The nominal interest rates determined for each Class of Notes for the successive interest accrual periods shall be communicated to the Noteholders in the time and manner provided for in sections III.4.2 a) and c).

e) Formula for the calculation of interest

The calculation for the liquidation of interest corresponding to each Class, to be paid on each payment date for each interest accrual period, shall be made according to the following formula:

$$I = P \times \frac{R}{100} \times \frac{d}{360}$$

Whereby:

I = Interest to be paid on a specific payment date, rounded up to the nearest eurocent, with equidistance to the rise.

P = Outstanding balance of the principal of the Notes of the Class at the start of the interest accrual period corresponding to the referred payment date.

R = Nominal interest rate of the Class expressed as an annual percentage.

d = Effective number of days corresponding to each interest accrual period.

f) Informative table on the evolution of the reference interest rate to be used.

For purely informative purposes, the Euribor rates at three (3) months' maturity are shown below. These were published on the REUTERS screen EURIBOR01 page, on determined dates over the last two years that would have corresponded apart from the first date, with the interest rate fixing date, as well as the nominal interest rate that would have been applicable to each of the Classes, in the event that the applicable margins were 0.06% to the Class A1 Notes, 0.16% to the Class A2 Notes, 0.42% to the Class B Notes and 0.77% to the Class C Notes:

Fixing Date	EURIBOR 3 months	Notes Class A1	Notes Class A2	Notes Class B	Notes Class C
13/03/2002	3.3740%	3.4340%	3.5340%	3.7940%	4.1440%
13/06/2002	3.4700%	3.5300%	3.6300%	3.8900%	4.2400%
12/09/2002	3.3150%	3.3750%	3.4750%	3.7350%	4.0850%
12/12/2002	2.9300%	2.9900%	3.0900%	3.3500%	3.7000%
13/03/2003	2.5450%	2.6050%	2.7050%	2.9650%	3.3150%
12/06/2003	2.1240%	2.1840%	2.2840%	2.5440%	2.8940%
09/09/2003	2.1530%	2.2130%	2.3130%	2.5730%	2.9230%
11/12/2003	2.1500%	2.2100%	2.3100%	2.5700%	2.9200%
11/03/2004	2.0580%	2.1180%	2.2180%	2.4780%	2.8280%
11/06/2004	2.1120%	2.1720%	2.2720%	2.5320%	2.8820%

Fixing Date	EURIBOR 2 months	Notes Class A1	Notes Class A2	Notes Class B	Notes Class C
11/03/2004	2.0560%	2.1160%	2.2160%	2.4760%	2.8260%
11/06/2004	2.0930%	2.1530%	2.2530%	2.5130%	2.8630%

II.10.2 Simple referral to the order number that the payments of interest of the securities issued against the Fund have on the priority of payments of the Fund, and precise indication of the section and pages of this prospectus where the priority rules established on the payments of the Fund are described, and specifically those affecting the payments of interest of the referred securities

Payment of interest accrued through the A1 and A2 Classes of Notes occupies third (3) place in the application of funds available of the priority of payments set forth in section V.4.2.1.2.

The payment of interest accrued through the Class B Notes occupies fourth (4) place in the application of funds available of the priority of payments set forth in the aforementioned section of this prospectus, unless the situation envisaged in the same section arises for its deferment. In this event it shall occupy eighth (8th) place in the priority of payments.

Likewise, the payment of interest accrued through the Class B Notes occupies fifth (5th) place in the application of funds available of the priority of payments set forth in the aforementioned section of this prospectus, unless the situation envisaged in the same section arises for its deferment. In this event it shall occupy the ninth (9th) place in the priority of payments.

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

The note interest of each of the Classes shall be paid until the final amortisation thereof through matured interest accrual periods. These dates are: 20 March, 20 June, 20 September and 20 December. Should any of

these days not be a business day then the following business day (each of the dates is a 'payment date'), in accordance with the conditions set forth in section II.10.1 of this prospectus.

In the event that any of the dates established in the above paragraph were not a business day, the business day immediately following shall be the payment date, the interest shall correspond to the interest accrual period in question and shall accrue until the referred first business day. Due to the extension of the interest accrual period, there is an increase in the interest to be paid.

The first payment date for the note interest of each of the Classes shall be 20 September, 2004. Interest accrued at the nominal rate of interest applicable to the first interest accrual period from the payment date, inclusive, until the 20 September, excluded, shall be paid.

For the purposes of the note issue, business days are considered to be all days that are not:

- Saturday,
- Sunday,
- Public holiday in Madrid and/or Barcelona or
- Non-business day according to the Target calendar (Trans European Automated Real-Time Gross Liquidation Express Transfer System).

Both the interest payable to the Noteholders of each Class, as well as the amount of the interest accrued and not paid, if applicable, shall be communicated to them in the manner described in section III.4.2 of this prospectus at least one (1) calendar day before each payment date.

The payment of the interest accrued by the Notes shall take place on each Payment Date as long as the Fund has sufficient liquidity, in accordance with the Priority of Payments.

In the event that on a payment date the Fund cannot meet the total or partial payment of the interest accrued by the Notes of any of the Classes, in accordance with the corresponding Priority of Payments established, the amounts that the Noteholders have not received, shall be accumulated on the next payment date with the interest of the same Class, which, in such a case, is payable at that payment date. These shall be paid in accordance with the Priority of Payments, and applied by maturity ranking in the event that again it was not possible to pay them in full due to insufficiency of available funds.

Deferred interest amounts shall accrue interest in favour of the Noteholders equal to the rate applied to the Notes of their respective Class during the period(s) of interest accrual until the payment date whereupon payment is made, without default interest and without this implying capitalisation of the debt.

The Fund, through its Fund Manager, shall not be entitled to defer the interest payments of the Notes after 20 June, 2038, the final maturity date. Should this not be a business day, then the following business day shall apply.

The financial service of the note issue is carried out through the paying agent, for which purpose the Fund Manager, in name and on behalf of the Fund, shall sign a paying agency contract with BANCO SABADELL.

II.11 Amortisation of the Notes.

II.11.1 Reimbursement price of the Notes.

The reimbursement price for the Notes of each of the Classes shall be one hundred thousand euros (€100,000) per note, equivalent to 100 percent of their nominal price, payable in accordance with provisions set forth in section II.11.2 of this chapter.

Each and every one of the Notes of a particular Class shall be amortised in equal measure by means of the reduction of the nominal value of each of them.

The amortisation of the Notes of each Class shall be carried out pro rata among the Notes of the Class itself, through the reduction of the nominal value of each note, until it is complete, on each payment date, for an amount equal to the funds available for amortisation distributed for the Class in accordance with the criteria set forth in section II.11.3 of this chapter.

II.11.2 Specific characteristics for the amortisation of each of the Classes of the Notes

II.11.2.1 Amortisation of the Class A1 Notes

The amortisation of the principal of the Class A1 Notes shall be made by means of a single payment for their total nominal value on 20 December, 2005 ('**Class A1 maturity date**'). Should this not be a business day, the following business day shall apply. Payment shall be charged to available funds for amortisation on that payment date. However, if the available funds for amortisation are not sufficient to amortise the total amount of the nominal value of the Class A1 Notes on the Class A1 maturity date, the amortisation of the Class A1 Notes shall be made on the A1 Class maturity date and on subsequent payment dates, through partial amortisations, until the total nominal amount is paid. The referred payments shall be for the amount of available funds for amortisation applied on each payment date to the amortisation of the A1 Class, in accordance with the distribution regulations governing available funds for amortisation between each Class and covered in sections II.11.3.1.6 and V.4.2.2.2., which shall be distributed pro rata between the A1 Class Notes through the reduction of the nominal value of each A1 Class note.

From 20 September, 2004, which is the first payment date, through to the payment date that corresponds to 20 December 2005, both included, a fund for the amortisation of the Class A1 Notes shall be endowed on each payment date ('**Class A1 amortisation fund**'). The maximum amount of this endowment shall be the total nominal value of the Class A1 and the amount of the available funds for amortisation applied, in accordance with the regulations governing the distribution of available funds for amortisation between each Class. The amount endowed from the fund for the amortisation of the Class A1 shall remain on deposit in the amortisation account until the maturity date of the A1 Class upon which date the referred funds shall be targeted at the amortisation of the Class A1 .

Without prejudice to the provisions of the foregoing paragraphs of this section, the final amortisation of the Class A1 Notes shall under all circumstances be made on the final maturity date (20 June 2038). Furthermore, it is also without prejudice to the Fund Manager, in name and on behalf of the Fund, and in accordance with section ii.1.1.3.2, proceeding with the early amortisation of the note issue before the final maturity date.

II.11.2.2 Amortisation of the Class A2 Notes

Amortisation of the Class A2 Notes shall be made through partial amortisations on each of the payment dates until the total nominal amount is paid. The referred payments shall be for the amount of available funds for amortisation applied on each payment date to the amortisation of the Class A2, in accordance with the distribution regulations governing available funds for amortisation between each Class, covered in sections ii.11.3.1.6. and V.4.2.2.2, which shall be pro-rata between the Class A2 Notes through the reduction of the nominal value of each Class A2 note.

The first partial amortisation of the Class A2 Notes shall be made on the payment date that corresponds to the latter of the following dates: (i) on the following payment date upon which the Class A1 Notes are completely amortised, or (ii) the payment date that corresponds to the 20 March 2006. From the corresponding payment date, the available funds for amortisation shall be applied to the Class A2, in accordance with the regulations governing the distribution of the available funds for amortisation between each Class.

Under all circumstances, the final amortisation of the Class A2 Notes shall be made on the final maturity date (20 June 2038). Furthermore, and without prejudice to the early partial amortisations and to the Fund Manager company, in name and on behalf of the Fund, in accordance with section II.11.3.2., proceeding with the early amortisation of the note issue before the final maturity date.

II.11.2.3. Amortisation of the Class B Notes

Amortisation of the Class B Notes shall be made through partial amortisations on each of the payment dates until the total nominal amount is paid. The referred payments shall be for the amount of available funds for amortisation applied on each payment date to the amortisation of the Class B, in accordance with the distribution regulations governing available funds for amortisation between each Class, covered in sections II.11.3.1.6. and V.4.2.2.2, which shall be distributed pro-rata among the Class A2 Notes through the reduction of the nominal value of each Class B note.

The first partial amortisation of the Class B Notes shall be made on the payment date immediately following the payment date upon which the balance of the outstanding principal of Class B is the same as or greater than 3.20% of the balance of outstanding principal of the note issue. From this payment date, the funds available for the amortisation shall also be applied to the amortisation of the Class B. This is in accordance with the regulations governing the distribution of available funds for amortisation among each Class, in a way in which the referred ratio between the balances of outstanding principal of the Class B and the note issue are kept at 3.20% or the closest possible higher percentage. However, the partial amortisations of the Class B Notes may be interrupted under certain circumstances which are set forth in the regulations governing the distribution of funds available for amortisation between the Notes of each Class.

Under all circumstances, the final amortisation of the Class B Notes shall be made on the final maturity date (20 June 2038). Furthermore, and without prejudice to the early partial amortisations and to the Fund Manager, in name and on behalf of the Fund, in accordance with section II.11.3.2., proceeding with the early amortisation of the note issue before the final maturity date.

II.11.2.4. Amortisation of the Class C Notes.

Amortisation of the Class C Notes shall be made through partial amortisations on each of the payment dates until the total nominal amount is paid. The referred payments shall be for the amount of available funds for amortisation applied on each payment date to the amortisation of the Class C, in accordance with the distribution regulations governing available funds for amortisation between each Class, covered in sections II.11.3.1.6. and V.4.2.2.2, which shall be pro rata among the Class C Notes through the reduction of the nominal value of each Class C note.

The first partial amortisation of the Class C Notes shall be made on the payment date immediately following the payment date upon which the balance of the outstanding principal of Class C is the same as or greater than 1.70% of the balance of outstanding principal of the note issue. From this payment date, the funds available for the amortisation shall also be applied to the amortisation of the Class C. This is in accordance with the regulations governing the distribution of available funds for amortisation between each Class, in a way in which the referred ratio between the balances of outstanding principal of the Class C and the note issue are kept at 1.70% or the closest possible higher percentage. However, the partial amortisations of the Class C Notes may be interrupted under certain circumstances, which are set forth in the regulations governing the distribution of funds available for amortisation between the Notes of each Class.

Under all circumstances, the final amortisation of the Class C Notes shall be made on the final maturity date (20 June 2038). Furthermore, and without prejudice to the early partial amortisations and to the Fund Manager company, in name and on behalf of the Fund, in accordance with section II.11.3.2., proceeding with the early amortisation of the note issue before the final maturity date.

II.11.3 Common features for the amortisation of the Notes of each Class

II.11.3.1 Partial amortisation

Regardless of the final maturity date, and without prejudice to the early amortisation of the note issue in the event of early liquidation of the Fund, the Fund shall proceed to make partial amortisations of the Notes of each Class. It shall do so through the Fund Manager, and on the payment dates, in accordance with the specific conditions of amortisation for each of the Classes as set forth in section II.11.2 and under the terms described below in this section.

II.11.3.1.1 Determination dates

The determination dates shall be those corresponding to the third business day prior to the payment dates, on which the Fund Manager, in the name of the Fund, shall make the necessary calculations in order to distribute or withhold the available funds and the available funds for amortisation that the Fund shall have on each corresponding payment date, in accordance with the payment priority.

II.11.3.1.2 The outstanding principal balance of the Notes

The pending balance of principal of a Class shall be the sum of the principal pending repayment set on a date that includes all the Notes that comprise the referred Class. These balances shall include amounts due but not paid due to lack of available funds for amortisation of the Notes, in accordance with the Priority of Payments of the Fund.

Through aggregation, the balance of principal pending of the Class A shall be the sum of the balance of the principal pending of the Class A1 and the Class A2 that make up the Class A. The balance of principal pending of the note issue shall be the sum of the balance of principal pending of each of the four (4) Classes that comprise the note issue.

II.11.3.1.3 Current balance of the mortgage loans.

The current balance of the mortgage loans on a set date shall be the sum of principal pending maturity and the principal matured and not deposited into the Fund of each and every one of the mortgage loans upon the referred date. This does not include unpaid amounts as defined below.

II.11.3.1.3.1 Unpaid amounts.

Unpaid amounts are amounts that have matured and are unpaid, plus the current balance pending amortisation of those assets in which:

- The assigned debtor has been declared to be in a situation of insolvency, or
- The Fund Manager considers, according to the information provided by the administrator, that there are no reasonable expectations of recovering the same; or in any event when
- Non-payment lasts for an uninterrupted period of twelve (12) months

II.11.3.1.4 Retention for amortisation on each payment date

The amount set aside for the amortisation of the set of Notes as a whole shall be withheld on each payment date and charged to the Fund (**'retention for amortisation'**), in accordance with the Priority of Payments. The referred retention shall form part of the available funds for amortisation on the payment date. The retention for the amortisation required on a payment date shall be equal to the positive difference between (i) the balance of the outstanding principal of the note issue reduced in the amortisation account, both on the immediately previous determination date, and (ii) the current balance of the mortgage loans at the determination date.

II.11.3.1.5 Available funds for amortisation and amortisation deficit on each payment date

The available funds for amortisation on each payment date (the **'available funds for amortisation'**) shall be the following:

- a) The balance of the amortisation account and the balance of the treasury surplus account coming from the amortisation account if one exists, exclusively on the payment dates corresponding to 20 December 2005 and 20 March 2006.
- b) The amortisation retention amount applied to the available funds on the corresponding Payment Date.

The amortisation deficit on a payment date shall be the positive difference, if any, between (i) the positive difference between the balance of capital pending from the issue of the Notes and the outstanding balance of the mortgage loans on the date of determination prior to the current payment date and (ii) the amount

effectively applied to the distribution of the available funds in accordance with the Priority of Payments, in accordance with the liquidity of the Fund on the referred payment date.

II.11.3.1.6 Distribution of the available funds for amortisation among each Class

The available funds for amortisation shall be applied on each payment date to the amortisation of each of the Classes in accordance with the following rules (**'distribution of the available funds for amortisation among each Class'**):

1. Until the first payment date (included), upon which the balance of principal pending of the Class B and the balance of the principal pending of the Class C are equal or greater than 3.20% and 1.70%, respectively, with regard to the balance of the principal pending of the note issue. The available funds for amortisation shall be applied fully for the amortisation of the Class A Notes, in accordance with the following rule 2.

2. The available funds for amortisation applied to the amortisation of the Class A, both by virtue of the foregoing rule 1 as well as the following rules 3 and 4, shall be applied in the following manner:

2.1 Ordinary application in the following order:

1. Amortisation of the principal of the Class A1 Notes or, on the payment dates prior to the maturity date of the Class A1 (20 December 2005), endowment of the fund for amortisation of the Class A1.

2. a) Amortisation of the principal of the Class A2 Notes on the Payment Date after which the Class A1 Notes have been completely amortised, or

b) Deposit in the amortisation account of the amounts applied to the amortisation of principal of the Class A2 (and, where applicable, deposit in the Treasury Surplus Account applied to the amortisation of Class A2) on the payment dates prior to the payment date that corresponds to the 20 March 2006 and once the Class A1 Notes have been completely amortised or the fund for amortisation of the Class A1 has been completely endowed .

2.2 Exceptional pro rata application of the Class A (**'pro-rata amortisation of the Class A'**): The order of application of the foregoing section 2.1 shall be interrupted if, on the determination date immediately prior to the corresponding payment date, the amount of the (i) current balance of the mortgage loans which are more than three (3) months in arrears is greater than [2.00%] with regard to (ii) the amount of the current balance of mortgage loans on the same date.

In this instance, on the corresponding payment date the available funds for amortisation applied to the amortisation of the Class A shall be applied to the amortisation of the Class A1, or to the endowment of the amortisation fund of the Class A1, as required, and to the amortisation of the Class A2 or to the deposit of the amounts applied to the amortisation of the principal of the Class A2 in the amortisation account, as required. Distribution shall be made on a pro-rata basis among the same and shall be directly proportional (i) to the balance of principal pending of the Class A1 by reducing the balance, if there is one, of the endowment of the fund for amortisation of the Class A1, and (ii) to the balance of the principal pending of the Class A2 by reducing the balance, if there is one, of the amounts applied to the amortisation of the principal of the Class A2 deposited in the amortisation account, on the determination date prior to the corresponding payment date.

3. From the payment date later than that upon which the ratios between the balance of the principal outstanding of the Class B and that of the Class C with regard to the balance of principal outstanding from the note issue, set forth in rule 1, are the same as, or greater than 3.20% and 1.70%, respectively, the available funds for amortisation shall be applied to the amortisation of the Class A and the Classes B and C, proportionally among the same. This shall be carried out in such a way that the referred ratios between (i) the balances of principal outstanding of the Class B and the Class C and (ii) the balance of the principal outstanding of the note issue shall be kept at 3.20% and at 1.70%, respectively, or higher percentages as close as possible.

However, the available funds for amortisation shall not be applied to the amortisation of the Class B and the Class C on the payment date if the amount of the endowed reserve fund is less than the amount of the reserve fund required. Neither shall the available funds for amortisation be applied to the amortisation of the Class B or the Class C, where applicable, on the payment date, if on the date of determination prior to the corresponding payment date, the total amount (i) of the sum of the current balance of the mortgage loans that are more than three (3) months in arrears with matured and due payments, with regard to (ii) the total amount of the current balances of the mortgage loans on that same date, is greater than 1.5% so as not to proceed to the amortisation of the Class B, or greater than 1% so as not to proceed to the amortisation of the Class C.

4. From the payment date, inclusive, upon which the current balance total of the mortgage loans is less than 10% of the initial current balance when the Fund was constituted, or the Fund liquidation payment date, the available funds for amortisation shall be applied sequentially. First, they shall be applied to the amortisation of the Class A, in accordance with the foregoing rule 2, until this has been totally amortised; second, to the amortisation of the Class B until this has been totally amortised and third, to the amortisation of the Class C until this has been totally amortised. The Fund Manager shall proceed to notify the Noteholders, in the manner set forth in section III.4.2, of the amount of the amortisation in favour of the Notes of each Class. The referred notification shall also include information on the balance of the principal outstanding of each Class, as well as the real early liquidation fees of the mortgage loans and the estimated average residual life for the Notes of each Class.

II.11.3.2 Early liquidation of the note issue

Irrespective of the obligation of the Fund, through the Fund Manager, of the amortisation of each Class on the final maturity date, or the partial amortisations on each payment date as set forth in the previous sections, The Fund Manager, following prior notification to the CNMV, shall be empowered to proceed with the early liquidation of the Fund ('early amortisation'), on a payment date, to the total amount of the note issue. This is in accordance with the cases of early liquidation and with the requirements set forth in section III.7.1 of this prospectus.

II.11.3.3 Final amortisation

The final maturity date and, consequently, the definitive amortisation of the Notes, is 20 June, 2038, or should this not be a business day, the following business day. This is without prejudice to the Fund Manager, acting in representation and on the account of the Fund, and in accordance with the provisions of sections II.11.3.1. and II.11.3.2, proceeding to redeem all or some of the Classes of the note issue prior to the final maturity date.

II.11.4 Simple referral to the order number that the capital payments of the Note issued against the Fund have on the priority of payments of the Fund, and precise indication of the section and pages of this prospectus where the priority rules set forth on the payments of the Fund are described, and specifically those affecting the capital payments of the referred Notes

The amount withheld for amortisation and which is earmarked for the amortisation of the principal of the Notes occupies the sixth (6th) position in the application of available funds of the priority of payments set forth in section V.4.2.1.2 of this prospectus.

Payment of the amortisation of the principal of the Class A1, A2, B and C Notes shall be carried out in accordance with the distribution rules of available funds for amortisation among each Class, from the application of available funds for amortisation set forth in section V.4.2.2.2 and section II.11.3.1.6 of this prospectus.

II.1.2. Financial service debenture loans table, including both the interest payments and those for amortisation of principal, for each of the Class of Notes to be issued at the charge of the Fund

The financial servicing of the note issue shall be carried out through BANCO SABADELL in its capacity as payment agent. The payment of interest and amortisation shall be communicated to the Noteholders in the cases and with the days of prior notice established in section III.4.2. The payment of interest and amortisation shall be made to the Noteholders by the corresponding participating entities and to these, in turn, payment

shall be made by Iberclear, or any other entity that replaces Iberclear, as entity in charge of the accounting registry.

a) Financial servicing tables of the note issue

The main characteristic of the note is that their periodic amortisation depends on the overall behaviour of the mortgage loan.

The average life, yield, duration and final maturity of the Notes of each Class depend on various factors. The most significant are the following:

- i) The calendar and amortisation system of each of the mortgage loans set forth in their corresponding contracts.
- ii) The capacity that the debtors have for early liquidation, wither partially or totally, of the mortgage loans, and the speed with which the referred early liquidation is made overall, throughout the life of the Fund.
- iii) The variable rates of interest that shall be applicable to each of the mortgage loans, which shall modify the amount of the amortisation of each due payment.
- iv) The arrears of debtors in the payment of the mortgage loan amounts.

In this respect, the early amortisations of the mortgage loans made by the debtors are very significant, subject to continuous changes and estimated in this prospectus through the use of various hypotheses of behaviour of the constant annual effective rate of early amortisation or future prepayment (hereinafter 'CARP'), which shall have a direct influence on the speed of amortisation of the Notes and, therefore, on their average life and duration.

To calculate the data of the tables included in this section, the following hypotheses have been taken into account with regard to the factors described:

- Interest rate of the mortgage loans: 3,48% average interest rate weighted to the date of 15 June 2004 of the portfolio of mortgage loans selected that have been used for the calculation of the amortisation amounts and interest of each of the selected mortgage loans;
- Mortgage loan arrears: 0% annual.
- Non-collectable mortgage loan defaults: 0%;
- That the early liquidation fee of the mortgage payments stays constant throughout the life of the Notes;
- That the notes disbursement date is 20 July 2004; and
- That there is no extension given to the period of any of the selected mortgage loans, as set forth in section IV.2.1.10.b) of this prospectus.

Finally, the real adjusted term of the Notes shall also depend on their variable rate of interest. The nominal rate of interest for each Class assumed for the first interest accrual period are the following:

(Euribor 2 months)	Notes Class A1	Notes Class A2	Notes Class B	Notes Class C
Nominal Interest Rate	2.1530%	2.2530%	2.5130%	2.8630%

For successive interest accrual periods, the variable rate of interest of the Notes is taken to be as follows for each Class:

(Euribor 3 months)	Notes Class A1	Notes Class A2	Notes Class B	Notes Class C
Nominal Interest Rate	2.1720%	2.2720%	2.5320%	2.8820%

Assuming that the Fund Manager shall exercise the option of early liquidation of the Fund and early amortisation of the note issue, provided for in the first paragraph of section III.7.1 of this prospectus, when the current balance of the mortgage loans is less than 10% of the initial amount, the average life and duration of the Notes at different CARP, based on the previous behaviour of the mortgage loans extended to physical individuals that have been securitised by BANCO SABADELL, in recent years, would be the following:

%CARP	6%	8%	10%	12%	14%
Class of note A1					
Average lifetime (years)	1.44	1.44	1.44	1.44	1.44
TIR	2.1837%	2.1837%	2.1837%	2.1837%	2.1837%
Duration	1.42	1.42	1.42	1.42	1.42
Final expiry (date)	20/03/2016	20/12/2014	20/03/2014	20/03/2013	20/09/2012
(years)	11.84	10.57	9.81	8.79	8.29
Class of note A2					
Average lifetime (years)	6.63	5.83	5.25	4.75	4.38
TIR	2.2851%	2.2851%	2.2851%	2.2851%	2.2851%
Duration	6.08	5.40	4.89	4.46	4.13
Final expiry (date)	20/03/2016	20/12/2014	20/03/2014	20/03/2013	20/09/2012
(years)	11.84	10.57	9.81	8.79	8.29
Class of note B					
Average lifetime (years)	9.35	8.28	7.51	6.79	6.28
TIR	2.5491%	2.5491%	2.5491%	2.5491%	2.5491%
Duration	8.58	7.68	7.01	6.39	5.93
Final expiry (date)	20/03/2016	20/12/2014	20/03/2014	20/03/2013	20/09/2012
(years)	11.84	10.57	9.81	8.79	8.29
Class of note C					
Average lifetime (years)	9.35	8.28	7.51	6.79	6.28
TIR	2.9052%	2.9052%	2.9052%	2.9052%	2.9052%
Duration	8.72	7.81	7.11	6.47	6.01
Final expiry (date)	20/03/2016	20/12/2014	20/03/2014	20/03/2013	20/09/2012
(years)	11.84	10.57	9.81	8.79	8.29

The referred figures have been calculated using the following formula:

Average life of the Notes: for each of the Classes, average of the periods from the disbursement date until each of the payment dates, using the weighting of principal to be amortised on each payment date, over the total nominal value amount of the Class, in accordance with the following formula:

$$V = \frac{\sum (P \times d)}{T} \times \frac{1}{360}$$

Whereby

V = Average life of each Class of note issued in years.

P = Principal to be amortised of each Class of note on each payment date, depending on the amount to be amortised corresponding to each Class of note, in accordance with the provisions of sections II.11.3.1 and II.11.3.2 of this prospectus.

d = Number of days elapsed between the disbursement date (inclusive) and the payment date in question (exclusive).

T = Total nominal amount in euros of each Class of note.

Internal rate of return (IRR): For each of the Classes, the rate of interest that equals the current amount of the total amounts of amortisations and interest that are received on each payment date with the nominal value of the note.

$$N = \sum_{i=1}^n Ai(1+r)^{(-nd/360)}$$

Whereby:

N = Nominal value of the note of each Class.

r = IRR expressed as an annual rate, in a proportion of one.

Ai = (A_1 A_n). Total amounts of amortisation and interest the investors shall receive.

nd = Number of days between the disbursement date of the issue (inclusive) and each of the payment dates, (exclusive), during the life of the note.

Duration of the Notes (Macaulay's formula adapted): For each of the Classes, measurement of the sensitivity of the note price with regard to changes in the yield.

$$D = \frac{\sum_{j=1}^n (a_j \times VA_j)}{PE} \times \frac{1}{(1+i)}$$

Whereby:

D = Duration of each Class of note, expressed in years.

a_j = Time elapsed (in years) between the disbursement date and each of the payment dates in question.

VA_j = Current value of each of the amounts, comprehensive of principal and gross interest to be paid on each of the payment dates, discounted at the effective interest rate (I.R.R).

PE = Issue price of each Class of note.

i = Effective rate of interest (IRR) of each Class, as a proportion one.

Final maturity: For each of the Classes, the date upon which the definitive amortisation of the Notes is anticipated, involving the exercise of the option of early liquidation of the Fund and early amortisation of the note issue when the current balance of mortgage loans is less than 10% of the initial balance.

Finally, the Fund Manager expressly states that the financial servicing tables of each of the Classes described hereunder are merely theoretical and for illustrative purposes and do not represent any payment obligation whatsoever, remembering that:

- The CARP are assumed to be constant at 6% and 10% respectively throughout the life of the debenture loan and as mentioned previously, the real early amortisation changes constantly.
- The balance of the outstanding principal of the Notes on each payment date, and therefore the interests to be paid on each of them, shall depend on the real early amortisation fee that the mortgage loans experience, as well as default and payment failure of same.
- The interest rates of the Notes are assumed to be constant for each Class from the second interest accrual period onwards, and the interest rate of all the Classes is variable.
- The hypothetical values mentioned at the beginning of this section are assumed in all cases.

- It is assumed that the Fund Manager shall exercise the option of early liquidation of the Fund and use this for the early amortisation of the note issue, when the current balance of the mortgage loans is less than 10% of the initial balance when the Fund was constituted, in accordance with the provisions set forth in section III.7.1 of this prospectus.

FLows FOR EACH NOTE WITHOUT RETENTION FOR THE DRAWER

CARP = 6%

Payment Date	Class A1			Class A2			Class B			Class C		
	Amort. Capital	Interests	Total Total	Amort. Capital	Interests	Total Total	Amort. Capital	Interests	Total Total	Amort. Capital	Interests	Total Total
20/09/04	0	371	371	0	388	388	0	433	433	0	493	493
20/12/04	0	549	549	0	574	574	0	436	436	0	496	496
20/03/05	0	543	543	0	568	568	0	640	640	0	729	729
20/06/05	0	555	555	0	581	581	0	633	633	0	721	721
20/09/05	0	555	555	0	581	581	0	647	647	0	737	737
20/12/05	100,000	549	100,549	0	574	574	0	647	647	0	737	737
20/03/06	0	0	0	4,883	568	5,451	0	640	640	0	729	729
20/06/06	0	0	0	2,833	552	3,385	0	633	633	0	721	721
20/09/06	0	0	0	2,801	536	3,337	0	647	647	0	737	737
20/12/06	0	0	0	2,753	514	3,267	0	647	647	0	737	737
20/03/07	0	0	0	2,707	493	3,200	0	640	640	0	729	729
20/06/07	0	0	0	2,706	488	3,194	0	633	633	0	721	721
20/09/07	0	0	0	2,675	472	3,147	0	647	647	0	737	737
20/12/07	0	0	0	2,627	452	3,079	0	647	647	0	737	737
20/03/08	0	0	0	2,595	437	3,032	0	640	640	0	729	729
20/06/08	0	0	0	2,576	426	3,003	0	640	640	0	729	729
20/09/08	0	0	0	2,543	411	2,955	0	647	647	0	737	737
20/12/08	0	0	0	2,498	392	2,890	0	647	647	0	737	737
20/03/09	0	0	0	2,456	374	2,830	0	640	640	0	729	729
20/06/09	0	0	0	2,447	368	2,815	0	633	633	0	721	721
20/09/09	0	0	0	2,415	354	2,768	0	647	647	0	737	737
20/12/09	0	0	0	2,370	336	2,706	0	647	647	0	737	737
20/03/10	0	0	0	2,330	319	2,649	0	640	640	0	729	729
20/06/10	0	0	0	2,213	312	2,525	3,613	633	4,246	3,613	721	4,334
20/09/10	0	0	0	2,171	299	2,470	3,941	647	4,589	3,941	737	4,678
20/12/10	0	0	0	2,132	284	2,416	3,886	624	4,510	3,886	710	4,596
20/03/11	0	0	0	2,095	268	2,363	3,817	592	4,409	3,817	673	4,490
20/06/11	0	0	0	2,082	262	2,345	3,750	561	4,311	3,750	638	4,388
20/09/11	0	0	0	2,051	250	2,301	3,726	548	4,274	3,726	624	4,350
20/12/11	0	0	0	2,014	236	2,250	3,671	524	4,195	3,671	597	4,267
20/03/12	0	0	0	1,987	224	2,211	3,606	495	4,101	3,606	563	4,169
20/06/12	0	0	0	1,963	215	2,178	3,556	471	4,027	3,556	536	4,092
20/09/12	0	0	0	1,929	204	2,133	3,514	453	3,967	3,514	515	4,029
20/12/12	0	0	0	1,891	190	2,081	3,454	430	3,884	3,454	489	3,943
20/03/13	0	0	0	1,856	178	2,033	3,386	403	3,789	3,386	458	3,844
20/06/13	0	0	0	1,837	171	2,008	3,322	376	3,699	3,322	428	3,751
20/09/13	0	0	0	1,803	160	1,963	3,288	363	3,651	3,288	413	3,701
20/12/13	0	0	0	1,763	148	1,911	3,228	341	3,569	3,228	389	3,617
20/03/14	0	0	0	1,726	136	1,863	3,157	317	3,474	3,157	360	3,518
20/06/14	0	0	0	1,704	129	1,833	3,091	293	3,384	3,091	333	3,424
20/09/14	0	0	0	1,670	119	1,789	3,050	279	3,329	3,050	317	3,367
20/12/14	0	0	0	1,631	109	1,740	2,990	259	3,248	2,990	295	3,284
20/03/15	0	0	0	1,598	98	1,696	2,921	236	3,158	2,921	269	3,191
20/06/15	0	0	0	1,575	91	1,666	2,862	215	3,077	2,862	245	3,107
20/09/15	0	0	0	1,537	82	1,619	2,819	201	3,019	2,819	229	3,047
20/12/15	0	0	0	1,504	72	1,576	2,753	182	2,935	2,753	207	2,960
20/03/16	0	0	0	11,051	63	11,115	22,599	162	22,762	22,599	185	22,784
Total	100,000	3,122	103,122	100,000	15,058	115,058	100,000	23,956	123,956	100,000	27,267	127,267

**FLows FOR EACH NOTE WITHOUT RETENTION FOR THE DRAWER
CARP = 10%**

Payment Date	Class A1			Class A2			Class B			Class C		
	Amort. Capital	Interests	Total Total	Amort. Capital	Interests	Total Total	Amort. Capital	Interests	Total Total	Amort. Capital	Interests	Total Total
20/09/04	0	371	371	0	388	388	0	433	433	0	493	493
20/12/04	0	549	549	0	574	574	0	436	436	0	496	496
20/03/05	0	543	543	0	568	568	0	640	640	0	729	729
20/06/05	0	555	555	0	581	581	0	633	633	0	721	721
20/09/05	0	555	555	0	581	581	0	647	647	0	737	737
20/12/05	100,000	549	100,549	0	574	574	0	647	647	0	737	737
20/03/06	0	0	0	11,502	568	12,070	0	640	640	0	729	729
20/06/06	0	0	0	3,665	514	4,179	0	633	633	0	721	721
20/09/06	0	0	0	3,583	493	4,076	0	647	647	0	737	737
20/12/06	0	0	0	3,479	467	3,946	0	647	647	0	737	737
20/03/07	0	0	0	3,379	442	3,821	0	640	640	0	729	729
20/06/07	0	0	0	3,348	432	3,780	0	633	633	0	721	721
20/09/07	0	0	0	3,273	412	3,685	0	647	647	0	737	737
20/12/07	0	0	0	3,177	389	3,566	0	647	647	0	737	737
20/03/08	0	0	0	3,104	371	3,475	0	640	640	0	729	729
20/06/08	0	0	0	3,051	357	3,408	0	640	640	0	729	729
20/09/08	0	0	0	2,980	339	3,319	0	647	647	0	737	737
20/12/08	0	0	0	2,871	318	3,189	766	647	1,413	766	737	1,503
20/03/09	0	0	0	2,670	299	2,969	4,921	640	5,561	4,921	729	5,650
20/06/09	0	0	0	2,639	290	2,929	4,783	628	5,411	4,783	715	5,498
20/09/09	0	0	0	2,575	275	2,849	4,723	610	5,334	4,723	695	5,418
20/12/09	0	0	0	2,499	257	2,755	4,611	579	5,190	4,611	659	5,270
20/03/10	0	0	0	2,429	240	2,669	4,476	543	5,019	4,476	618	5,094
20/06/10	0	0	0	2,395	231	2,626	4,351	508	4,858	4,351	578	4,929
20/09/10	0	0	0	2,335	217	2,552	4,287	490	4,777	4,287	558	4,845
20/12/10	0	0	0	2,268	201	2,470	4,183	462	4,644	4,183	526	4,708
20/03/11	0	0	0	2,205	186	2,391	4,064	429	4,493	4,064	489	4,552
20/06/11	0	0	0	2,171	178	2,349	3,950	398	4,348	3,950	453	4,403
20/09/11	0	0	0	2,116	165	2,281	3,886	381	4,267	3,886	433	4,320
20/12/11	0	0	0	2,056	151	2,207	3,789	355	4,144	3,789	404	4,193
20/03/12	0	0	0	2,007	139	2,146	3,683	326	4,010	3,683	372	4,055
20/06/12	0	0	0	1,963	129	2,092	3,595	302	3,897	3,595	344	3,939
20/09/12	0	0	0	1,909	118	2,027	3,516	282	3,797	3,516	321	3,836
20/12/12	0	0	0	1,852	105	1,958	3,420	258	3,678	3,420	294	3,714
20/03/13	0	0	0	1,799	94	1,893	3,318	233	3,551	3,318	265	3,583
20/06/13	0	0	0	1,762	85	1,847	3,223	209	3,432	3,223	238	3,461
20/09/13	0	0	0	1,711	75	1,786	3,155	192	3,347	3,155	219	3,373
20/12/13	0	0	0	1,656	64	1,721	3,065	171	3,236	3,065	195	3,260
20/03/14	0	0	0	9,569	54	9,623	20,235	149	20,384	20,235	170	20,405
Total	100,000	3,122	103,122	100,000	11,920	111,920	100,000	19,291	119,291	100,000	21,958	121,958

B) Practical case of application of dates and time periods defined in sections II.10 and II.11 of the present informative prospectus, relating to the determination and payment of interest and amortisation of Notes

In order to facilitate the understanding by the subscriber of the definitions and application rules for **dates and time periods defined in sections II.10 and II.11 relating to the determination and payment of interest and amortisation of the Notes**, the following is an example, divided by the characteristics for the first Payment Date (given its exceptional character) and for the second and successive Payment Dates:

1. First Payment Date: 20 September, 2004.

(Granting of the Deed of Incorporation: 12 July 2004)

- a) Fixing Date for the interest rate applicable to the first interest accrual period:
 - 1100 hours (CET) of the second business day immediately prior to the disbursement date: 16 July 2004)
- b) Notifications:
 - Extraordinary, of the Fund formation and the Note issue - press announcement, according to section III.4.2. c) 2: 19 July 2004)
 - Extraordinary, of the definitive margins applicable for the setting of the nominal rate of interest of each of the Classes and the resulting nominal rate of interest for the first interest accrual period of each of the Classes: 19 July 2004) The Fund Manager shall notify the Placement Directors and the Managers in writing, prior to the start of the subscription period. This is so the referred entities may inform investors who may be interested in subscribing to the Notes. The Fund Manager shall likewise notify the CNMV, the payment agency, AIAF and Iberclear.
- c) First Interest Accrual Period:
 - From 20 July 2004 (disbursement date), included, until 20 September 2004, excluded.
- d) Determination Date (or for calculations by the Fund manager for the distribution and withholding of Available Funds): 15 September, 2004.
- e) Periodic ordinary notifications (notification in accordance with sections III.4.2.a).2 and III.4.2.c).1):
 - Of the rest of periodical information: until 19 December, 2004, inclusive.

2. Second Payment Date: 20 December 2004:

- a) Fixing Date for the interest rate applicable to the second interest accrual period:
 - 11:00 hours of the second Business Day previous to the first Payment Date: 16 September, 2004.
- b) Periodic ordinary notifications (notification in accordance with sections III.4.2.a)0.1 and III.4.2.c).1):
 - Of the resulting interest rate for the second Interest Accrual Period: until 17 September, 2004, inclusive.
- c) Second Interest Accrual Period:
 - From 20 September, 2004 (first payment date), included, until 20 December, 2004, excluded.
- d) Determination Date (or for calculations by the Fund manager for the distribution and withholding of Available Funds): 15 December, 2004.
- e) Periodic ordinary notifications (notification in accordance with sections III.4.2.a).2 and III.4.2.c).1):

- Of the rest of periodical information: until 19 December, 2004, inclusive.

II.13 Effective forecasted interest rate for the subscriber, taking into account the characteristics of the issue, specifying the calculation method adopted and the anticipated expenses, quantified by concepts consistent with their true nature.

In the event that the quarterly variable nominal interest rates applicable to each of the Classes remains unchanged throughout the whole life of the issue, according to the provisions set forth in the tables included in section II.12.a) of the Prospectus, the referred rates would produce the internal rates of return ('IRR') for the subscriber of each of the Classes indicated in the table shown hereunder, given the effect implied by the quarterly interest payment, calculated regardless of the tax effects, and assuming in any event the values and hypothesis shown in the referred section for constant rates for early amortisation (CARP) of 6% and 10%.

	Notes Class A1	Notes Class A2	Notes Class B	Notes Class C
Anticipated Effective Interest (TIR)	2.1837%	2.2851%	2.5491%	2.9052%

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

The effective interest rate for the Fund has been calculated by means of the internal rate of return ('IRR') formula, described in section II.12.a) above, with the following assumptions:

- a) that the nominal variable interest rate of the Notes shall remain constant throughout the life of each of the Classes within the rates indicated in the table included in section II.12.a);
- b) that the hypotheses mentioned in section II.12.a) are assumed; and,
- c) that the forecasted expenses for formation and issue are deducted from the nominal value of the note issue.

The effective interest rate forecast for the Fund would be 2.628% or 2.630%, for an CARP of 6% and 10%, respectively, under the hypothesis indicated in the previous paragraph. The forecasted expenses are the following:

Formation expenses of the Fund and of the Note issue	Euros
Initial Fund Manager Commission:	100,000.00
Notary fees, audit, rating and legal consultancy service	299,212.00
CNMV fees (issue and admission)	74,267.93
AIAF and Iberclear fees	53,471.36
Commissions for management, assurance and management of Note issue	459,120.00
Publicity of the issue, printing and other expenses	95,510.00
Total Expenses	1,081,581.29

II.15 The existence or otherwise of special guarantees over the credit rights grouped into the Fund or over the securities issued against it, which may have been granted by any of the entities participating in the securitisation process covered by this prospectus

There are no special guarantees on the Notes that are issued against the Fund, or on the mortgage shares that are grouped into same, except the undertakings of BANCO SABADELL, which are covered in section IV.1.7 of this

prospectus regarding their substitution of mortgage shares when one of these does not satisfy the declarations contained in section IV.1.3 of this prospectus or the specific characteristics notified by BANCO SABADELL to the Fund Manager.

II.16 Law under which the securities are circulated, indicating specially if there are restrictions to their free transferability or mention that such exist

The Note issued by the Fund are not subject to any particular restriction as to their free transferability, which shall be made subject to the legal dispositions applicable to them and to the existing rules of the secondary market on which the Notes are traded, as indicated in section II.17 of this chapter.

In accordance with the provisions of sections II.4. and II.5 of this chapter, ownership of each note shall be transferred by accounting transfer. Inscription of the transfer in favour of the purchaser in the accounting registry shall have the same effects as the handing over of the titles, and, as from the moment of the transmission onwards, shall be exceptionable against third parties.

II.17 Organised secondary markets for which there is an undertaking to apply for admission to trading of the securities and maximum time periods in which such application shall be submitted and other necessary documents for the application for admission

Once disbursement of the Notes has been made, the Fund Manager shall request inclusion of the note issue in the AIAF, which is recognised as an official secondary securities market, in accordance with the sixth transitory provision of Law 37/1998, dated 16 November, governing the reform of the Securities Market Act. The managing company undertakes to ensure the definitive admission of the Notes to be traded on the referred market takes place no later than one month from the disbursement date. Under all circumstances, this must be carried out before the first payment date of 20 September 2004.

The Fund manager expressly declares awareness of the requirements and conditions demanded for the admission, permanence and exclusion of the securities in AIAF, according with the current legislation and the requirements of its directing organisms, and through its Fund manager, the Fund accepts to comply therewith.

In the event that, once the indicated term has elapsed, admission to trading of the Notes on the AIAF does not take place, the Fund Manager shall proceed to bring this fact to the immediate attention of the Noteholders, as well as the causes that may have provoked the failure, by means of the extraordinary notification procedure provided for in section III.4.2. of the prospectus. All this is without prejudice to the eventual contractual responsibility that, if applicable, the Fund Manager may incur.

II.18 Subscription or purchase requests

II.18.1 Target pool of Investors to which the securities are offered, indicating the reasons for their choice

The management of the Notes of the Classes A1, A2, B and C is targeted at institutional investors, whether legal persons or non-personality patrimonies, such as pensions funds, collective investment institutions, insurance entities, credit entities, securities companies or entities authorised in accordance with articles 64 and 65 of the Securities Market Act (in the draft provided through Law 37/1998) for the management of third-party portfolios, which on a professional and customary basis carry out investments in negotiable securities.

In the case of entities authorised to manage securities portfolios, the subscription or purchase shall be made by the referred entities on behalf of investors. The referred investors shall previously have signed the opportune securities portfolio management contract with the aforementioned entities.

Once the issue has been placed in full and the Notes are admitted to trading on the organised official market of AIAF, the Notes may be freely acquired through the referred market in accordance with its own trading rules.

Effects of the subscription for the Noteholders:

The subscription of the Notes implies acceptance of the terms of the Deed of Incorporation for each Noteholder.

II.18.2 Legal status of the Notes

The Notes that are subject to this issue possess the following legal attributes, for the purposes of being held by certain investors and once the Notes are admitted for quoting on the AIAF:

- (i) The Class A Notes have a weighting of 50 per 100 on the solvency quotient that the credit entities and the securities companies and agencies must maintain. This is in accordance with the Ministerial Orders dated 30 December 1992 and 29 December 1992, respectively, modified through the Ministerial Order dated 13 April 2000.

On the registration date of the prospectus, the CNMV has recorded that the Class A Notes are susceptible to the weighting mentioned in the previous paragraph, having considered the following factors: (i) that the mortgage loans held through the issue of mortgage shares grouped together in the Fund have been extended with a first mortgage guarantee on residential property located in Spain; (ii) that the mortgage loans held and the mortgage shares satisfy the requirements of current legislation governing regulation of the mortgage market; (iii) that the principal of each of the mortgage loans held does not exceed 80% of the valuation of the corresponding property, mortgaged in guarantee; (iv) the declarations made by BANCO SABADELL, which are included in chapter IV of this prospectus; and (v) the ratings awarded by Moody's and S&P, as an evaluation of the credit risks of the Notes, covered in section II.3 of this chapter.

- (ii) The Class B and C Notes do not possess 50% weighting on the solvency quotient of the credit entities and the securities companies and agencies that the aforementioned Orders refer to in the previous paragraph.
- (iii) The Class A1 and A2 Notes meet the selection criteria to be admitted as guarantee assets in operations with the Central European Bank.
- (iv) They are suitable for investment by insurance entities in fulfilment of their obligations of technical reserves, in accordance with article 50.5 of the regulation for the arrangement and supervision of private insurance, approved by Royal Decree 2486/1998, dated 20 November.
- (v) They are suitable for the investment of the technical provisions fund of the mutual guarantee companies, in accordance with Law 1/1994, dated 11 March, governing the legal regime of the mutual guarantee companies, and Royal Decree 2345/1996, dated 8 November, relating to the administrative authorisation rules and solvency requirements for the mutual guarantee companies.
- (vi) They are suitable for the investment of pension funds in accordance with the provisions of article 70 of Royal Decree 304/2004, dated 20 February, whereby the regulations for the pension plans and funds are approved.
- (vii) They are suitable for the investment of the patrimony of the collective investment institutions in accordance with the rules established in article 30 of Law 35/2003 of 4 November governing Collective Investment Institutions and in the Regulation approved by Royal Decree 91/2001 of 2 February, which partially modified Royal Decree 1393/1990, dated 2 November. .

II.18.3 Date or subscription or acquisition period

The subscription period shall commence at 1200 hours (CET) on 16 July 2004 and shall finalise at 1300 hours (CET) on the same day.

II.18.4 Where and before whom the subscription or acquisition can be transacted

To be taken into account, the subscription applications must be carried out during the subscription period set forth in the previous section, before Barclays Bank PLC., Credit Suisse First Boston Limited, Lehman Brothers

International and Banco de Sabadell, S.A., in their status as Managers, through their offices and branches, and in accordance with the procedures given hereunder in the following sections.

The holding or subscription of Notes of one of the Classes does not imply holding or subscription of Notes of the other Classes.

II.18.5 Management and allocation of the Notes

Each one of the Classes is exclusively composed of one management tranche.

The Managers shall freely proceed to the acceptance or not of the subscription requests received, ensuring in all cases that there is no discriminatory treatment among requests with similar characteristics. Notwithstanding the foregoing, the Managers may give priority to the requests of those among their clients, which they deem more appropriate and may even subscribe to one of the Class of Notes in full or in part on their own behalf.

Each manager undertakes to subscribe in its own name, at the end of the subscription period, the amount of Notes necessary to complete the amount of its management commitment as determined in section II.19.1 of this chapter.

II.18.6 Pro-rata allotment in the management, manner of the same, date of its making, manner of the publication of its results and, if appropriate, refund to the petitioners of the amounts paid that should exceed the price of the securities allocated, as well as the compensation for the interest that may apply

In accordance with the management system set forth in this prospectus, there shall be no pro rata.

II.18.7 Form and dates for effecting the disbursement

The investors to whom the Notes are allocated, shall pay to the corresponding manager on [00 July, 2004 (the 'Disbursement Date'), prior to 1200 hours (CET), with value that same day, the issue price (100% of their nominal value) corresponding to each note allocated for subscription.

II.18.8 Manner and time of delivering copies of the subscription bulletins or provisional vouchers thereof to the subscribers. The referred documentation must specify their negotiability and maximum period of validity

The manager shall provide to the subscribers of the Notes documentary proof of the subscription by them to the Notes allocated, as well as of the effective amount disbursed by them for the referred subscription. This is without prejudice to title over the Notes being verified by means of the corresponding entry in the accounting registry.

The referred documentary proof shall not be negotiable and shall be valid for the verification of the subscription of the corresponding Notes until the entry is made in the accounting registry as provided for in section II.5 of this prospectus.

II.19 Entities participating in the allocation or marketing, indicating their different roles, with a specific description thereof. Global amount of the fees agreed between the different distributors and the Fund Manager

II.19.1 Entities that participate in the allocation of the note issue

The allocation of the note issue shall be carried out by Barclays Bank PLC, Credit Suisse First Boston Europe Limited, Lehman Brothers International (Europe) and Banco de Sabadell, S.A., as Managers, in accordance with the contract governing management of the note issue.

The undertaking of each manager with regard to their share of the allocation management of the Notes of each Class shall be as detailed below.

MANAGEMENT COMMITMENT TABLE

Managers	Nominal amount of Notes of each Class			
	(euros)			
	Class of note A1	Class of note A2	Class of note B	Class of note C
BANCO DE SABADELL, S.A.	40,000,000	200,000,000	19,200,000	10,200,000
BARCLAYS BANK PLC	36,800,000	273,600,000	---	---
CREDIT SUISSE FIRST BOSTON EUROPE LIMITED	36,600,000	273,500,000	---	---
LEHMAN BROTHERS INTERNATIONAL (EUROPE)	36,600,000	273,500,000	---	---
Total	150,000,000	1,020,600,000	19,200,000	10,200,000

Notwithstanding the above, after the Formation Date of the Fund and before the start of the Subscription Period, Barclays Bank PLC, Credit Suisse First Boston (Europe) Limited, Lehman Brothers International (Europe) and Banco de Sabadell, S.A, as the Managing Entities, may by mutual agreement decide to assign part of their respective management commitments mentioned above to new Managers, in which case they shall notify the Fund Manager, who will proceed to modify the amounts of the commitments previously assumed by the Managing Entities and the Managers shown on the table above. The new Managers will become Managers with the same rights and obligations as the former by expressly accepting, without reservation, all the terms and conditions of the Administration, Management Contract for the Note Issue. The inclusion of new Managers may not give rise to any increase in the cost to the Fund nor modify the rights and obligations of the Fund according to this Prospectus, the Deed of Incorporation of the Fund and the rest of the contracts affecting it, particularly the Administration, management Contract for the Note Issue. In any case, the inclusion of new Managers and the distribution of the amounts of their respective management commitments will be reported to the CNMV to be made available to the public, modifying the amounts of the respective commitments reflected in the table above. Banco Sabadell will notify the Fund Manager of the changes to the distribution of the preceding management table according to the Administration, Management Contract.

Were any of the new Managers to breach any of the obligations assumed under the Administration, Management Contract, particularly in relation to the management commitment and the obligation to pay the insured amount, Barclays Bank PLC, Credit Suisse First Boston (Europe) Limited, Lehman Brothers International (Europe) and Banco de Sabadell, S.A, as the Managing Entities, shall be obliged to subscribe the part that the new Manager(s) fail to insure according to the table above.

The Managers of each Class shall receive a joint amount, charged to the Fund, for a management commission based on the nominal value of the Notes of the corresponding Class. This fee shall be between 0.01% and 0.04%, both inclusive.

The management commission applicable on the nominal value of the Notes of each of the Classes shall be determined by common agreement of at least three (3) Placement Directors before 0900 hours (CET) on the day of the start of the subscription period (16 July 2004).

The management commission applicable to the Notes of each Class and set accordingly shall be notified by the Fund Manager to the Managers prior to the start of the subscription period.

II.19.2 Placement Directors of the issue.

Barclays Bank PLC., Credit Suisse First Boston Europe Limited, Lehman Brothers International (Europe) and Banco de Sabadell, S.A. shall participate as Placement Directors of the note issue. Reproduced below is the statement by each of the Managers signed by an individual with sufficient power of attorney, in accordance with the provisions of number 2 of article 31 of Royal Decree 291/1992, dated 27 March, governing issues and

public sale offerings of securities, as amended in its redaction by Royal Decree 2590/1998, dated 7 December, and in accordance with the provisions of number 3 of article 20 of the referred Royal Decree 291/1992:

Statement of Banco de Sabadell, S.A.:

Rafael García Nauffal, holder of D.N.I (Spanish National ID No. 43.243.985 Y, in the name and on behalf of Banco de Sabadell, S.A. domiciled in Plaza Cataluña,1 Sabadell, duly empowered for the purposes, and with regard to the formation of GC SABADELL 1, MORTGAGE SECURITISATION FUND and the issue of securities for an amount of one billion two hundred million (1,200,000,000) euros, the preliminary notification for which, for the purposes of registration by the Comisión Nacional del Mercado de Valores (National Securities Market Commission), was presented by GESTICAIXA, S.G.F.T., S.A., on 15 June 2004, in due satisfaction of article 20 of Royal Decree 291/1992, dated 27 March, governing issues and the public sale of securities, modified by Royal Decree 2590/1998, dated 7 December,

DECLARES

- *That the necessary verifications to check the veracity and comprehensiveness of the information contained in the prospectus have been conducted.*
- *That, as a consequence of these verifications, there is no indication of circumstances that contradict or alter the information collected in the prospectus, nor does this omit significant acts or data that could be relevant to the investor.*
- *That the declaration does not reach or refer to the accounts auditor's report which is included in the prospectus of the selected mortgage loans.*

And for the record and corresponding intents and purposes, I issue this document in Sabadell on 23 June 2004

Statement of Barclays Bank PLC:

Andrés Baltar García, holder of D.N.I (Spanish National ID No.30.567.576R, in the name and on behalf of Barclays Bank PLC, domiciled in 5 The North Colonnade, Canary Wharf - London E14 4BB, duly empowered for the purposes, and with regard to the formation of GC SABADELL 1, MORTGAGE SECURITISATION FUND and the issue of securities for an amount of one billion two hundred million (1,200,000,000) euros, the preliminary notification for which, for the purposes of registration by the Comisión Nacional del Mercado de Valores (National Securities Market Commission), was presented by GESTICAIXA, S.G.F.T., S.A. on 15 June 2004, in due satisfaction of article 20 of Royal Decree 291/1992, dated 27 March, governing issues and the public sale of securities, modified by Royal Decree 2590/1998, dated 7 December,

DECLARES

- *That the necessary verifications to check the veracity and comprehensiveness of the information contained in the prospectus have been conducted.*
- *That, as a consequence of these verifications, there is no indication of circumstances that contradict or alter the information collected in the prospectus, nor does this omit significant acts or data that could be relevant to the investor.*
- *That the declaration does not reach or refer to the accounts auditor's report which is included in the prospectus of the selected mortgage loans.*

And for the record and the opportune purposes, I issue this document in Madrid on 29 June 2004

Statement of Credit Suisse First Boston (Europe) Limited:

Miguel Lafont Torio, holder of D.N.I (Spanish National ID No. 50.955.188E, in the name and on behalf of Credit Suisse First Boston (Europe) Limited, domiciled in One Cabot Square, London, E14 4Q1, duly empowered for the purposes, and with regard to the formation of GC SABADELL 1, MORTGAGE SECURITISATION FUND and the issue of securities for an amount of one billion, two hundred million (1,200,000,000) euros, the preliminary notification for which, for the purposes of registration by the Comisión Nacional del Mercado de Valores (National Securities Market Commission), was presented by GESTICAIXA, S.G.F.T., S.A. on 15 June 2004, in due satisfaction of article 20 of Royal Decree 291/1992, dated 27 March, governing issues and the public sale of securities, modified by Royal Decree 2590/1998, dated 7 December,

DECLARES

- That the necessary verifications to check the veracity and comprehensiveness of the information contained in the prospectus have been conducted.
- That, as a consequence of these verifications, there is no indication of circumstances that contradict or alter the information collected in the prospectus, nor does this omit significant acts or data that could be relevant to the investor.
- That the declaration does not reach or refer to the accounts auditor's report which is included in the prospectus of the selected mortgage loans.

And for the record and the opportune purposes, I issue this document in Madrid on 29 June 2004

Statement of Lehman Brothers International ((Europe)):

Andrés Calzado Catalá, holder of D.N.I (Spanish National ID No. 2.898.345T, in the name and on behalf of Lehman Brothers International ((Europe)), domiciled in 25 Bank Street – London E14 5LE, duly empowered for the purposes, and with regard to the formation of GC SABADELL 1, MORTGAGE SECURITISATION FUND and the issue of securities for an amount of one billion, two hundred million (1,200,000,000) euros, the preliminary notification for which, for the purposes of registration by the Comisión Nacional del Mercado de Valores (National Securities Market Commission), was presented by GESTICAIXA, S.G.F.T., S.A. on 15 June 2004, in due satisfaction of article 20 of Royal Decree 291/1992, dated 27 March, governing issues and the public sale of securities, modified by Royal Decree 2590/1998, dated 7 December,

DECLARES

- That the necessary verifications to check the veracity and comprehensiveness of the information contained in the prospectus have been conducted.
- That, as a consequence of these verifications, there is no indication of circumstances that contradict or alter the information collected in the prospectus, nor does this omit significant acts or data that could be relevant to the investor.
- That the declaration does not reach or refer to the accounts auditor's report which is included in the prospectus of the selected mortgage loans.

And for the record and the opportune purposes, I issue this document in Madrid on 30 June 2004

As annex VI to this prospectus, a photocopy of the letters of the Managing Entities in which said statements are made.

The Placement Directors shall not receive any remuneration for the management of the Note Issue.

II.19.3 Entities that manage the issue, with a description of the characteristics of the relationship or management contract, guarantees required from the issuer or offerer, types of risk assumed, type of consideration that the manager undertakes to provide in case of non-fulfilment, and other relevant elements

The Fund Manager, in name and on behalf of the Fund, shall sign a management contract of the note issue with Barclays Bank PLC., Credit Suisse First Boston Europe Limited, Lehman Brothers International (Europe) and Banco de Sabadell, S.A., as Managers.

The Managers of the note issue shall assume the obligations contained in the management contract, which are basically the following: 1) an own subscription undertaking for the Notes that have not been subscribed to by third parties during the subscription period, until the amounts of their respective management commitments are reached; 2) to procure allocation of the Notes; 3) payment by the Managers to the payment agent on the disbursement date, before 1400 hours (CET) and effective that same day, of the nominal value amount of the Notes managed by each of them and, if applicable, subscribed to by them up to their respective management obligation. The payment agent shall then proceed to pay the Fund, before 1500 hours (CET) and effective that same day, the amount paid by the Managers, plus the nominal value of the Notes that the payment agent had managed and, if applicable, subscribed up to its management commitment; 4) payment commitment to pay late payment interest as agreed in the contract governing instances of delays in payment of due amounts; 5) delivery of documentary proof of the subscription to subscribers; 6) surrender of the information on control of

the diffusion achieved with the note issue to the Fund Manager; and 7) other aspects that regulate management.

The management commitments of each manager, and the management commission are specified in section II.19.1 of this prospectus. The payment agent shall pay each of the Managers the due commission fee for management on the disbursement date, once they have paid the payment agent the nominal value of the blonds managed by each of them and, if applicable, subscribed by them up to their respective management limit.

Barclays Bank PLC., Credit Suisse First Boston Europe Limited, Lehman Brothers International (Europe) and Banco de Sabadell, S.A. shall participate as Placement Directors of the note issue. These shall not receive any remuneration for the management of the note issue.

The management, management contract shall be terminated for all legal purposes in the event that the rating agencies do not confirm the ratings assigned on a provisional basis to each of the Classes as final, before the start of the subscription period.

II.20 Time and manner forecast for the provision to the subscribers of the certificates or documents representative of the subscription of the securities

The Notes, represented by book entries, shall be constituted as such by virtue of their registration in the corresponding accounting registry, in accordance with the provisions of Royal Decree 116/1992, and, also, with the usual time limits and procedures of the entity in charge thereof, Iberclear or any other entity that may replace Iberclear.

The corresponding manager shall surrender documentary evidence of subscription of the allocated Notes to the subscribers. This shall be carried out within a fortnight following the disbursement date and shall also show the amount paid for the referred subscription.

II.21 National Legislation under which the securities are created and indication of the competent jurisdictional bodies in case of litigation

The incorporation of the Fund and the issue of the Notes is subject to Spanish legislation, more specifically (i) the Deed of Incorporation; (ii) Royal Decree 926/1998 and subordinated provisions; (iii) Law 19/1992, for issues not contemplated in Royal Decree 926/1998, and insofar as it may be applicable; (iv) Law 3/1994; Law 44/2002 (specifically article 18); (v) Law 24/1988 governing the securities market, and (vi) the rest of current legal and regulatory dispositions that may be applicable from time to time. The Deed of Incorporation and the contracts for operations for financial risk coverage and for the provision of services that the Fund Manager shall enter into on the account of the Fund shall be regulated and interpreted in accordance with Spanish legislation.

All issues, discrepancies, litigation and claims that could derive from the constitution, administration and legal representation by the Fund Manager of GC SABADELL 1 MORTGAGE SECURITISATION FUND, of the issue and subscription of the mortgage shares and the note issue, shall be known and ruled on by the competent Spanish courts and tribunals.

The Noteholders and the rest of the Fund creditors shall have no remedies against the debtors of the mortgage loans that have defaulted. The Fund Manager, as representative of the Fund, is entitled to exercise such action.

The Noteholders and the rest of the Fund creditors shall have no remedies against the Fund Manager other than the action derived from the non-fulfilment of its obligations and, therefore, never as a consequence of the existence of payment arrears or early liquidation of the mortgage shares and the mortgage loans. Moreover, in the event of default by the counterparts in the operations contracted in the name and on the account of the Fund, or for the insufficiency of the protective financial operations to attend to the financial service of the Notes of each Class. Such actions must be resolved through ordinary declaratory action that may be applicable depending on the amount of the claim.

II.22 Personal taxation on the income derived from the offered securities, differentiating resident subscribers from non-resident

The following is a brief extract of the current tax regime applicable to the investments derived from the present offer, for which purpose exclusively the current state legislation is being considered, as well as the general aspects that may affect investors, who should take into account both their possible special fiscal circumstances, and the legislation of territorial application as well those that are current at the time of the corresponding income receipt and declaration.

Given that the present offer shall be represented by book entries and that admission to trading and quoting thereof shall be sought on an official Spanish securities secondary market, being these relevant circumstances at the time of determining their taxation, it has been assumed that these conditions shall be met. Likewise, it has been considered that the Notes, at the moment of their issue, shall have the consideration of financial assets with explicit return, insofar as this qualification may be fiscally relevant.

The withholding, contributions and taxes established or that may be established in the future over the principal, the interest or the return of the Notes shall be borne by their holders, and the amounts thereof shall be deducted in the legally established manner.

The taxation rules applicable during the life of the Notes shall derive from enforceable legislation at any given time.

Finally, to indicate that the taxation processing set forth herein is of a general nature and does not include payment applicable to revenue obtained through entities under the rules of income imputation, or the rules that apply to all categories of investors, some of which (e.g. financial entities, collective investment groups, cooperatives, etc.) may be subject to special rules.

II.22.1 Physical or legal individuals resident in Spain

Personal Income Tax

Profits obtained by the Noteholders considered subject to personal income tax ('IRPF'), as much in regard to the payment of interest as on occasion of transfer, redemption or amortisation of same, shall have the income obtained from the assignment of their own assets to third parties considered as capital gains. This is under the terms of article 23.2 of Royal Decree-Legislative 3/2004, dated 5 March, which approves the re-drafted text governing the Personal Income Tax Act.

In the event of profits derived through payment of the note coupons, the whole profit shall be determined by the amount of interest paid, including the personal income tax withholdings that may have been carried out.

On the other hand, in case of the transfer, refund or amortisation of the Notes, the difference between the value of the transfer, refund or amortisation (minus the accessory transfer expenses) and their price of acquisition or subscription (incremented with the accessory acquisition expenses) shall be deemed as income return from movable assets. Notwithstanding the foregoing, the negative return derived from the transfer of the Notes, when the tax subject has acquired other homogeneous financial assets within the two months prior to or following such transfer, shall be integrated at the same time as the Notes that remain in the patrimony of the taxpayer are transferred.

The net return of the movable capital shall be determined by deducting the total administration and deposit expenses of the Notes from the total income, as long as the referred expenses are not incurred in consideration of a discretionary and individualised management of the investment portfolio. Net profits derived from the transfer, refund or amortisation of the Notes that had a generation period greater than two years shall be reduced by 40%.

In principle, profits that are paid as interest are subject to a personal income tax withholding of 15%.

There is no obligation to make retentions on profits derived from transfer or refund of the Notes, as these are represented through book entries and are traded on a Spanish official secondary securities market, except the part of the price that is equivalent to the coupon accrued in the transfers made during the thirty days immediately prior to the maturity of the coupon when (i) the purchaser is a person or entity non-resident on Spanish territory, or a corporation taxpayer, and (ii) these profits do not require the purchaser to make retentions.

Corporation Tax

Profits, both in the form of interest as well as transfer, refund or amortisation of the Notes obtained by entities that hold the status of corporation taxpayer shall be included in the taxable base. This is in accordance with the manner set forth in Heading IV of the Royal Decree-Legislative 4/2004, dated 5 March, which approves the re-drafted text governing the Corporation Tax Act.

The aforementioned profits shall be excluded from retentions in accordance with the provision set forth in article 57.q) of Royal Decree 537/1997, dated 14 April, which approves the regulations governing corporation tax, subject to the fulfilment of the following requirements, as provided for in this Note Issue:

1. They must be represented by book entries and
2. They must be traded on an official Spanish secondary securities market.

However, in accordance with the Ministerial Order dated 22 December 1999, the procedure to effect the aforementioned exclusion or interim payment on interests shall be subject to the following procedures and requirements:

1. The Fund Manager, in name and on behalf of the Fund as issuing entity, shall pay to the depository entities, through the paying agent, the net amount resulting from the application of the general retention rate current at that date on the whole of the interest.
2. Prior to the 10th of the month following the maturity of each coupon, the depository entities must present a detailed list of the holders that are liable to corporation tax to the Fund Manager or the paying agent. The list must include identifying details of the referred entities, the number of securities that they hold at the maturity date of each coupon, the corresponding gross profits and the amount retained.
3. Noteholders that are liable to corporation tax must prove this status before the depository entities of the securities prior to the 10th of the month following the maturity of the coupon, so that the depository entities can prepare the list specified in the previous section.
4. As soon as the aforementioned list is received, the Fund Manager shall immediately pay the depository entities the amount retained, and shall do so through the paying agent.
5. The depository entities shall immediately pay the amount retained from the taxable holders.

The Noteholders may use any means of proof admissible under the law to show that they are Corporate Income Taxpayers, providing the necessary justifying documentation which may be retained by the depository entity at the disposal of the Fund and the National Tax Administration for verification purposes. A photocopy of the Tax Identification Number shall be considered as documentary proof for these purposes.

II.22.2 Physical or legal persons non-resident in Spain

Profits obtained by the Noteholders considered subject to personal income tax for non-residents, as much in regard to the payment of interest as on occasion of transfer, redemption or amortisation of same, shall have the status of profits obtained in Spain, with or without permanent establishment, under the terms pursuant to

article 13 of the Royal Decree-Legislative 5/2004, dated 5 March, which approves the re-drafted text governing Personal Income Tax for Non-Residents Act.

Income obtained through a permanent establishment

Profits from the Notes obtained through permanent establishment in Spain shall pay, pursuant to the rules of Chapter III of the LIRNR, in the same way as the manner described for corporation taxpayers (legal residents resident in Spain). This is without prejudice to the provisions of the double taxation agreements, signed by Spain, which may allow for non-payment of the corresponding income tax or, if applicable, to reduced rates. The aforementioned profits shall be subject to interim income tax withholding for non-residents in the same instances and conditions as have been set forth for personal income tax payers resident in Spain.

Income obtained without a permanent establishment

Income from the Notes obtained by individuals or non-resident entities in Spain acting without a permanent establishment, shall be taxed in accordance with the rules of Chapter IV of the Non-Resident Income Tax Act. Without prejudice to the treaties to avoid double taxation, signed by Spain, and which may determine the non-taxation of the corresponding income or, as the case may be, the application of reduced tax rates, the following can be highlighted:

- The taxable base shall be quantified as the total amount of income obtained, calculated in accordance with the provisions of the Income Tax Law 40/1998. The reductions set forth by the referred Law shall not be applicable for this purpose.
- In the case of transfer, redemption or amortisation, the accessory expenses of acquisition and sale shall be taken into account, insofar as they are adequately justified. Taxation shall be separate for each accrual, total or partial, of income subject to taxation, no compensation among them being possible.
- Income derived from the Notes, both by way of interest and on occasion of their transfer, redemption or amortisation shall be exempt when it is obtained by a resident of another member state of the European Union without a permanent establishment in Spain or when such resident has a permanent establishment located in another member state of the European Union (article 14.1, letter c) of the IRNR.
- Income derived from the transfer of the referred securities made in any of the Spanish secondary official securities markets, obtained by non-resident individuals or entities without a permanent establishment in the Spanish territory, which are residents in a State that has signed a Treaty with Spain to avoid double taxation including a clause for the exchange of information, shall also be exempt.
- In no case shall these exemptions be applicable when the income is obtained through the countries or territories legally qualified as tax havens.
- The tax shall be calculated by applying the rate of 15% to the taxable base corresponding to the interests and profits of the Note, except where exempt or subject to a lower rate by virtue of an internal standard or a treaty signed by Spain. Whenever a double taxation agreement signed by Spain is applicable to the investor, the reduced amount set forth in the aforementioned treaty for these types of income shall apply.
- The application of any exemption or reduced rate set forth in the treaty signed by Spain, shall require proof of tax residence of the investor through a document accrediting same issued by the tax authorities in the country of residence, in the manner set forth by Spanish law.
- The Note coupons are subject to withholding tax, except when the coupon holder is able to demonstrate that it is tax exempt. The amount of the withholding will be equivalent to the final tax amount.

- In accordance with the Ministerial Order dated 13 April 2000, in those cases in which the procedure for payment of interest derived from the Notes involves the participation of financial entities domiciled, resident or represented in Spain, and which are depositaries or manage the collection of the income from the referred securities, the exclusion of tax withholding, or of a reduced rate through application of the tax ceilings set forth in double taxation treaties shall be carried out in the manner set forth hereunder.
 1. The Fund Manager, in name and on behalf of the Fund as issuing entity, shall pay to the depositary entities, through the paying agent, the net amount resulting from the application of the general withholding rate current as at that date, on the whole of the interest.
 2. Prior to the 10th of the month following the maturity of each coupon, the depositary entities must present, for each security code and maturity date, a detailed list of the holders that are liable to income tax for non-residents due to obtaining profits on Spanish territory without permanent establishment to the Fund Manager or the paying agent. The list must include the ISIN code of the securities, the type of income, the type of person, the code of the country of residence, identifying details of said holders, the number of securities that they hold at the maturity date of each coupon, the corresponding gross profits and the amount retained for each holder expressed as a percentage.
 3. The Noteholders liable to non-resident income tax must have their right to the application of the taxation limits of a treaty or to the exclusion of withholding tax retention accredited to the depositary entities. The depositary entities shall prepare the list indicated in the previous section, including the holders of the securities that have their right accredited at the time of submission of the list to the Bookrunner.
 4. As soon as it receives the list referred to in the aforementioned number 2 of this section, the Fund Manager shall immediately pay the depositary entities the excess amount retained from the referred non-resident income tax payees, and shall do so through the paying agent.
 5. The depositary entities shall immediately pay the excess amount retained from the holders liable to non-resident income tax.
 6. For the purposes of accrediting the right to the practice of withholding tax retention with application of the taxation limits of a treaty or the exclusion thereof, the taxpayers must justify their tax residence by means of the following documentation:
 - When the withholding exclusion is caused by the application of Spanish internal legislation, by means of a residence certificate issued by the tax authorities of the country of residence.
 - When the withholding exclusion or the withholding practiced at a reduced rate in application of a Treaty with a certificate issued by the corresponding fiscal authority, which shall expressly state that the tax subject is a resident in the sense defined in the Treaty. Notwithstanding, when the withholding is practiced by applying a taxation limit fixed in a Treaty developed by means of an Order in which the use of a specific form is established, it shall be justified by means of the same instead of by the certificate.

In principle, the residence certificates referred to in the previous paragraphs are currently valid for one year from the date of issue.

- Should it not be possible to prove tax residence for these purposes, the profits obtained from the Notes, both in the form of interest as well as through transfer, redemption or amortisation, by non-resident holders shall be subject to withholding at a rate of 15%. Overpayments or excess withholding may be rebated by following the procedure and completing the form set forth in the Order of 23 December 2003.

- Elsewhere, and irrespective of tax payment or otherwise, the profits derived from the transfer or redemption of the Notes shall not be subject to withholding. This is because the Notes show an explicit return and are represented through book entries and are traded on a Spanish official secondary securities market, under the terms and conditions set forth in article 70.3 f) of the regulations governing non-resident income tax, through express remission of article 14.3 b) of the regulations governing non-resident income tax. The reference made in the aforementioned article to the precept of the Personal Income Tax Regulation does not specifically rule out the application of the so-called coupon-laundering rule in the event that the investor is a non-resident without a permanent establishment in Spain¹. However, despite the literal nature of the rule, there are inconclusive arguments, based on the purpose of the rule, which allow one to question its applicability when the subject transferring the financial asset is a non-resident investor without a permanent establishment in Spain. In any case, this is a controversial question and all without prejudice to the joint and several responsibility that may be incurred by the depositary or Bookrunner for the Notes, and of the eventual tax declaration and payment obligations for the non-resident holder.

II.22.3 Indirect taxation over the transfer of the Notes

The transfer of the Notes is exempt from the tax on patrimonial transfer and documented legal acts and from the value added tax.

II.22.4 Patrimony tax

Individuals who are subject to the patrimony tax because of personal obligation and who hold Notes on 31 December of any given year and are obliged to present a declaration for this tax, shall integrate the Notes into the tax base of the patrimony tax according to the fourth quarter average trading value of each year.

Non-resident individuals holding Notes at 31 December of each year will be subject to the tax through real obligation and to patrimony tax, except as set forth in the agreements governing double taxation. Nevertheless, residents of other European Union member States shall be exempt insofar as the return of the Notes is exempt from the Non-Resident Income Tax, according to the terms previously set forth.

II.22.5 Inheritance and gift tax

The transfer of the Notes by reason of death or in favour of natural persons is subject to the general rules of the Inheritance and Gift Tax Law, notwithstanding the provisions of double taxation treaties. In cases where the beneficiary is a company, the profit obtained shall be subject to corporation tax or non-resident income tax, in accordance with the rules and the individual circumstances. The latter instance is without prejudice to the provisions of the agreements governing double taxation which may apply.

II.23 Purpose of the transaction

The net amount of the Note issue shall be wholly targeted at the payment of the price for the purchase of the mortgage shares issued by BANCO SABADELL that form the Fund's asset.

II.24 Entities that, if applicable, have agreed to participate in the secondary trading, giving liquidity by offering a consideration, indicating the extent of their intervention and the form it shall take

There are no agreements with any entity for participation in the secondary market of the Notes, facilitating their liquidity by offering a consideration.

¹ The application of which will result in a withholding on the part of the price equivalent to the accrued coupon in the transactions carried out within thirty days immediately prior to the coupon maturity date when (i) the buyer is a non-resident individual or a legal entity in Spain, or a Corporate Income Taxpayer and (ii) the buyer is exempt from the withholding obligation on this income.

II.25 Individuals or legal persons that have had a relevant participation in the design of or consultancy service for the incorporation of the Fund or in any of the significant information contained in the prospectus, including where applicable, the allocation consultancy service

II.25.1 List of individuals and legal persons

- a) The financial design of the Fund and the note issue have been carried out by BANCO DE SABADELL, S.A. and GESTICAIXA, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A.
- b) CUATRECASAS ABOGADOS, S.R.L., as independent legal advisors, have provided legal consultancy of the Fund Manager's operation.
- c) BANCO SABADELL, S.A. is the assigning entity of the mortgage loans through the issue of the mortgage shares, which shall be wholly subscribed by the Fund in its formation.
- d) BARCLAYS BANK PLC., CREDIT SUISSE FIRST BOSTON EUROPE LIMITED, LEHMAN BROTHERS INTERNATIONAL (EUROPE) and BANCO DE SABADELL, S.A. participate as Placement Directors and Managers of the note issue.
- e) BANCO SABADELL, S.A. participates as paying agent of the note issue.
- f) DELOITTE & TOUCHE ESPAÑA, S.L. participate as auditor of a series of attributes from the selection of BANCO SABADELL mortgage loans from which the mortgage shares shall be extracted and subscribed by the Fund in its formation.

II.25.2. Declaration of the person responsible for the prospectus in the name of the Fund manager, regarding whether they are aware of type of tie (political rights, work-related, family, etc.) or economic interests of the referred experts, consultants, or any other intervening entities, either with the Fund Manager or with the former holders of the assets acquired by the Fund

'Mr. Xavier Jaumandreu Patxot, in name and on behalf of GESTICAIXA, SGFT, S.A, with registered office in Barcelona, Avenida Diagonal, 621-629, and in relation to the formation of the 'GC SABADELL 1, MORTGAGE SECURITISATION FUND, for the amount of one billion two hundred million euros (€1,200,000,000), the prior notification of which for registration in the National Securities Market Commission, was presented on 15 June 2004, in compliance with the provisions set forth in section II.25.2 of Circular 2/94, dated 16 March; circular 2/94, dated 16 March, from the National Securities Market Commission which approves the model of the prospectus for the mortgage securitisation fund (in development of the Order of 12 July, 1993, which, in turn, develops Royal Decree 291/92, of 27 March),

DECLARES

That Caixa d'Estalvis i Pensions de Barcelona, through Caixa Holding, S.A. holds an indirect share (of which control is held) of 96.4% of the share capital of Gesticaixa, S.G.F.T, S.A.

Likewise, Caixa d'Estalvis i Pensions de Barcelona, through Caixa Holding, S.A., has an indirect share of 14.755% of the share capital of Banco Sabadell, S.A.

That there exists no other type of link (voting rights, work-related, family, etc.) or economic interest between the fund manager and/or the assignor and the experts, consultants and/or other entities that have participated in the design or consultancy service for the incorporation of the fund, or of some relevant information contained in the prospectus, other than the strictly professional.

For the record, this declaration is made in Barcelona on 28 June 2004

II.25.3 Declaration of the Assignor

BANCO SABADELL declaration.

Mr. Rafael García Nauffal in name and representation of BANCO SABADELL, domiciled for these purposes in Plaza Cataluña, 1, Sabadell, duly empowered for the purposes by virtue of the resolutions passed by the Board of Directors at its session held on 27 May 2004 and with regard to the formation of GC SABADELL 1, MORTGAGE SECURITISATION FUND,

DECLARES

· That the declarations made with regard to the mortgage loans and the mortgage shares, shown in section IV.1.3 of the prospectus, are true.

That the above statements shall be guaranteed to the fund manager, in representation of the fund, in the Deed of Incorporation of the same

· That the necessary checks have been carried out to ensure the truthfulness and integrity of the information contained in the prospectus on the portfolio of selected mortgage loans which shall be assigned to the fund in their majority. The referred mortgage loans shall constitute the mortgage loans that are the purpose of the issue of the mortgage shares.

- That, as a consequence of these verifications, there is no indication of circumstances that contradict or alter the information collected in the prospectus, nor does this omit significant acts or data that could be relevant to the investor.

And for the record and the opportune purposes, the foregoing declaration is made in Sabadell on 23 June 2004

A photocopy of the letter from the assignor which contains the aforementioned declaration is attached to this prospectus as Annexe VII.

CHAPTER III

INFORMATION OF A GENERAL NATURE ON THE FUND

III.1 Regulating rules, name of Fund and purpose thereof.

The constitution of the Fund and the note issue charged to the Fund are executed within the scope of the provisions set forth in Royal Decree 926/1998 and shall be subject to (i) the deed of constitution (ii) Law 19/1992; (iii) Law 3/1994; (iv) Law 44/2002 (specifically article 18); (v) Law 24/1988, governing the securities market; and (vi) the remaining legal and regulatory provisions in force that are applicable at any particular moment.

The denomination of the Fund is 'GC SABADELL 1, MORTGAGE SECURITISATION FUND' and for its identification, the following abbreviated denominations can also be used indistinctly:

- GC SABADELL 1 F.T.H.
- GC SABADELL 1, FTH.

The Fund is constituted for the purposes of acting as a vehicle for the grouping together of mortgage shares that shall be issued by BANCO SABADELL and subscribed by the Fund. Furthermore, a note issue shall be carried out, through a financial transfer process and a credit increase derived from the different active and passive transactions and coverage provided by the Fund.

Companies' Book

The Deed of Incorporation shall not be registered in the Companies' Book. This is in accordance with article 5 of Law 19/1992.

III.2 Legal nature of the Fund

The Fund shall constitute separate patrimony without a legal personality. It shall be of a closed nature, formed, with regard to its asset, by the mortgage shares that it holds at the moment of its constitution, and the reserve fund. Its liabilities shall comprise the Note issued, the subordinate loan and the loan for start-up expenses, in a way in which the net patrimonial value is null. In addition, the Fund is subject to the interest swap that shall appear in the memorandum accounts.

In accordance with the additional fifth provision of Law 3/1994, dated 14 April, through which Spanish legislation with regard to credit entities was adapted to the second directive of banking coordination, and other modifications were introduced regarding the financial system, modified by article 18 of Law 44/2002: in the event of bankruptcy, BANCO SABADELL, as assignor of the mortgage loans grouped together in the Fund through the issue of mortgage shares, may only be challenged with regard to the business of assignment and issue, if fraud is present. The Fund has the absolute right to separation under the terms set forth in articles 908 and 909 of the Code of Commerce. The Fund shall also have the right to separation in the event of suspension of payments or assimilated situations of the assignor.

The duration of the Fund shall be until 20 June 2038, the final maturity date of the note issue, except in the event of the provisions pursuant to sections III.7.1 and III.7.2 of this prospectus taking place. The patrimonial elements that integrate the assets and liabilities of the Fund, and the operations of risk coverage and of services that are arranged by the same are determined later in this section.

III.2.1 Fund assets

The assets of the Fund shall be composed of:

a) At their formation (until the disbursement date included)

- (i) The mortgage shares that BANCO SABADELL shall issue over the mortgage loans, the total capital or principal of which shall be equal to, or slightly less than one billion two hundred million euros (€1,200,000,000). This is the nominal value of the note issue.

The general characteristics of the mortgage loans, the terms and conditions of the mortgage shares that facilitate the assignment, are described in section IV.1 of this prospectus. The characteristics of the selected mortgage loans from the BANCO SABADELL portfolio, from which the mortgage loans shall be extracted in the incorporation of the Fund, are detailed in section IV.4 of this prospectus.

- (ii) The amount charged for the outlay of the managed subscription of each of the Note Classes.
- (iii) The initial expenses of the Fund formation and the issue of the activated Notes.
- (iv) The balance existing in the treasury account under the contract of opening with guaranteed interest rate (treasury account) formed by the quantities obtained from the initial costs loan, as detailed in section V.3.1 of this prospectus.

b) During the life of the Fund.

- (i) The current balance of the mortgage loan as a consequence of the amounts amortised.
- (ii) The balance pending amortisation of the initial expenses of the incorporation of the Fund and issue of the Notes.
- (iii) The ordinary interest of the mortgage shares that correspond to that applicable to mortgage loans, and the remaining rights conferred upon the Fund derived from the mortgage loans, including those that correspond to the claims insurance policies, taken out by the debtors or any other insurance policy that grants an equivalent policy.
- (iv) The amounts to be received through the interest finance swap that are established in section V.3.5 of this Prospectus.
- (v) The property that the Fund allocates in the possible execution of the property mortgages that guarantee the mortgage loans, whatsoever amounts or assets received through judicial or notarial execution of the mortgage guarantees, or through the alienation or exploitation of the property allocated to the Fund in execution of the mortgage guarantees, or in tenancy administration and possession of the property (in the process of being carried out), purchased at the reduced price or the amount set through legal ruling.
- (vi) The remaining existing balances in the treasury fund under the contract of account opening with guaranteed interest rate (treasury account) and their interest.
- (vii) The balance existing in the amortisation account under the contract of account opening with guaranteed interest rate (amortisation account) and its interest, according to the provisions set forth in section V.3.2 of this prospectus.
- (viii) Any other quantity received in relation to the other contracts formalised by the Fund manager through the Fund.

III.2.2 Fund liabilities.

The liabilities of the Fund shall be comprised of:

a) At their formation (until the disbursement date included)

- (i) The note issue that rises to a nominal value of one billion two hundred million euros (1,200,000,000), represented through book entries and comprising four (4) Class of Notes distributed in the following manner:
 - a) Class A comprising two Classes of a nominal value of one billion, one hundred and seventy million, six thousand euros (€1.170.600.000):
 - (i) Class A1 of a total nominal value of one hundred and fifty million euros (€150,000,000), comprising one thousand five hundred (1,500) Notes with a nominal value of one hundred thousand euros (€100,000) each, represented through account entries.
 - (ii) Class A2 for a total nominal amount of one billion, twenty million, six thousand euros (€1.020.600.000) comprising one hundred ninety two (192) Notes with a nominal value of one hundred thousand euros (€100,000) each, represented through account entries.
 - b) Class B comprising a single Class B for a total nominal amount of nineteen million, two thousand euros (€19.200.000) comprising one hundred ninety two (192) Notes with a nominal value of one hundred thousand euros (€100,000) each, represented through account entries.
 - c) Class C comprising a single Class C for a total nominal amount of ten million, two hundred thousand euros (€10.200.000) comprising one hundred ninety two (192) Notes with a nominal value of one hundred thousand euros (€100,000) each, represented through account entries.

The characteristics of the note issue are set forth in chapter II of this prospectus.

- (ii) The amount to be paid for the subscription to the mortgage shares issued by BANCO SABADELL.
- (iii) The amount of the loan for initial expenses that is established in section V.3.4 of this prospectus.
- (iv) The amount of the subordinate loan that is set forth in section V.3.3 of this prospectus, targeted at the constitution of the reserve fund.

b) During the life of the Fund

- (i) The balance of the outstanding principal of the Notes of each of the Classes and their interest.
- (ii) The outstanding principal to repay of the loan for initial expenses and the subordinate loan and the interest of both.
- (iii) The amounts to be paid through the interest finance swap, which are established in section V.3.5 of this prospectus.
- (iv) The commissions and other expenses established in the diverse contracts of operation, as well as any other that could be incurred by the Fund.

III.2.3 Reserve Fund

The Fund Manager shall constitute a reserve fund on the disbursement date. This shall initially be able to charge the total amount of the subordinate loan capital and, subsequently, on each payment date it shall maintain its endowment to the reserve fund amount required and in accordance with the Fund's Priority of Payments.

The specifications of the reserve fund are as follows:

III.2.3.1 Amount

1. The reserve fund shall be constituted on the disbursement date for an initial amount equal to ten million, eight hundred thousand euros (€10.800.000).
2. Following its constitution, the reserve fund shall be endowed on each payment date, up to the amount specified below and charged to available funds. This is in accordance with the Priority of Payments. The

reserve fund amount required on each payment date (the 'fund reserve amount') shall be the lower of the following amounts:

- (i) Ten million, eight hundred thousand euros (€10.800.000), equivalent to 0.90% of the nominal value amount of the note issue.
- (ii) The higher amount between:
 - a) The 1.80% of the balance of the outstanding amount of the note issue.
 - b) Five million (€5.000.000) euros.

3. Notwithstanding the foregoing, the amount of the reserve fund shall not be reduced on a payment date and shall remain at the amount of the reserve fund required on the previous payment date, when any of the following circumstances concur on a determined payment date:

- i) That on the determination date prior to the corresponding payment date, the amount that the sum of the current balance of the mortgage loans that are more than three (3) months in arrears totals, is greater than 1% of the current balance of the mortgage loans on that same date.
- ii) That on the previous payment date, the reserve fund had not been endowed with the reserve fund amount required on that payment date.

III.2.3.2 Yield

The amount of the reserve fund shall remain deposited in the treasury account, remunerated under the terms of the account opening contract at a guaranteed rate of interest (treasury account).

III.2.3.3 Purpose

On each Payment Date, the reserve fund shall be applied to the satisfaction of the payment obligations contained in the Priority of Payments.

III.2.4 Operations of risk coverage and services

With the goal of consolidating the financial structure of the Fund, of increasing the security or regularity of the payment of the Notes, of covering the temporary lags between the calendar of the flow of principal and interest of the mortgage loans and that of the Notes, or, in general, transforming the financial characteristics of the mortgage loans, as well as complementing the administration of the Fund, the Fund Manager, in representation of the Fund, shall proceed in the act of granting the Deed of Incorporation, to formalise the contracts that are enumerated below, in accordance with article 6.1 of Royal Decree 926/1998.

The Fund Manager may extend or modify the contracts signed in name and on behalf of the Fund, and replace each of the service lenders to the Fund by virtue of the referred contracts. Furthermore, additional contracts may be signed, including credit line contracts, providing that they are in accordance with existing legal provisions at that specific time and there are no circumstances that prevent the foregoing. In any case, such actions shall require the Fund Manager to give prior notice to the CNMV or to the competent administrative body if necessary. The ratings agencies must also be notified and such modifications cannot affect the ratings awarded to the Notes by the rating agencies. The Deed of Incorporation shall also be the possible object of rectification at the request of the CNMV.

The transactions for the coverage of financial risk and the rendering of services that are arranged on behalf of the Fund are:

- (i) Account opening contract at guaranteed interest rate (treasury account).
- (ii) Account opening contract at guaranteed interest rate (amortisation account).
- (iii) Subordinated Loan Contract.
- (iv) Loan contract for initial expenses.
- (v) Finance interest swap contract.

- (vi) Administration of mortgage loans and deposit of mortgage shares contract.
- (vii) Contract of management, management of the note issue.
- (viii) Notes paying agency contract.
- (ix) Financial allocation contract.

The individualised description of the most relevant terms of each of the aforementioned contracts is made in section V.3 of this prospectus, in addition to the more exhaustive description of the contract of administration and management of the mortgage loans and deposit of the mortgage shares made in section IV.2.

III.2.5 Fund deposits.

The Fund shall have use of the amounts deposited in the treasury account and the amortisation account. Income susceptible to use for the purposes of meeting the Fund's payment obligations shall be the following:

- a. The amounts received through reimbursement of the principal of the mortgage loans.
- b. The ordinary interest of the mortgage loans.
- c. The amount of the loan for initial expenses.
- d. The amount of the reserve fund, initially constituted with availability of the amount of the subordinate loan.
- e. The amounts received by virtue of the terms of the interest swap.
- f. The returns obtained through investment of the amounts deposited in the treasury account and the amortisation account.
- g. Any other amounts the Fund might receive, including those that the Fund might receive by virtue of the mortgage loans, both through alienation of goods or property adjudicated to the Fund, or the exploitation thereof, as well as the rest of the rights conferred on the Fund through subscription of the mortgage shares.

III.2.6 Expenses charged to the Fund

The Fund Manager shall satisfy all costs necessary for the performance of the Fund, and shall charge the referred expenses to the Fund. These shall include all initial expenses as well as ordinary and extraordinary periodic costs that accrue throughout the life of the Fund.

VAT paid by the Fund shall be deductible for the purposes of corporation tax.

Initial expenses

The estimation of the initial expenses for the Fund formation and Note issue are found detailed in section II.14 of the Prospectus. The payment of the initial expenses shall be made with the amount available from the loan for initial expenses and shall not be subject to the Priority of Payments of the Fund.

Expenses in the course of the life of the Fund

The Fund Manager shall pay all the expenses necessary for the operation of the Fund and shall charge the referred payments to the Fund. This includes both ordinary periodic expenses as well as extraordinary expenses that accrue during the life of the Fund. All payments shall be made in accordance with the Priority of Payments that corresponds to each of them. Although not limiting, the Fund Manager shall satisfy the following expenses:

- a. Any remaining initial costs of the constitution of the Fund and the Note issue that exceed the amount of the loan for initial expenses.

- b. Expenses that may derive from the mandatory registrations and administrative authorisations.
- c. If necessary, the expenses derived from the preparation and formalisation of the modification of the Deed of Incorporation and of the contracts, as well as for any additional contracts.
- d. Fees of the rating agencies for monitoring and maintaining the ratings of the Notes.
- e. Expenses derived from the amortisation of the Notes.
- f. Expenses relative to the carrying out of the accounting registry of the Notes through their representation via account entries and for their admittance to trading on the secondary securities markets, and upkeep of the foregoing.
- g. Expenses that may derive from the sale of the mortgage shares and of the assets remaining in the Fund for the liquidation of the same, including those derived from the acquisition of a line of credit.
- h. Expenses required to carry out the execution of the mortgage loans and those derived from recovery actions that are necessary.
- i. Costs derived from fund administration.
- j. Costs derived from the administration of the mortgage loans and the deposit of the mortgage shares.
- k. Financial costs of the note issue.
- l. The amounts received by virtue of the interest swap contract.
- m. Commissions and costs charged to the Fund for the remaining signed contracts for services and financial operations.
- n. Expenses derived from the announcements and notifications related to the Fund and/or the Notes.
- o. Expenses for auditing and legal consultancy service.
- p. In general, any other expense borne by the Fund or by the Fund manager in name and on behalf of the same.

III.3 Formulation, verification, and approval of the annual accounts and other accounting documentation of the Fund

The annual accounts of the Fund shall be the object of annual verification and revisions by account auditors. The Fund Manager shall present to the CNMV the annual accounts of the Fund, together with the audit report of the same, within four (4) months following the closing of the period for the Fund that coincides with the natural year.

The Fund Manager shall proceed to designate, for maximum periods of three (3) years, the accounts auditor that shall carry out the auditing of the annual accounts of the Fund, during this time. CNMV shall be notified of this by the Fund Manager. The appointment of an accounts auditor for a the referred period shall not render subsequent appointment impossible. Current legislation in force at any given time with regard to this field must be respected.

III.4 Obligations and periods foreseen for making periodic information on the financial - economic situation of the Fund available to the public and for submission thereof to the National Securities Market Commission

III.4.1. Obligation to notification

The Fund Manager, through its management and administrative duties, undertakes to provide the CNMV and the ratings agencies with the information shown hereunder. The referred information shall be provided quarterly. An exception is made to the contents of section c) which shall be of an annual nature, regardless of making them aware of all the ordinary and extraordinary periodic notifications contained in section III.4.2 of this prospectus, as well as any other information that they may require.

a) With regard to each of the Class of Notes and with reference to each payment date:

1. Statements corresponding to the evolution of the balances of the principal pending payment, amortisations made, interest rates applied, and the interest accrued and not paid.
2. Estimated average life of the Notes of each Class under different early amortisation fees of the mortgage loans.

b) With regard to the mortgage loans and with reference to each payment date:

1. Evolution and situation of the portfolio
2. Evolution of the early amortisation fees
3. Evolution and situation of defaults
4. Inventory of the mortgage loans awaiting amortisation

c) Annually, with regard to the annual accounts of the Fund:

Balance, profit and loss statement, management report and audit report within four (4) months following the closure of each year-end.

III.4.2 Other obligations to the notification of ordinary, extraordinary and relevant facts

The Fund Manager undertakes to carry out the notifications detailed hereunder, in due satisfaction of the conditions of the issue. The periodicity set forth for each one shall also be observed.

a) Periodic ordinary notifications

1. In the period between the setting of the interest rate date and the maximum of two (2) following business days, the nominal rate of interest applicable for each Class of Notes shall be notified to the Noteholders. The referred interest shall be for the interest accrual period following the payment date thereof.
2. Quarterly, with minimum notice of one (1) calendar day prior to each payment date, the Noteholders shall be given the following information by the Fund Manager:
 - i) The interests from the Notes of each Class, together with the amortisation of the Notes.
 - ii) Likewise, where applicable, the amounts of interest and amortisation accrued through the Notes of each Class and not paid due to lack of available funds. In accordance with the Priority of Payments of the Fund.
 - iii) The balances of outstanding principal of the Notes of each Class, following the amortisation to be liquidated on each payment date, and the percentages that the referred balances of outstanding principal represent over the initial nominal value of each note.
 - iv) The real early amortisation fee of the mortgage loans during the last three calendar months prior to the month corresponding to each payment date.
 - v) The estimated average residual life of the Notes with the hypothesis of maintaining the referred early amortisation real rate and with the rest of the hypotheses set forth in section II.12.a).

The foregoing notifications shall be carried out in accordance with the provisions set forth in the following section c), and shall likewise be communicated to the CNMV, the paying agent, the AIAF and Iberclear, within a maximum period of one (1) business day prior to each payment date.

b) Extraordinary notifications

The following shall be subject to extraordinary notification:

1. The incorporation of the Fund and the note issue, as well as the definitive margins applicable for the determination of the nominal interest rate of each of the Classes and the nominal interest rate determined for each of the Class of Notes for the first interest accrual period. The foregoing is in accordance with the content of this prospectus, through publication in a popular newspaper in Spain one day prior to the disbursement date. The referred newspaper may be of an economic/financial nature or of a general nature.

2. All relevant facts that may occur with regard to the mortgage loans, the Notes, the funds, and with the Fund Manager, which could have a marked effect on the trading of the Notes. Furthermore, and in a general sense, any relevant modification to the assets or liabilities of the Fund or in the case of termination of the incorporation of the Fund or of a decision of early liquidation of the note issue and winding up of the Fund for any of the reasons set forth in this prospectus. In this latter case, the CNMV must be sent the notary-witnessed minutes of the extinguishment of the Fund and the winding-up procedures to be followed as referred to in section III.7.1 of this prospectus.

c) Notification procedure to Noteholders

The notifications that the Fund Manager has to make to the Noteholders, with regard to the Fund and pursuant to the foregoing, shall be carried out as follows:

1. Ordinary notifications

The ordinary notifications shall be carried out through publication either in the daily newsletter of the AIAF Fixed Income Market, or any other that replaces this, or of similar characteristics, or through publication in a popular newspaper in Spain, whether of an economic/financial nature or of a general nature.

In addition, the Fund Manager or the paying agent may release such information, or other information of interest to the Noteholders, through the channels and systems of the financial markets, such as Reuters, Bridge Telerate, Bloomberg or any other of similar characteristics.

2. Extraordinary notifications

The extraordinary notifications must be made through publication in a popular newspaper in Spain. The referred newspaper may be of a financial/economic nature or of a general nature. These notifications shall be considered given on the date of publication thereof and are valid for any day of the calendar, whether or not a business day (in accordance with the provisions set forth in this prospectus).

3. Notifications and other information

The Fund Manager may put notifications and other information of interest to Noteholders at the disposal of the latter through the Internet web pages of the Fund Manager or other similar tele-transmission methods.

d) Information to the Nation Securities Market Commission

The Fund Manager shall inform the CNMV about the publications that are made in accordance with the provisions set forth in the previous sections. This applies to both periodic ordinary information as well as extraordinary information. Furthermore, the Fund Manager undertakes to issue any information that may be required.

III.5 Fiscal Regime of the Fund

In accordance with the provisions set forth in section 2 of article 1 of Royal Decree 926/1998, article 5.10 of Law 19/1992; article 7.1.h) of Law 43/1995, of December 27, of the Corporation Tax; article 20.One.18 of Law 37/1992, of December 28, of the Value Added Tax and article 57.k of Royal Decree 537/1997, of April 14, modified by Royal Decree 2717/1998, of December 18, through which the Regulation of Corporate Income Tax is passed, and article 45.I.B.15 of Royal Legislative Decree 1/1993 of 24 September, which approved the Revised Text of the Tax on Patrimonial Transfers and Documented Legal Acts the proper characteristics of the fiscal regimen of the Fund are as follows:

- (i) The Fund formation shall be exempt from the concept of 'corporate operations', of the Tax on Patrimonial Transfers and Documented Legal Acts.
- (ii) The Note issue, redemption and amortisation shall be exempt from the Value Added Tax (article 20.One.18 of the VAT Law) and from the Tax on Patrimonial Transfers and Documented Legal Acts (article 45-I B number 15 of the Composite Text of the Tax on Patrimonial Transfers and Documented Legal Acts, confirmed by the ruling of the Supreme Court on November 3, 1997).
- (iii) The Fund shall be subject to the Corporations Tax Law, its tax base being determined in accordance with the provisions set forth by Title IV of Law 43/1995, of December 27, of the Corporations Tax, and being of application the current applicable rate of each moment, that currently finds itself fixed at 35%.
- (iv) With respect to the income of the Mortgage transfer certificates, loans or other credit rights that constitute deposits to the Fund, there shall exist no obligation for retention or deposit on their account.
- (v) The management and deposit of the Fund by the Fund Manager are exempt from Value Added Tax (article 20.One.18.n) of VAT Law 37/1992).
- (vi) The transmission/assignment of the Mortgage Transfer Certificates to the Fund is exempt from Value Added Tax (article 20.One.18.1) of VAT Law 37/1992) and from Tax on Patrimonial Transfers and Documented Legal Acts.

III.6 Modifications of the Deed of Incorporation of the Fund

The Deed of Incorporation of the Fund may only be modified as necessary and provided that there are no circumstances prohibiting it under the applicable legal provisions at any given time. Any such actions shall be notified in advance by the Fund Manager to the CNMV or another competent administrative body or the Rating Agencies, and authorisation shall be obtained in advance where necessary, and such actions shall not jeopardise the Notes' ratings by the Rating Agencies. The Deed of Incorporation shall also be the possible object of rectification at the request of the CNMV.

III.7 Liquidation and Extinguishment of the Fund

III.7.1 Early Liquidation of the Fund

The Fund Manager, with prior communication to the CNMV, shall be authorised to proceed with the early liquidation ('Early Liquidation') of the Fund and with it, to the early amortisation ('Early Amortisation') and extinguishment of the Fund on a Payment Date for all the Note Issue under any of the following circumstances ('Circumstances of Early Liquidation'):

- (i) When the amount of the Outstanding Balance of the Mortgage Loans is less than ten (10) percent of the initial Outstanding Balance of the Loans on the date of incorporation of the Fund, in accordance with the authorisation established in article 5.3 of Law 19/1992, and always where the payment obligations derived from the Note issued against the Fund can be attended to and cancelled in accordance with the Priority of Payments.

The Outstanding Principal on the date of the Early Liquidation of the Fund shall be understood as a payment obligation derived from the Notes plus the accrued interest outstanding as of that date, less any tax withholding, where the referred taxes shall for all legal purposes be considered due and payable on that date.

- (ii) When as a result of any event or circumstance of any kind outside or otherwise the development of the Fund itself, a substantial alteration occurs or the financial balance of the Fund required by article 5.6 of Law 19/1992 is permanently distorted. This includes circumstances such as changes to the regulations or supplementary legislative developments, the establishment of withholding obligations or other situations which could permanently affect the financial equilibrium of the Fund.
- (iii) Obligatorily, in the event that the Fund Manager were declared in suspension of payments or bankrupt, and the statutory period established to that effect has elapsed or, in its absence, four months have elapsed, without designating a new Fund Manager, in accordance with the provisions set forth in section III.8.2 of the present Prospectus.
- (iv) When eighteen (18) months have transpired from the last maturity date of the Loans, even though there may still be amounts due and pending collection.

For the referred Early Liquidation to proceed, the following conditions must be met:

- (i) It must be possible to meet all payment obligations of the Fund.
- (ii) That, where applicable, the necessary authorisations have been obtained from the CNMV or from the competent administrative authorities or organisations.
- (iii) That the communication is made to the Noteholders, as described in section III.4.2 of the present Prospectus and with an advance notice of fifteen (15) Business Days, of the agreement with the Fund Manager to proceed with the early liquidation of the Fund.

The referred communication, that shall have been previously brought to the attention of the CNMV and the Rating Agencies, shall contain the description (i) of the circumstance or circumstances under which the Early liquidation of the Fund is being carried out, (ii) of the procedures for carrying it to conclusion, and (iii) the form in which it shall be proceeded with so as to attend to and cancel the payment obligations derived from the Notes in accordance with the Priority of Payments.

With the object that the Fund, through the Fund Manager, may conclude the Early Liquidation of the Fund and the Early Redemption of the Note Issue under the circumstances and meeting the requirements set out in this section, the Fund Manager, on behalf of the Fund, will:

- (i) Sell the outstanding Mortgage Transfer Certificates for a price no lower than the sum of the principal plus the unpaid accrued interest of the Mortgage Loans in question.
- (ii) Cancel those contracts that are not necessary for the liquidation process of the Fund.
- (iii) It shall be authorised to arrange a line of credit to be destined fully and immediately to the Early Redemption of the Note Issue. The reimbursement of the referred line of credit shall be guaranteed with the flow of interest and principal derived from the outstanding Mortgage transfer certificates and by the return on the sale of the other goods that remain in the assets of the Fund.
- (iv) Finally, if the preceding actions are insufficient or if there are surplus Mortgage transfer certificates or other surplus assets, it shall proceed to sell them, obtaining offers from at least five (5) third parties which, in its opinion, are capable of paying the fair market value. The Fund Manager is obliged to accept the best offer received for the assets up for sale which, in its opinion, covers the

market value. For the determination of the market value, the Fund Manager shall be able to obtain the valuation reports that it deems necessary.

In cases (i), (iii) and (iv) above, BANCO SABADELL shall have the right to match the bid, in such a way that it shall have preference over third parties for the acquisition of the Mortgage transfer certificates or other assets proceeding therefrom in the Fund assets, or to grant the Fund line of credit to be used for the Early Amortisation of the Note Issue. To this end, the Fund Manager shall forward to BANCO SABADELL a list of the assets and the offers received by third-parties, in which case the former may exercise the aforementioned right with respect to all the assets offered by the Fund Manager or the line of credit within ten (10) Business Days following the receipt of the referred communication and always where its offer is at least equal or greater than those made by the third-parties.

In the case of the early liquidation and cancellation of the Fund, the Fund Manager will, after making provisions for the reserve referred to in part III.7.2 below, immediately apply in sequential order all amounts received from the disposal of the Fund's assets to the payment of the different items, in the manner, amounts and order described below (**Liquidation Priority of Payments**).

1. Payment of the taxes and ordinary and extraordinary expenses of the Fund, supplied or not by the Fund Manager and duly justified, including the fee for the administration of the Mortgage Loans in favour of the Administrator (except if the provisions of paragraph 15 of the Priority of Payments apply) and the rest of expenses and charges for services, including those associated with the Payment Agency Contract. In this sense, of the expenses in favour of the Administration, only those in relation to the Administration Contract that this may have anticipated or provided on the account of the Fund, as well as the amounts to which it may be entitled, all them duly justified, shall be attended.
2. Payment of the value of the Interest Swap Contract and only in the event of the termination of the referred Contract due to a breach by the Fund, the payment of the amount to be paid by the Fund corresponding to the liquidation payment.
3. Payment of the interest accrued by the Class A1 and Class A2 Notes.
4. Repayment of the balance of the outstanding principal on Class A Notes.
5. Payment of the interest accrued by the Class B Notes
6. Repayment of the balance of the outstanding principal on Class B Notes.
7. Payment of the interest accrued by the Class C Notes
8. Repayment of the balance of the outstanding principal on the Class C Notes.
9. Payment of the amount payable by the Fund for the liquidation of the Interest Swap Contract when the referred contract is terminated due to a breach of the counterpart (Part B) of the Fund.
10. Payment of the interests accrued on the Loan for Initial Expenses;
11. Repayment of the principal of the Loan for Initial Expenses in the amount corresponding to the amortisation of the loan.
12. Payment of the interests accrued on the Subordinate Loan corresponding to the ordinary interest rate.
13. Repayment of the principal of the Subordinate Loan in the amount corresponding to the amortisation of the loan.

14. Payment of the Administrator's fees in relation to the Administration Contract for administering the Mortgage Loans. If BANCO SABADELL were replaced by another entity as the Administrator of the Mortgage Loans, the payment of the administration fee to the new administration shall occupy first place in the Priority of Payments, along with the rest of the payments occupying this place.

15. Payment of Financial Allocation Fee:

III.7.2 Extinguishment of the Fund.

The Fund shall be extinguished under any of the following circumstances:

- (i) When all of its Mortgage transfer certificates are fully amortised.
- (ii) When all the Note issued are fully amortised.
- (iii) When the Early Liquidation process described in III.7.1 above is complete.
- (iv) In any case, on the final liquidation date of the Fund on the maturity date of 20 June 2038 or if it falls on a weekend or holiday, the next business day.
- (v) By cancellation of the Fund if the Rating Agencies do not confirm the ratings tentatively assigned before the start of the Subscription Period, or in the event of the termination of the Management Agreement for the Note Issue. In this case, the Fund shall be terminated along with the issue and subscription of the Mortgage transfer certificates and the Note Issue.

The dissolution of the Fund Formation shall be brought to the attention of the CNMV as soon as confirmed and shall be made public through the procedure described in section III.4.2.b) and c) of this Prospectus. Within one (1) month of the occurrence of the cause of dissolution, the Fund Manager shall grant a Notary Certificate declaring resolved and terminated the obligations of the Fund and dissolving the same. This notwithstanding, the Fund Manager shall attend to the requirable expenses of the Fund Formation that are described in section II.14 with the Initial Expense Loan, whose contract shall not be terminated, but shall be cancelled once the aforementioned obligations are satisfied, being subordinated to the reimbursement of the principal on fulfilment of the other obligations contracted for by the Fund Manager, in name and on behalf of the Fund.

In the event that, at the liquidation of the Fund and once realised the payments due to the different creditors through the distribution of the Available Funds in conformity to the Liquidation Priority of Payments, anything remains, this shall fall in favour of BANCO SABADELL in accordance with the conditions established by the Fund Manager.

In any case, the Fund Manager, acting in name and on behalf of the Fund, shall not proceed with the dissolution of the Fund and the cancellation of its inscription in the corresponding administrative registries until the liquidation of the remaining assets of the Fund and the distribution of the Available Funds according to the Liquidation Priority of Payments has taken place, where an exception is made for the appropriate reserve to cover the final expenses of dissolution and liquidation of the tax, administrative, or advertisement expenses.

After a period of six (6) months from the liquidation of the remaining assets of the Fund and the distribution of the Available Assets, the Fund Manager shall execute a Notary Certificate declaring (i) the dissolution of the Fund, as well as the causes behind its dissolution; (ii) the process of communication carried out to the Noteholders and to the CNMV; and (iii) the distribution of the amounts available to the Fund, following the Liquidation Priority of Payments of the Fund; which shall be announced in a newspaper of national distribution and shall comply with the rest of the applicable administrative procedures. The referred notary document shall be submitted by the Fund Manager to the CNMV.

III.8 Management and Representation of the Fund and Note Holders

III.8.1 Description of the functions and responsibilities assumed by the Fund Manager in the management and legal representation of the Fund and Note Holders

The administration and legal representation of the Fund corresponds to the Fund Manager, GESTICAIXA, SOCIEDAD GESTORA DE FONDOS DE TITULISACION, S.A. under the terms foreseen by Royal Decree 926/1998, and for anything not addressed in Royal Decree 926/1998 by Law 19/1992 and other applicable laws, as well as the terms of the Deed of Incorporation.

The Ministry of Economy and Treasury authorised the creation of the Fund Manager, Sociedad Gestora de Fondos de Titulización Hipotecaria, on August 24, 1994, and subsequently, on May 9, 2002, authorised its transformation into Sociedad Gestora de Fondos de Titulización. It is registered in a special registry maintained by the CNMV under number 7. The information on the Fund Manager is found in Chapter VI of this Prospectus.

The Fund Manager shall perform for the Fund those functions attributable to it in Royal Decree 926/1998.

It equally corresponds to the Fund Manager, in its capacity as manager of business of others, the representation and defence of the interests of the Noteholders issued against the Fund and of the rest of the ordinary creditors of the same. Consequently, the Fund Manager shall limit its actions to the defence of those interests in accordance with the laws in force at any given time. The Noteholders and other ordinary creditors of the Fund shall not have any action against the Fund Manager of the Fund, except for the breach of its duties or the failure to observe the provisions set forth in the Deed of Incorporation and the Prospectus. The Fund Manager shall inform the Noteholders and the other ordinary creditors of the Fund of all circumstances that could be of their interest through the publication of the appropriate advertisements under the terms established in section III.4.2 of this Chapter.

III.8.1.1 Administration and Representation of the Fund

The principles, obligations and actions of the Fund Manager in the performance of its administrative and legal representation duties include but are not limited to those listed below, notwithstanding other actions foreseen in the Deed of Incorporation and in the present Prospectus:

Principles of Action of the Fund Manager

1. Principle of Diligence

The Fund Manager shall carry out its activity with the diligence required in agreement with Royal Decree 926/1998, representing the Fund and defending the interests of the Noteholders and the other ordinary creditors of the Fund as if its own interests were involved, maximising the levels of diligence, information and defence of the interests thereof and avoiding situations that would present conflicts of interest, giving priority to the interests of the Noteholders and the rest of the ordinary creditors of the Notes over the interests of third parties and over its own interests.

To this end, and notwithstanding the above, the Fund Manager may act as the Fund Manager of other Securitisation Funds, without the simultaneous management of these constituting, in any way, a violation of its obligations of diligence as the Fund Manager of the Fund or other Securitisation Funds.

2. Means Available

The Fund Manager has the means necessary, including adequate computer systems, to carry out the duties of administration of the Fund that are attributed to it by Royal Decree 926/1998.

3. Code of Conduct

The Fund Manager shall comply with the applicable code of conduct. The Fund Manager has established an Internal Code of Conduct in fulfilment of the provisions set forth in Chapter II of Royal Decree 629/1993, of May 3, on norms of conduct in the securities market and obligatory registries, that has been communicated to the CNMV, as well as the provisions set forth in the fourth Additional Disposition of the Finance Law.

4. Confidentiality

Neither during the life of the Fund nor after its extinguishment shall the Fund Manager reveal to persons, firms or companies (except as necessary for the due fulfilment of its obligations or to assert its rights, or where the law or any Stock Exchange or organised secondary market demands it, or where it is ordered by a legal tribunal or other competent authority, or where it be usual information of legitimate interest on the part of the Noteholders, or it be required by the CNMV or by the Rating Agencies) information relative to the Assigned Assets or the Debtors of the operations for financial risk coverage and the carrying out of services arranged on behalf of the Fund, and that the Fund Manager has obtained in the course of its duties in relation to the Fund.

Acts and Obligations of the Fund Manager for the Administration of the Fund

1. Management of the Fund

- (i) To manage the Fund with the objective that its patrimonial value be null at every moment;
- (ii) To keep the accounts of the Fund, with due separation from its own accounting, render the accounts and fulfil the fiscal obligations or any other legal obligations corresponding to the Fund.
- (iii) To refrain from carrying out actions that could worsen the ratings assigned to each Class of Note issue by the Rating Agencies, and procure the adoption of those measures that are reasonably within its reach so that the aforementioned ratings are not negatively affected at any time.
- (iv) To sign any and all agreements foreseen in the Deed of Incorporation and this Prospectus, on behalf of the Fund.
- (v) To adopt the appropriate decisions in relation to the liquidation of the Fund, including the decision of early liquidation of the Fund and early redemption of the Note Issue, in agreement with the provisions set forth in the Deed of Incorporation and in this Prospectus. Likewise, to adopt the appropriate decisions in the case of the termination of the incorporation of the Fund.
- (vi) To fulfil its formal obligations, with regard to documents and information for the CNMV, the Rating Agencies and any other supervisory body;
- (vii) To name and, where applicable, substitute and revoke the accounts auditor that carries out the auditing and inspection of the annual accounts of the Fund.
- (viii) To prepare and submit to the CNMV and to any other competent administrative body all the documents and information that should be submitted, as established by current regulations, the Deed of Incorporation and this Prospectus, or that be required, as well as to elaborate and send to the Rating Agencies the information they reasonably may require.
- (ix) To facilitate for the Noteholders issued against the Fund, to the CNMV and to the public in general, as much information and prior notifications as are contemplated by the current legislation and, in particular, by the Deed of Incorporation and by this Prospectus.
- (x) To fulfil its obligations for calculation set forth in the Deed of Incorporation and in the present Prospectus and in the diverse contracts of Fund operations described in section V.3 of the Prospectus or in those others which, if the case arises, are subsequently agreed to by the Fund Manager in name and on behalf of the Fund; and
- (xi) The Fund Manager may extend or modify the contract signed on behalf of the Fund, replace each of the providers of services to the Fund thereunder and even, if necessary, sign additional agreement, including credit line agreements, and amend the Deed of Incorporation, always in compliance with the laws in force at the time and provided there is nothing that precludes it from doing so. Any such actions shall be notified in advance by the Fund Manager to the CNMV or another competent administrative body or the Rating Agencies, and authorisation shall be obtained in advance where

necessary, and such actions shall not jeopardise the ratings of the Notes given by the Rating Agencies. In order to amend the Deed of Incorporation, to amend the agreements or to sign additional agreements, it shall be necessary for the Fund Manager to notify the CNMV as a relevant event or as a supplement to the Prospectus, whichever applies. The Deed of Incorporation or the agreements may also be rectified at the request of the CNMV.

2. In relation to the Mortgage transfer certificates and the Mortgage Loans

- (i) To exercise the rights inherent to the ownership of the Mortgage transfer certificates subscribed by the Fund and, in general, perform all the necessary acts of administration and regulation for the proper fulfilment of the administration and legal representation of the Fund;
- (ii) To verify that the amounts of the deposits the Fund effectively receives correspond to the amounts that should be received by the Fund, in accordance with the conditions of each Mortgage Loan and with the conditions of the respective Mortgage transfer certificate issues. To verify that the income is deposited by the Fund Manager into the Fund on the date it is received by the Administration, under the terms set forth in the Administration Contract.
- (iii) To validate and control the information that the Administrator receives regarding the Mortgage Loans, in reference to the charges of the ordinary accounts, early cancellations of principal, payments received of unpaid instalments and the situation and control of overdue amounts.
- (iv) To supervise that any renegotiation of the conditions of the Mortgage Loans is carried out by the Administrator in agreement with the general or specific instructions communicated to it by the Fund Manager; and
- (v) To supervise the actions coordinated with the Administrator for the recuperation of the unpaid amounts, passing on instructions, when appropriate, to initiate executive proceedings and regarding the position to be adopted in real estate auctions. To take executive action on the mortgage loans as required by the circumstances.

3. In relation to the Note Issue

- (i) To prepare and notify the Noteholders of the information foreseen in the present Prospectus, as well as all additional information that may be legally required.
- (ii) To determine, in each Interest Rate Determination Date, and with respect to each following Period of Interest Accrual, the nominal interest rate to apply to each of the Classes of Notes, resulting from the determination made in accordance with the provisions set forth in section II.10, publishing it in the manner foreseen in sections III.4.2.a) and c).
- (iii) To calculate and liquidate the amount payable on each Payment Date for the accrued interest of each of the Classes of Notes in accordance with the provisions set forth in section II.10, publishing it in the manner foreseen in section III.4.2.a) and c).
- (iv) To calculate and determine on each Determination Date, the principal to be amortised or reimbursed of each of the Classes of Notes on the corresponding Payment Date in accordance with the provisions set forth in section II.11.3, and publish it in the manner foreseen in sections III.4.2.a) and c).

4. In relation to the Remaining Financial and Service Operations

- (i) To determine the interest rate applicable to each of the active, passive and coverage financial operations.

- (ii) To calculate and liquidate the amounts for interest and commissions to be received and paid for the different asset, liability and coverage financial accounts, as well as the commissions to be paid for the different financial services;
- (iii) To open in the name of the Fund two financial accounts - Treasury Account and Amortisation Account - initially in BANCO SABADELL. If it is necessary to open a Treasury Surplus Account, it shall be opened with a financial entity with a credit rating for its short term debt of at least A-1+ and P-1 on the S&P and Moody's scales, respectively.
- (iv) To take the actions set forth in relation to the Guaranteed Interest Rate Account Agreement (Treasury Account), the Guaranteed Interest Rate Account Agreement (Amortisation Account) and Interest Swapping described in parts V.3.1, V.3.2 and V.3.5, respectively, relative to the debt rating of BANCO SABADELL or its financial situation.
- (v) To deposit in the Treasury Account the amounts that the Administrator receives from the Mortgage Loans for the payment of principal and interest and for any other items payable to the Fund.
- (vi) To ensure that the amounts deposited in the Treasury Account, the Amortisation Account and the Treasury Surplus Account, if any, produce the return established in the respective Contracts for the opening of the Guaranteed Interest Rate Account.

5. In relation to the Management of Fund Collection and Payments

- (i) To calculate the Available Funds, the Funds Available for Amortisation and the payment or withholding operations to be met, and apply them in accordance with the Priority of Payments.
- (ii) To order the transfer of funds between the different active and passive accounts, and the appropriate payments instructions, including those assigned to attend to the financial service of the Notes.

III.8.2. Resignation and Substitution of the Fund Manager

The Fund Manager shall be substituted in the administration and representation of the Fund, in accordance with articles 18 and 19 of Royal Decree 926/1998 and with the subsequent dispositions that may be established as regulations to that effect.

Resignation

- (i) The Fund Manager may resign from its duties of administration and legal representation of all or part of the funds that it manages when it deems appropriate, by written request to the CNMV, in which it shall state the designation of the Fund Manager to substitute. The referred document shall be accompanied by another document from the new Fund Manager in which it declares its acceptance of such duties and incorporates the corresponding authorisation.
- (ii) The authorisation of the substitution on the part of the CNMV shall be conditioned by the fulfilment of the following requirements:
 - (a) The delivery to the new Fund Manager of the accounting and electronic registries by the substituted Fund Manager. Such delivery shall only be considered to have taken place when the new Fund Manager can fully assume its role and communicates this circumstance to the CNMV.
 - (b) If the securities issued against the Fund Manager by the replaced Fund Manager were evaluated by a rating entity, the rating assigned to the securities should not decrease as a result of the proposed replacement.
- (iii) In no case shall the Fund Manager resign from the exercise of its duties until all the requirements and procedures have been fulfilled so that its substitute is able to assume its duties.
- (iv) The expenses that result from the substitution shall be charged to the resigning Fund Manager and in no case shall be charged to the Fund.
- (v) The substitution shall be published in a period of fifteen days by means of an advertisement placed in two newspapers of national circulation and in the bulletin of the organised secondary market of the Fund.

Mandatory replacement

- (i) When the Fund Manager is declared in default of payments or bankrupt, it should proceed to find a Fund Manager to replace it, in accordance with the provisions set forth by the above paragraph.
- (ii) When, in accordance with the previous section, four (4) months have passed since the determining event for substitution and a new Fund Manager has not been found willing to take on the management, the early liquidation of the Fund and the amortisation of the Note issued against the same and of the loans shall take place in agreement with the provisions set forth in the Deed of Incorporation.

The Fund Manager shall be obliged to grant the public and private documents necessary to proceed with the replacement by the other Fund Manager, in accordance with the foreseen regime of the prior paragraphs of this section. The substituted Fund Manager shall be subrogated to the rights and obligations which, in relation to the Deed of Incorporation and the present Prospectus, correspond to the Fund Manager. Likewise, the Fund Manager should hand over to the substituting Fund Manager as many documents and accounting and computer registries to the Fund as are in its power and possession.

III.8.3 Subcontracting

The Fund Manager shall be authorised to subcontract or delegate in third-parties of recognised solvency and capacity, the rendering of any of the services that must be performed in the course of its duties as legal representative and administrator of the Fund, in accordance with the provisions set forth in the Deed of Incorporation, always where the subcontractor or delegate has waived the right of any action of demand of responsibility against the Fund. In any case, the subcontracting or delegation of any service (i) may not suppose any additional cost or expense to the Fund, (ii) must be legally possible, (iii) shall not give rise to a downgrade in the rating granted to any of the Class of Notes, and (iv) shall be notified to the CNMV, having, when necessary by law, its previous authorisation. Notwithstanding any subcontracting or delegation, the Fund Manager shall not be exonerated or liberated by such subcontracting or delegation in any of its responsibilities assumed by virtue of the Deed of Incorporation that are attributable or demandable by law.

III.8.4. Remuneration in favour of the Fund Manager for the performance of its duties

In consideration of the functions to be performed by the Fund Manager, the Fund shall pay it an administration commission composed of:

- (i) An initial commission in the amount of one hundred thousand (100,000.00) euros which shall become due once the Fund is set up and paid on the Disbursement Date.
- (ii) Periodic fee equal to 0.01725% per annum, with an annual minimum of twenty-five thousand (25,000) euros, calculated on the actual number of days in each Interest Accrual Period, from the time of the Fund Formation until the extinguishment date, payable quarterly on each of the Payment Dates, calculated on the Outstanding Principal of the Note Issue on the Determination Date previous to the current Payment Date. The commission accrued from the Disbursement Date of the Fund to the first Payment Date shall be adjusted in proportion to the actual number of days between the two dates, calculated on the par value of the Note issued.

The calculation of the commission to be paid in a certain Payment Date shall be realised according to the following formula:

$$C = B \times (0.01725/100) \times (d/360)$$

Where:

C = Commission to be paid on a given Payment Date.

B = Outstanding Balance of Note Issue on the Determination Date prior to the current Payment Date.

d = Number of days in the Accrual Period in question.

If, on a Payment Date, the Fund lacks liquidity sufficient to satisfy the aforementioned commission, the amount owed shall generate interest equal to the Reference Interest Rate of the Notes and shall be paid in the following Payment Date, in accordance with the Priority of Payments.

CHAPTER IV

INFORMATION ON THE CHARACTERISTICS OF THE ASSETS SECURITISED THROUGH THE FUND

IV.1 Description of the assets pooled into the Fund

The credit rights comprising the Fund's assets shall be the credit rights owned by BANCO SABADELL as a result of the loans granted by BANCO SABADELL to individuals with mortgage guarantees on homes located in Spain, both directly and through the assumption of the mortgages granted to real estate developers for home construction, assigned by BANCO SABADELL to the Fund (the '**Mortgage Loans**'). The Mortgage Loans shall be transferred by BANCO SABADELL to the Fund by issuing mortgage transfer certificates the '**Mortgage transfer certificates**').

By means of the Formation Deed, the Fund Manager, in name and on behalf of the Fund, and BANCO SABADELL (the '**Assigning Entity**') shall enter into an agreement for assigning the Mortgage Loans to the Fund by issuing Mortgage transfer certificates, the most significant terms of which are found below:

In this Chapter and the rest of the Prospectus, the term 'Mortgage Loans' shall be used in some cases to refer to the Mortgage Loans and the Mortgage transfer certificates jointly, except when specific reference is made to the Mortgage transfer certificates as such.

IV.1.1 Number and Value of the Mortgage transfer certificates issued on the Mortgage Loans comprising the Fund.

The number of Mortgage transfer certificates to be issued by BANCO SABADELL and subscribed by the Fund has not been determined at this time, but the total principal or capital shall be equal to or slightly less than one billion two hundred million euros (1,200,000,000) euros, which is equivalent of the par value of this Note Issue.

The Mortgage Loans meet the requirements established in Section 2 of Law 21981 for the assignment of loans through the issue of Mortgage Loans pooled in the Fund.

The Mortgage Loans shall be the largest part of a selection of mortgage loans, the characteristics of which are described in part IV.4 of this Chapter. The outstanding principal on the 14,749 mortgage loans selected as of 15 June 2004 was 1,305,561,795.36 euros.

IV.1.2 General Terms of the Mortgage Unit Issue

1. The assignment of the Mortgage Loans through the issue of Mortgage transfer certificates shall be full and unconditional and for the total of the period remaining until the due date of each Loan.
2. The assignment of each Mortgage Loan and the issue of the corresponding Mortgage Transfer Certificate shall cover 100 percent of the outstanding principal and the ordinary interest, as well as the total amount of any other sums, goods or rights deriving from each of the Mortgage Loans, excluding late interest and the commission on each of the Mortgage Loans, which shall be for BANCO SABADELL, as detailed in part IV.1.4 below.
3. The Mortgage transfer certificates shall be issued for a period of time equivalent to the time remaining until the due date of the Mortgage Loans to which they refer.
4. BANCO SABADELL, pursuant to article 348 of the Commerce Code and article 1.529 of the Civil Code, shall be liable to the Fund for the existence and legitimacy of the Mortgage Loans.
5. BANCO SABADELL does not run the risk of default on the Mortgage Loans and, therefore, assumes no responsibility for the non-payment by the Debtors, be it of the principal, the interest or any other sum owed

by the debtors in connection with the Mortgage Loans. Neither shall it assume, in any other way, any responsibility for directly or indirectly guaranteeing the success of the operation nor shall it grant guarantees or Notes, nor enter into agreements to assume or repurchase the Mortgage transfer certificates, except as foreseen in part IV.1.7 below.

6. The Mortgage transfer certificates shall be represented in nominative certificates as established in part IV.1.6 below.

7. Until such time as the Deed of Incorporation is signed, BANCO SABADELL shall be the beneficiary of the property damage insurance policies taken out by the debtors on the mortgaged properties to guarantee the Mortgage Loans up to the insured amount. Each mortgage loan deed shall contain a clause to the effect that if the Debtor (policyholder) of the insurance fails to pay the premium, BANCO SABADELL, as the mortgage creditor, shall pay the premium on the debtor's behalf so that the premium payments are always current.

At the same time as the Fund is formed, BANCO SABADELL shall formalise, in conjunction with the issuance of the Mortgage transfer certificates, the assignment of its rights as the beneficiary of the property damage insurance policies taken out by the Debtors or any other insurance policy providing equivalent coverage. As the owner of the Mortgage transfer certificates, the Fund shall therefore be entitled to receive all the amounts that would have been received by BANCO SABADELL under the insurance.

8. The transmission and ownership of the Mortgage transfer certificates shall be limited to institutional or professional investors and may not be acquired by the public at large.

9. Given the nature of the Fund as one for institutional investors, the issue of the Mortgage transfer certificates shall not be subject to a marginal note for the entry of each mortgage in the Land Register, as provided for in the second paragraph of article 64.6 of Royal Decree 685/1982.

IV.1.3 Representations of BANCO SABADELL regarding the Mortgage Loans and the Mortgage transfer certificates.

BANCO SABADELL makes the following representations and warranties to the Fund and the Fund Manager in the Deed of Incorporation:

1. With regard to itself

- 1) That BANCO SABADELL is a credit institution duly formed in accordance with applicable law, registered in the Companies' Book and the Bank of Spain's Register of Credit Entities and is authorised to operate in the mortgage market.
- 2) That neither at today's date, nor at any moment since its formation, has BANCO SABADELL been in a state of insolvency, suspension of payments, bankruptcy, or any other situation that, yielding responsibility, could lead to the revocation of the authorisation obtained as a credit institution.
- 3) That it has obtained all the necessary authorisations from the government, from its governing bodies and from the third parties who may be affected by the assignment of the Mortgage Loans to the Fund and the issuance of the Mortgage transfer certificates, to validly execute the Deed of Incorporation, the commitments assumed therein and to execute the contracts related to the incorporation of the Fund.
- 4) That it has audited income statements for the last three years and the favourable opinion of the auditors for at least the last fiscal year and that the referred income statements, except for fiscal year 2003, are on file with the CNMV and the Business Register.

2. In relation to the Mortgage transfer certificates

(1) The Mortgage transfer certificates are issued under market conditions and in accordance with Law 2/1981, Royal Decree 685/1982, Royal Decree 1289/1991 and other applicable regulations and that they meet all the requirements set forth therein and are eligible for inclusion in a Mortgage Securitisation Fund.

- (2) The Mortgage transfer certificates shall be issued for a period of time equivalent to the time remaining until the due date and at the same interest rate of each of the Mortgage Loans to which they refer.
- (3) The Mortgage Loans exist and are valid and callable under applicable law.
- (4) It has full title to the total amount of the Mortgage Loans, there being no impediment whatsoever to the assignment of the Mortgage transfer certificates.
- (5) The data on the Mortgage transfer certificates and the Mortgage loans included in the Appendix to the Deed of Incorporation reflect the exact current situation of the referred Mortgage transfer certificates and Mortgage Loans and are correct and complete.
- (6) That all the Mortgage Loans are guaranteed by real estate mortgages formed with the level of first over the full domain of each and every one of the mortgaged properties, without being subject to prohibitions to conveyance, executive conditions or any other limitation on the domain.
- (7) That all the Mortgage Loans are formalised in public deed, and all the mortgages are found to be duly formed and registered in the corresponding Property Registers. The registration of the mortgaged properties is in force and without any discrepancy and is not subject to any special limitation to the mortgage, in accordance with applicable law.
- (8) All Debtors are individuals.
- (9) The Mortgage Loans have been granted to individuals to finance the acquisition, construction or rehabilitation of homes located in Spain or mortgages granted to real estate developers and assumed by individuals.
- (10) That the mortgages are formed on real estate that belongs wholly and fully to the respective mortgagee, BANCO SABADELL having no knowledge of the existence of any litigation over the ownership of the referred properties that could prejudice the mortgages.
- (11) That the property mortgaged under the Mortgage Loans is not of the type of property that is excluded from being used as collateral according to article 31.1.d) of Royal Decree 685/1982, nor are the Mortgage Loans of the types of loans that are excluded or restricted by article 32 of Royal Decree 685/1982.
- (12) All the mortgaged properties are homes located in Spain and have been appraised by authorised appraisal firms approved by BANCO SABADELL, the appraisals being accredited by their corresponding certificates. The appraisals comply with all the legal requirements applicable to the real estate market.
- (13) The outstanding balance of each of the Mortgage Loans transferred to the Fund by issuing the Mortgage transfer certificates does not exceed 80 percent of the appraised value of the Mortgaged Property in question.
- (14) It has no knowledge of any decrease in the value of the properties used as collateral against the Mortgage Loans by more than 20 percent of the appraised value.
- (15) All of the mortgaged properties which guarantee the Mortgage Loans are covered by at least one fire insurance policy in which the insured capital is not less than the appraised value of the mortgaged property, excluding those elements which by their nature are uninsurable. To this end, BANCO SABADELL has taken out a general insurance policy to cover such risks in the event that the property damage insurance policy taken out by the Debtor is non-existent, insufficient or inoperable.
- (16) The Mortgage Loans are not securitised by nominal certificates, to the order of or to the bearer, different from the Certificates that are issued and subscribed by the Fund.
- (17) That on the issue date of the Mortgage transfer certificates, all the Mortgage Loans are current.

(18) That it has no knowledge of any Debtor having any credit right against BANCO SABADELL entitling it to exercise a right to compensation that could have a negative effect on the rights inherent to the Mortgage transfer certificates.

(19) That BANCO SABADELL has strictly adhered to the credit-granting standards in force at all times when granting each and every one of the Mortgage Loans and in accepting the replacement of subsequent borrowers in place of the initial borrowers. In this regard, appended to the Deed of Incorporation as an Annexe is a 'Memorandum issued by BANCO SABADELL on the guidelines for extending credit and granting mortgage loans to individual borrowers' in force at this time.

(20) All of the mortgage deeds on the homes referred to in the Mortgage Loans are on file with BANCO SABADELL and are available to the Bookrunner on behalf of the Fund, and all the Mortgage Loans are clearly identified in computerised format and by their deeds.

(21) That on the issue date the outstanding principal on each of the Mortgage Loans is equivalent to the capital of the corresponding Mortgage Unit, and at the same time the total capital of the Mortgage transfer certificates shall be at equal to or slightly less than the par value of the total Note Issue.

(22) That the final due date of the Mortgage Loans is no later than 30 September 2035.

(23) That since they were granted, the Mortgage Loans have been and are being administered by BANCO SABADELL in accordance with its normal procedures in this regard.

(24) That it has no knowledge of the existence of litigation of any kind in relation to the Mortgage Loans that could jeopardise their validity or give rise to the application of article 1.535 of the Civil Code or of the existence of any circumstances that could result in the ineffectiveness of the Deed of Incorporation of the mortgage on the homes mortgaged to guarantee the Mortgage Loans.

(25) It has no knowledge that the premiums due and payable through today's date on the insurance policies referred to in point (15) above have not been paid in full.

(26) That on the issue date it has not received any notice of the total early repayment of all the Mortgage Loans.

(27) That on the date of issue, each of the Loans has had at least two matured instalments.

(28) That it has no knowledge of the existence of any circumstance that would preclude the mortgage loan from being called.

(29) That the Mortgage Loans shall no longer be accounted as assets of BANCO SABADELL as of the date of the Deed of Incorporation in the amount that they are assigned, in accordance with Circular 4/91 of the Bank of Spain, without prejudice to the effects that, as the case may be, the partial or total subscription of the Note Issue could have for BANCO SABADELL according to the referred Circular.

(30) That the information on the Mortgage transfer certificates and the Mortgage Loans contained in the Prospectus is an accurate and faithful reflection of the real situation.

(31) That the Mortgage Loans are not included in any issue of mortgage note or mortgage transfer certificates other than the issue of the Mortgage transfer certificates, and as from the date of issue of the Units the Mortgage Loans shall not be included in any issue of mortgage debentures, mortgage Notes or other mortgage transfer certificates.

(32) That once the Mortgage transfer certificates are issued, the outstanding balance principal of the mortgage debentures issued by BANCO SABADELL does not exceed 90 percent of the sum of the unpaid capital of the

mortgage loans in its portfolio, after deducting those attached to other mortgage securities. And there are no mortgage Note issued by BANCO SABADELL in circulation.

(33) That no one has a preferential right over the Fund to the Mortgage Loans as the owner of the Mortgage transfer certificates.

(34) Under the terms of the Mortgage Loans, the payments made by debtors shall be applied to the instalments due in order of their age.

(35) That both the granting of the Mortgage Loans and the issue of the Mortgage transfer certificates and all aspects related thereto have been and shall be carried out according to open market criteria.

(36) That none of the Mortgage Loans have been granted on government-subsidised housing whose prices are legally protected.

(37) That the monthly instalments of the Mortgage Loans are paid by direct debit.

(38) That none of the properties to which the mortgage guarantees refer are commercial spaces unless they are associated with a dwelling.

(39) None of the debtors is a real estate developer.

IV.1.4 Description of the rights conferred on the Fund by subscribing the Mortgage transfer certificates on the Mortgage Loans

Specifically, the Mortgage transfer certificates shall confer upon the Fund, as the owner of the Units, of the following rights in relation to each of the Mortgage Loans:

a) To receive the total of the amounts that accrue through the reinvestment of capital or principal of the Mortgage Loans.

b) To receive the total of the amounts that accrue through ordinary interest on the Mortgage Loans.

c) To receive any other quantities, goods, or rights that are received in payment of the principal, interest, or expenses of the Mortgage Loans, in as much for the auction price or amount determined by judicial ruling or notary executive process in the execution of the mortgage or non-mortgage guarantees, such as for the sale or exploitation of the adjudicated real estate or goods or, as a consequence of the aforementioned enforcements, in interim administration and possession of the real estate in the process of enforcement

d) To receive all possible rights or indemnities payable to BANCO SABADELL, including not only those derived from the insurance contracts associated with the Mortgage Loans, which are also assigned to the Fund, but also those derived from any ancillary right of the Mortgage Loan, excluding the late interest and commissions established in each of the Mortgage Loans, which shall be retained by BANCO SABADELL.

All the rights previously mentioned shall accrue in favour of the Fund from the date of issue of the Mortgage transfer certificates, except the ordinary interest on the Mortgage Loans, which shall accrue in favour of the Fund starting on the Disbursement Date. The rights of the Fund resulting from the Mortgage transfer certificates are linked to the payments made by the Debtors of the Mortgage Loans and are therefore directly affected by the evolution, delay, early repayment or any other development regarding the Loans.

The yield of the Mortgage transfer certificates that constitute deposits to the Fund shall not be subject to withholding due to Corporate Tax, as set forth in Royal Decree 537/1997, of April 14, in which the Corporations Tax regulations are approved.

The Fund shall assume all possible expenses or costs payable by BANCO SABADELL resulting from the collection process in the case of default by the Debtors on their Mortgage Loan obligations, including the exercise of legal actions against them.

IV.1.5 Price of the Mortgage Unit Issue

The issue price of the Mortgage transfer certificates shall be their par value. The total amount which the Fund shall pay for the subscription of the Mortgage transfer certificates shall be equivalent to the nominal amount of the outstanding capital or principal of each of the Mortgage Loans.

The payment for the subscription of the Mortgage Unit shall be made by the Fund Manager, on behalf of the Fund, on the Note Disbursement Date, value as of that date, once the payment for the subscription of the Note Issue is made.

The calculation of issue price of the Mortgage transfer certificates does not take into account the amount that BANCO SABADELL has a right to receive for the ordinary interest accrued by the assigned Loans from the last date of liquidation of the interest of each of them until the Disbursement Date (the **'Running Interest'**) which shall be deducted from the amounts to be paid by BANCO SABADELL.

If the incorporation of the Fund is terminated and, consequently, the issue and subscription of the Mortgage transfer certificates, (i) the obligation of the Fund to pay for the Mortgage transfer certificates shall be extinguished, (ii) the Fund Manager shall be forced to revert to BANCO SABADELL any rights in favour of the Fund for the subscription of the Mortgage transfer certificates and (iii) BANCO SABADELL shall once again include the Mortgage Loans in the assets portion of its balance sheet.

IV.1.6 Representation and Deposit of the Mortgage transfer certificates

The Mortgage transfer certificates shall be represented by unitary or multiple nominal titles that shall include the minimum mention for mortgage transfer certificates found in article 64 of Royal Decree 685/1982, of March 17, modified by Royal Decree 1289/1991, of August 2, together with the registry data of the real estate mortgaged in guarantee of the Mortgage Loans.

If the Mortgage transfer certificates must be sold as a result of the Fund Manager, in name and on behalf of the Fund, proceeding with the execution of a Mortgage Loan, as set forth in section IV.1.2.11, or as a result of the Early Liquidation of the Fund under the circumstances and conditions of section III.7.1 or as required under any other circumstances, BANCO SABADELL agrees to split any multiple title representing the Mortgage transfer certificates into as many individual or multiple titles as are necessary, to substitute it or exchange them so as to achieve the previous aims.

The titles representing the Mortgage transfer certificates shall be held on deposit with BANCO SABADELL. The relations between the Fund and BANCO SABADELL shall be governed by the Mortgage Loan Administration and Mortgage Unit Deposit Agreement to be signed by BANCO SABADELL and the Fund Manager on behalf of the Fund. The referred deposit shall be set in the Fund's benefit and BANCO SABADELL shall hold the titles representing the Mortgage transfer certificates on deposit following the instructions of the Fund Manager.

IV.1.7 Rules for Replacing the Mortgage transfer certificates

1. In the event of early amortisation of the Mortgage Loans by full or partial repayment of the principal of the Mortgage Loan, the affected Mortgage transfer certificates shall not be replaced.
2. If during the term of the Mortgage transfer certificates it is found that any one of them does not coincide with the representations contained in part IV.1.3 of this Prospectus or with the specific characteristics notified to the Fund Manager by BANCO SABADELL when the Fund was formed, then BANCO SABADELL undertakes, with the approval of the Fund Manager, to immediately replace the Mortgage Unit in such a situation, subject to the following rules:

a) The party that obtains knowledge of the existence of a Mortgage Unit in such a situation, whether it be BANCO SABADELL or the Fund Manager, shall notify the other party. BANCO SABADELL shall have five (5) business days from receiving such notice to remedy the situation if it can be remedied or to replace it, notifying the Fund Manager of the characteristics of the mortgage loans it proposes to assign in new Mortgage transfer certificates that comply with the representations made in part IV.1.3 and have similar characteristics such as the residual term, interest rate, value of outstanding principal and creditworthiness in terms of the relationship between the principal pending repayment and the appraised value of the mortgaged property, so that the financial equilibrium of the Fund is not affected by the replacement nor is the Note rating in relation to the provisions of part II.3 of this Prospectus. Once the Fund Manager has verified the suitability of the replacement mortgage loan eligible for inclusion in the Fund, and having specifically expressed its approval, BANCO SABADELL shall proceed to issue the new replacement Mortgage Unit or Units.

b) The replacement shall be recorded in a notarised document containing all the data relative to the Mortgage Unit to be replaced and the corresponding Mortgage Loan, and the new Mortgage Unit or Units issued, with the data on the Mortgage Loans as well as the reason for the replacement and the reasons justifying its homogeneity as described in the paragraph above, a copy of which shall be delivered by the Fund Manager to the CNMV, the entity in charge of keeping the accounting records of the Notes and the Governing Body of the AIAF, and notified to the Rating Agencies.

3. Along with the obligation assumed under number 2 above, if any of the Mortgage transfer certificates were to be replaced and no new ones issued under the conditions of homogeneity and suitability established in part a), then BANCO SABADELL shall liquidate the Mortgage Unit early. The early liquidation shall be made in the form of a cash payment to the Fund of the outstanding capital, accrued and unpaid interest and any other amount owed to the Fund through that date in connection with that Mortgage Loan.

IV.1.8 Other conditions derived from the legal system governing the Mortgage transfer certificates

Pursuant to the provisions of Royal Decree 685/1982 on the Regulation of the Mortgage Market, modified by Royal Decree 1289/1991, the Mortgage transfer certificates shall be transmissible by means of a written declaration on the certificate itself and in general by any method allowed by law. The acquisition or possession of the Mortgage transfer certificates is limited to institutional or professional investors and may not be acquired by the non-specialised public, according to article 64.6 of Royal Decree 685/1982. Both the transmission and the address of the new owner must be reported by the buyer to the issuing entity.

The seller shall not be liable for the solvency of the issuing entity nor that of the debtor of the Mortgage Loan nor the sufficiency of the mortgage covering the loan.

BANCO SABADELL, as the issuing entity, shall maintain a special book where it shall note the Mortgage Transfer certificates issued and the transfers of the Mortgage Transfer certificates notified to it. The provisions of article 53 of Royal Decree 685/1982 relative to registered securities shall apply to the Mortgage Transfer certificates. In the same book, it shall note the address changes notified by the owners of the Mortgage Transfer certificates. The book shall also contain the following information:

- a) Start and end date of the Mortgage Loan, initial amount and repayment method.
- b) Mortgage registration information.

IV.2 Administration and Custody of the Mortgage Loans and Deposit of the Titles representative of the Mortgage transfer certificates

BANCO SABADELL, as the issuing entity of the Mortgage transfer certificates to be subscribed by the Fund, in accordance with the provisions of article 61.3 of Royal Decree 685/1982, undertakes to be responsible for the custody and administration of the Mortgage Loans, as stipulated in the Mortgage Loan and Mortgage Unit Deposit Administration Agreement (the '**Administration Agreement**'), the relations between BANCO SABADELL (hereinafter and for the purposes of this Agreement, the '**Administrator**') and the Fund, represented by the Fund Manager, with regard to the custody and administration of the Mortgage Loans and the deposit of the titles representing the Mortgage transfer certificates. In consideration for the custody, administration

and management of the Mortgage Loans and deposit of the titles representing the Mortgage transfer certificates, the Administrator shall have the right to receive by finished quarter on each of the Payment Dates and during the period in which the Administration Contract is in effect, an administration commission equal to 0.01% annual, Value Added Tax included in the case where not exempt, which shall accrue over the effective days that have passed and over the Outstanding Balance of the Mortgage Loans as of the Calculation Date.

If the Administrator were replaced in its administrative functions, if this were possible due to a legal modification, and appropriate due to circumstances which could impede or prevent the Administrator from performing its administrative functions properly, the Fund Manager shall be authorised to modify the preceding commission percentage in favour of the entity that replaces the Administrator, which may be higher than the percentage agreed with BANCO SABADELL in this Agreement.

If BANCO SABADELL were replaced by another entity as the Administrator of the Mortgage Loans, the payment of the administration fee to the new administration shall occupy first place in the Priority of Payments, along with the rest of the payments occupying this place.

If the Fund, through the Fund Manager, lacks sufficient liquidity in agreement with the Priority of Payments of the Fund, for payment of the total amount of the commission owed on the Payment Date, the amounts not paid shall accumulate without any penalty to the commission that should be paid on the following Payment Dates, proceeding with the payment at that same moment.

Likewise, on each Payment Date, the Administrator shall have the right to reimbursement for all the exceptional expenses it may have incurred in relation to the administration of the Mortgage Loans, such as legal costs or expenses incurred by reason of executive actions or by the administration and management of the sale of the property and assets adjudicated to the Fund, provided that such expenses are justified. The referred expenses shall be paid as long as the Fund has sufficient liquidity and in accordance with the provisions set forth in the Priority of Payments.

The Administration Contract shall be terminated for all legal purposes in the event that the Rating Agencies did not confirm before the start of the Subscription Period, as final, the ratings assigned on a provisional basis to each of the Classes or in the event of the termination of the Management Contract.

BANCO SABADELL shall continue to administrate the Mortgage Loans and, as the Administrator, shall devote the same time and attention to them and the same level of skill, care and diligence in their administration as it would dedicate and exercise in the administration of mortgage loans in respect of which it had not issued mortgage transfer certificates or mortgage transfer certificates, and in any case the correct level of the skill, care and diligence in the provision of services as foreseen in the Administration Contract.

In any case, the Administrator relinquishes the powers and privileges the law confers as part of its status of administrator of the collections of the Fund and administrator of the Mortgage Loans and in particular those provided for in articles 1730 and 1780 of the Civil Code and 276 of the Commerce Code.

The most relevant terms of the Administration Contract are set out below in the following paragraphs of the present section.

IV.2.1 Regime and ordinary procedures of administration and management of the Mortgage Loans

The succinct description and summary of the regime and ordinary procedures of administration and management (the 'services') of the Mortgage Loans regulated through the Administration Contract are as follows:

1. Duration

The services shall be rendered by the Administrator until all the Mortgage Loans have been repaid and thus all the obligations assumed by the Administrator in relation to the Mortgage Loans as the issuer of the Mortgage transfer certificates are extinguished or when the liquidation of the Fund is concluded once extinguished, notwithstanding the possible early termination of the Administration Contract if this were legally possible under the terms of the contract.

2. Custody of deeds, documents and archives

The Administrator shall keep all deeds, documents, and computer records relative to the Mortgage Loans and the property damage insurance policies on the mortgaged property in a safe place and shall not abandon their possession, custody or control without the previous written consent of the Fund Manager to that effect, except when the document is required to initiate proceedings for the calling of a Mortgage Loan or is demanded by any other competent authority, in which case the Fund Manager shall be notified. The Administrator shall reasonably facilitate the access, in every moment, to the referred deeds, documents and records to the Fund Manager or the Fund auditors, duly authorised to this effect. Likewise, at the Fund Manager's request, the Administrator shall provide, at no charge, and within two (2) Business Days following the request, a copy or photocopy of any of the referred deeds and documents.

3. Collections Management

The Administrator shall continue the collection management for all amounts that should be satisfied by the Debtors deriving from the Mortgage Loans, as well as any other compensation, including that corresponding to the insurance contracts on the mortgaged real estate in guarantee of the Mortgage Loans. The Administrator shall use due diligence so that the payment that the Debtors should realise shall be collected in accordance with the contractual terms and conditions of the Mortgage Loans.

Provided that such payments are received by the Administrator, they shall be paid into the Fund with the same value applied to the asset that generated the income in the cash account with BANCO DE SABADELL.

Under no circumstances shall the Administrator pay any amount whatsoever into the Fund if it has not first received said amount from the debtors as payments toward the Mortgage Loans.

4. Fixing of the interest rate

For Mortgage Loans with adjustable interest rates, the Administrator shall continue setting the referred interest rates in conformity to the provisions set forth in the corresponding Mortgage Loans, drawing up the communications and notifications that these establish to that effect.

5. Extension of the Mortgage

If, at any time, the Administrator becomes aware that for any reason whatsoever the value of the property guaranteed by a Mortgage Loan has dropped by more than the legally permitted percentage in accordance with Article 29 of Royal Decree 685/1982, it shall ask the Debtor in question to:

- i) extend the mortgage to include other assets that are sufficient to cover the ratio between the value of the property and the loan it guarantees or
- ii) repay the entire loan or the part that exceeds the amount resulting from applying the percentage initially used to determine the amount to the current appraised value.

If the Debtor does not extend the mortgage or repay the percentage of the Mortgage Loan referred to in the preceding paragraph within two months of being requested to do so, it shall be understood that the debtor has chosen to repay the total amount of the Mortgage Loan, which shall be demanded immediately by the Administrator.

6. Property damage insurance on the mortgaged property

The Administrator shall not adopt or omit to adopt any measure when such action would result in the cancellation of any insurance policy against damage to the mortgaged real estate or that would result in the reduction of the amount to be paid in any claim thereupon. The Administrator should exercise due diligence and, in any case, exercise the rights that the insurance policies or that the Mortgage Loans confer on it with the object of maintaining in force and with full effect the referred policies (or any other policy that grants equivalent coverage) in relation to each Mortgage Loan and the respective property to which the Mortgage Loan refers.

The Administrator shall be obliged to advance the payment of the policy premiums that have not been satisfied by the Debtors, always aware of the referred circumstance, without prejudice to its right to be reimbursed by the Fund for the amounts satisfied.

The Administrator, in case of an accident, should coordinate the actions for the collections of the indemnifications derived from the insurance policies for damage to the real estate, in accordance with the terms and conditions of the Mortgage Loans and of the policies themselves, depositing to the Fund, where applicable, the amounts collected.

7. Information

The Administrator should periodically notify the Fund Manager of the information relating to the individual characteristics of each of the Mortgage Loans, with regard to the compliance by the Debtors of their payment obligations of the Mortgage Loans, to the arrears situation, to the changes made in the characteristics of the Mortgage Loans, and to the actions of requiring payment in the case of delay and of judicial actions and property auctions, all through the procedures and as often as established in the Administration Contract. Likewise, the Administrator should prepare and submit to the Fund Manager the additional information that, in relation to the Mortgage Loans or the rights derived from the same, the Fund Manager reasonably requests and, especially, the documentation required for the initiation, where applicable, through the Fund Manager, of judicial actions.

8. Responsibility of the Administrator

In no case shall the Administrator have any responsibility in relation to the obligations of the Fund Manager in its capacity as administrator of the Fund and manager of the interests of the Noteholders, nor in relation to the obligations of the Debtors derived from the Mortgage Loans, notwithstanding the responsibilities assumed by it in the Formation Deed as issuer of the Mortgage transfer certificates subscribed by the Fund. The Administrator assumes the obligation to indemnify the Fund or the Fund Manager for any damage, loss or expense these may have incurred by reason of the breach by the Administrator of its obligations of administration, management and information of the Mortgage Loans.

9. Subrogation of the Mortgage Loans

The Administrator shall be authorised to allow substitutions in the position of the Debtor in the Mortgage Loans, exclusively in the cases where the characteristics of the new Debtor are similar to those of the former debtor and they fit the criteria for the granting of the mortgage loans described in the corresponding 'Memorandum issued by BANCO SABADELL on the guidelines for extending credit and granting mortgage loans to individual borrowers' appended to the Fund Formation Deed, and always where the expenses deriving from this modification are paid, in their entirety, by the Debtors. The Fund Manager can limit, wholly or partially, this legal authority of the Administrator or establish conditions to the same, when the referred substitutions could negatively affect the ratings granted to the Notes by the Rating Agency. The Debtor may initiate the subrogation process with the Administrator of the Mortgage Loans pursuant to the provisions of Law 2/1994 on the subrogation and modification of mortgage loans. The assumption of the Mortgage Loan by

a new creditor and the payment of the outstanding balance shall lead to the early liquidation of the Mortgage Loan and the corresponding Mortgage Unit.

10. Powers and actions in relation to the process of renegotiation of the Mortgage Loans

The Administrator shall not be able to voluntarily cancel the mortgages guaranteeing the Mortgage Loans for any reason other than the payment of the Mortgage Loan or waive or liquidate them, condone part or all the Mortgage Loans or extend them, or in general take any other action that diminishes the legal effectiveness or economic value of the Mortgage or the Mortgage Loans, notwithstanding the fact that it shall attend the petitions of the Debtors with equal diligence and procedure as if the loans had not been assigned.

Notwithstanding the above, the Fund Manager may, as the manager of third-party business and in response to a direct request by a debtor to the administrator or in the exercise of Law 2/1994, give instructions to the Administrator or authorise it in advance to agree with the Debtor under the corresponding terms and conditions regarding the remortgaging of the Mortgage Loans in question, either by renegotiating the interest rate or extending the due date, provided that such remortgaging has no harmful effect on the Mortgage Loans.

a) Renegotiation of the interest rate

In no case shall the Administrator be able to open by its own initiative, without request from the Debtor, renegotiations of the interest rate that could result in a decrease in the interest rate applicable to a Mortgage Loan. In any case, all renegotiation of the interest rate of the Mortgage Loans being generically modified or otherwise, shall be undertaken and resolved with the interests of the Fund in mind.

Without prejudice to that which shall then be determined, all renegotiation undersigned by the Administrator, shall take place only with the previous consent of the Fund Manager, in representation of the Fund, it being advisable that the Administrator request the referred consent of the Fund Manager as soon as it has knowledge that a Debtor requests a renegotiation. Notwithstanding the foregoing, the Fund Manager shall authorise the Administrator to open and accept renegotiations of the applicable interest rate of the Mortgage Loans requested by the Debtors, by reason of the existence of the Financial Swap Agreement that guarantees a fixed margin for the Fund.

Notwithstanding the provisions set forth in the above paragraph, the Administrator shall no longer be able to carry out future renegotiations on interest rates of the Mortgage Loans it administers if on the last day of the previous month, the average adjusted interest rate of the Mortgage transfer certificates resulted to be less than the Euribor three (3) months plus a margin of 0.60% annually.

Should any renegotiation of the Mortgage Loans take place, in accordance with the provisions set forth in this section, the Administrator shall proceed to notify the Fund Manager of the conditions resulting from the renegotiation immediately.

b) Extension of the due date

The date of final maturity or of the last amortisation of the Mortgage Loans can be extended ('extension of deadline') subject to the following rules and limitations:

- (i) In no case shall the Administrator be able to begin by its own initiative, that is, without request from the Debtor, the modification of the final due date of the Mortgage Loan, which could lead to the extension of the same. The Administrator, without encouraging the extension of the due date, should act in relation to the referred extension always with the interests of the Fund in mind.
- (ii) The sum of the capital or principal of the Mortgage Loans assigned to the Fund on which the due date is extended may not exceed 10% of the capital or principal of all the Mortgage Loans assigned to the Fund.
- (iii) The due date of a particular Mortgage Loan may be extended as long as the following requirements are met:

- a) That, in all cases, the frequency of the instalment payments of the capital or principal is maintained or reduced, while maintaining the same amortisation system.
 - b) That the new final due date or date of final amortisation, shall be at the latest, 30 September 2035.
 - c) That there shall have been no delay in the payment of instalments on the Mortgage Loans earlier than 30 during the last six months prior to the extension of the repayment date.
- (iv) The Fund Manager, on behalf of the Fund, may at any time during the term of the Administration Contract, cancel or suspend the Administrator's authority to extend the due date.

When any renegotiation of the interest rate on a Mortgage Loans takes place, the Administrator notify the Fund Manager of the conditions resulting from each renegotiation immediately. The referred communication shall take place through the electronic registry set forth for the updating of the Mortgage Loan conditions.

The public deeds and the private contracts referring to the novation of the conditions of the Mortgage Loans shall be held by the Administrator in accordance with the provisions set forth in paragraph 2 of the present section.

In the case of renegotiation agreed by the Fund Manager, in name and on behalf of the Fund, of the interest rates on the Mortgage Loans or their due dates, the modification of the conditions shall affect the Fund in accordance with regulation 15, section 2d) of the Circular 4/1991, of June 14, of the Bank of Spain.

11. Action against the Debtors in case of default on the repayment of the Mortgage Loans

Action in the case of delay

The Administrator shall apply the same diligence and procedure for claiming the amounts owed and unpaid on the Mortgage Loans as it would for the rest of the loans in its portfolio.

In the case of default on the payment obligations by the Debtor, the Administrator shall carry out the actions described in the Administration Contract, adopting to that effect the measures that it would normally take if the loans of its own portfolio were involved and acting in accordance with good banking use and practice for the collection of the amounts owed, being obliged to anticipate those expenses required to implement the referred actions, without prejudice to the right to be reimbursed by the Fund. Such actions include all judicial or extrajudicial actions the Administrator considers necessary for the claim and collection of the amounts due by the Debtors.

Legal Actions

The Administrator, by virtue of the fiduciary title to the Mortgage Loans or by virtue of its powers set forth in the following paragraph, shall exercise the corresponding actions against the Debtors that default on their payment obligations derived from the Mortgage Loans. The referred action should be exercised through the formalities of the corresponding legal proceedings in accordance with the provisions set forth in article 517 and following of the Law of Civil Procedure.

To the previous effects and purposes and where necessary, the Fund Manager, in the Deed of Incorporation, grants a power as broad as may be required by law in favour of BANCO SABADELL so that it, acting through any of its representatives with sufficient authority to that end, may, in name and on behalf of the Fund Manager as representative of the Fund, require, through any judicial or extrajudicial means, that the Debtor of any of the Mortgage Loans pay its debt, carrying out the legal action against said Debtor, in addition to other functions required for the exercise of its functions as Administrator. These functions can be extended or modified by means of writing in the case where it may be necessary.

Generally speaking, the Administrator shall initiate the execution of the mortgage, anticipating the costs involved, if the Debtor of the Mortgage loan in arrears does not resume payments within six months or if the Administrator, with the Fund Manager's consent, does not reach a payment commitment that is satisfactory to

the Fund's interest. The execution proceedings must be initiated immediately if the Fund Manager, on behalf of the Fund, and after analysing the specific circumstances of the case, deems it necessary.

In the event of failure to pay by the Debtor, the Fund Manager, acting in name and on behalf of the Fund, shall have at its disposal the following powers for Mortgage transfer certificates as set forth in article 66 of Royal Decree 685/1982, modified by Royal Decree 1289/1991:

- (i) To oblige the Administrator to initiate the execution of the mortgage.
- (ii) To share the same rights as BANCO SABADELL as the issuer of the Mortgage transfer certificates in the proceedings initiated against the Debtor, being a party to any proceedings initiated by BANCO SABADELL.
- (iii) If the Administrator fails to initiate proceedings within sixty (60) natural days from the notarised course of action requiring payment of the debt, the Fund Manager, in name and on behalf of the Fund, shall be subordinately legitimised for the exercise of the mortgage proceedings of the Mortgage Loan, as much for the principal as for the interest.
- (iv) In the event of the halting of the proceedings initiated by the Administrator, the Fund, duly represented by the Fund Manager, may assume the position of the former and continue the proceedings without having to wait the stipulated period.

In the cases foreseen in paragraphs (iii) and (iv), the Fund Manager, in representation of the Fund, may ask a competent judge or notary public to commence or continue the execution proceedings, accompanying its demand with the original Mortgage Unit, the notarised summons mentioned in part (iii) above and a certificate of the registration and existence of the mortgage in the register. The Administrator shall be obliged to issue a certificate of the outstanding balance of the Mortgage Loan.

If legally necessary, and as provided for in the Law of Civil Legal Proceedings, BANCO SABADELL shall grant an irrevocable power in the Deed of Incorporation itself, as broad as necessary in law, in favour of the Fund Manager enabling it, in name and on behalf of BANCO SABADELL, to demand through a notary public that the mortgage debtor of any of the Mortgage Loans pay its debt.

The Fund Manager, on behalf of the Fund and as the owner of the Mortgage transfer certificates, may also share the rights of BANCO SABADELL in the proceedings and, as such, may, under the terms set forth in the Law of Civil Judicial Proceedings, request the adjudication of the real estate mortgage in payment of the Mortgage Loan. The Fund Manager shall proceed to the sale of the adjudicated real estate within the briefest period possible under market conditions.

Furthermore, the Administrator shall provide the Fund Manager with all the documentation it may request in relation to the referred Mortgage Loans and, in particular, the documentation necessary for the commencement, where applicable, of legal actions by the Fund Manager.

12. Executive Action against the Administrator

The Fund Manager, in name and on behalf of the Fund, may take executive action against the Administrator for the effectiveness of the due dates of the Mortgage transfer certificates for principal and interest, when the breach of the payment obligation of the referred items is not a consequence of the failure to pay by the Debtors of the Mortgage Loans.

The Mortgage Loans being extinguished, the Fund, through the Fund Manager, shall retain action against the Administrator until the fulfilment of its obligations.

13. Compensation

In the event that any of the Debtors of the Mortgage Loans holds a right to a legally or contractually compensable cash credit against the Administrator and, as such it results that any of the Mortgage Loans is

compensated, wholly or partially, against such credit, the Administrator shall remedy such circumstance or, if remedy is not possible, the Administrator shall proceed to deposit into the Fund the amount that had been compensated plus the interest accrued that would have corresponded to the Fund up until the day on which the deposit is made, calculated in accordance with the applicable conditions of the corresponding Mortgage Loan.

14. Subcontracting

The Administrator shall be able to subcontract any of the services it has agreed to provide by virtue of the Administration Contract, except for those that cannot be delegated under applicable law. The referred subcontracting shall not in any case suppose additional cost or expense to the Fund or the Fund Manager, and shall not cause a lowering of the rating granted to each of the Classes of Notes. Notwithstanding any subcontracting or delegation, the Administrator shall not be exonerated nor liberated, through such subcontracting or delegation, of any of its responsibilities assumed by virtue of the Administration Contract or that are legally attributable to or demandable of it.

15. Replacement

If the Administrator breaches its obligations under the Administration Contract, the Fund Manager shall be entitled to demand that the Administrator comply with its obligations or, if legally possible, may terminate the Administration Contract. Likewise, if the Administrator's credit rating drops or its financial situation changes causing harm or risk to the financial structure of the Fund or the rights or interests of the Noteholders, the Fund Manager shall be entitled, again, if legally possible, to terminate the Administration Contract. If the Contract is terminated, the Fund Manager shall first designate a new Administrator of the Mortgage Loans that must have acceptable credit quality so as not to damage the credit rating issued to the Notes by the Rating Agencies.

The early termination of the Administration Contract having occurred, the Administrator shall place at the disposition of the new Administrator, at the request of the Fund Manager and in the form that the Fund Manager determines, the documents and computer records necessary to perform its corresponding activities.

IV.3 Succinct description and summary of the general policies on concession and conditions of formalisation established in the matter of the mortgage loans Assignor

IV.3.1 Succinct description of the procedures established by BANCO SABADELL, as the Assignor of the Mortgage Loans, for the analysis of risks and concession of selected mortgage loans

The mortgage loans selected for assignment to the Fund have been assigned by BANCO following its regular procedures which are described in the 'Memorandum issued by BANCO SABADELL on the guidelines for extending credit and granting mortgage loans to individual borrowers' appended to the Deed of Incorporation of the Fund.

IV.3.2 Statistical information on the historical evolution of the mortgage loans in the portfolio granted to individual borrowers as well as default and repayment

The following chart shows different aspects of the evolution in the last years of the credit investment of BANCO SABADELL corresponding to mortgage loans granted to individual borrowers as a representative segment of the mortgage loans selected for assignment to the Fund.

Historical evolution of the concession, default and recovery of the portfolio of mortgages loans to individual borrowers.				
Year of origin	Amount of loan (euros)	% accumulated delinquency compared to total	% recovery	% total loss
1996	209,785,339	0.44%	83.12%	0.07%
1997	285,991,767	0.45%	86.60%	0.06%
1998	441,987,970	0.47%	51.84%	0.22%
1999	666,841,145	0.43%	53.94%	0.20%
2000	633,949,669	0.45%	61.92%	0.17%
2001	752,156,327	0.25%	38.19%	0.15%
2002	932,813,356	0.26%	35.21%	0.17%
2003	1,059,384,298	0.02%	36.00%	0.01%

IV.4 Description of the portfolio of mortgage loans selected for assignment to the Fund through the issue of Mortgage transfer certificates.

The purpose of the selected mortgage loans mobilised through Mortgage transfer certificates is the acquisition, construction and rehabilitation of homes by individual borrowers. The selected portfolio does not include loans to real estate developers or loans used to finance non-residential property. Some of the loans may include other types of property as a guarantee (garage, commercial space), which shall always be attached to the property guaranteeing the Mortgage Loan.

a) Number of mortgage loans and amount or balance presently pending expiration

The portfolio of selected mortgage loans as of 15 June 2004, most of which shall be assigned to the Fund, making up the Mortgage Loans for which the Mortgage transfer certificates shall be issued, is composed of 14,749 mortgage loans with an outstanding balance of 1,305,561,795.36 euros.

The selected mortgage loans have been audited as described in part I.3 of this Prospectus. A report of the audit conducted by DELOITTE & TOUCHE is attached hereto as Appendix V.

b) Maximum, minimum and average values of the principal of the mortgage loans.

The outstanding principal on the mortgage loans ranges between 3,469.18 euros and 869,473.31 euros.

The following table shows the distribution of the outstanding principal of the mortgage loans in increments of 50,000 euros.

Mortgage Loan Portfolio at 15 June 2004					
Classification by Intervals of Outstanding Principal					
Interval of principal		Loans		Outstanding Principal	
Euros		Number	%	Amount (euros)	%
0	49,999.99	2,572	17.438%	101,691,831.34	7.79%
50,000	99,999.99	7,778	52.736%	566,316,437.32	43.38%
100,000	149,999.99	3,085	20.917%	372,380,945.77	28.52%
150,000	199,999.99	834	5.655%	141,481,146.68	10.84%
200,000	249,999.99	321	2.176%	70,111,330.18	5.37%
250,000	299,999.99	80	0.542%	21,766,663.84	1.67%
300,000	349,999.99	28	0.190%	8,953,227.02	0.69%
350,000	399,999.99	20	0.136%	7,475,323.08	0.57%
400,000	449,999.99	13	0.088%	5,419,745.80	0.42%
450,000	499,999.99	6	0.041%	2,813,734.84	0.22%
500,000	549,999.99	7	0.047%	3,655,757.12	0.28%
550,000	599,999.99	1	0.007%	559,155.19	0.04%
600,000	649,999.99	1	0.007%	617,303.65	0.05%
650,000	699,999.99	0	0.000%	0.00	0.00%
700,000	749,999.99	2	0.014%	1,449,720.22	0.11%
750,000	799,999.99	0	0.000%	0.00	0.00%
800,000	849,999.99	0	0.000%	0.00	0.00%
850,000	899,999.99	1	0.007%	869,473.31	0.07%
Total portfolio		14,749	100.00%	1,305,561,795.36	100.00%
		Average principal:		88,518.67	
		Minimum principal:		3,469.18	
		Maximum principal:		869,473.31	

c) Nominal interest rates at this time: maximum, minimum and average rates for the mortgage loans.

All of the mortgage loans in the provisional portfolio have a variable interest rate. The nominal interest rates applicable to the mortgage loans range between 2.25% and 6.90%, with an average weighted nominal interest rate on the outstanding principal of 3.48%.

The following chart shows the distribution of the mortgage loans in 0.50% increments of the nominal interest rate.

Mortgage Loan Portfolio at 15 June 2004					
Classification by Nominal Interest Rate					
Interest Rate Interval	Loans			Outstanding Principal	
	%	Number	%	Amount (euros)	%
2	2.49	56	0,38%	7,326,344.64	0,56%
2.5	2.99	1,198	8,12%	137,400,350.01	10,52%
3	3.49	4,995	33,87%	455,418,028.17	34,88%
3.5	3.99	4,914	33,32%	403,435,444.11	30,90%
4	4.49	3,265	22,14%	274,127,104.22	21,00%
4.5	4.99	216	1,46%	19,413,264.82	1,49%
5	5.49	100	0,68%	8,084,862.03	0,62%
5.5	5.99	1	0,01%	70,540.86	0,01%
6	6.49	2	0,01%	142,509.90	0,01%
6.5	6.99	2	0,01%	143,346.60	0,01%
Total Portfolio		14,749	100.00%	1,305,561,795.36	100,00%
Adjusted Average:				3.48%	
Simple average:				3.51%	
Minimum:				2.25%	
Maximum:				6.90%	

d) Reference indexes currently applicable to the mortgage loans

The following table shows the distribution of the mortgage loans based on the reference index applied to determine the nominal interest rate, with an indication of the average weighted margin added to the reference index to calculate the interest rate.

Mortgage Loan Portfolio at 15 June 2004					
Classification by reference index of the interest rate					
Reference Index	Loans		Outstanding Principal		
	No.	%	Amount (euros)	%	
EURIBOR - AT 11 AM	1	0.01%	66,270.60	0.01%	
EURIBOR OFFICIAL	11,211	76.01%	1,045,404,500.71	80.07%	
I.R.P.H. CAJAS	1,815	12.31%	133,118,010.24	10.20%	
MIBOR (IND.OFIC)	585	3.97%	49,134,615.33	3.76%	
MIBOR BANC. ESP.	1,137	7.71%	77,838,398.48	5.96%	
Total Portfolio	14,749	100.00%	1,305,561,795.36	100.00%	

e) Earliest and latest commencement dates and due dates of the mortgage loans with an indication of the residual life of the mortgage loans as a group

Date of formalisation

The mortgage loans in the provisional portfolio were signed between 10 January 1995 and 24 March 2004. The following table shows the distribution of mortgage loans by closing date in six-month intervals.

Mortgage Loan Portfolio at 15 June 2004					
Classification by loan formalisation date					
Interval		Loans		Outstanding Principal	
Date of signing		No.	%	(euros)	%
01/01/1995	30/06/1995	2	0.01%	148,652.83	0.01%
01/07/1995	31/12/1995	3	0.02%	256,811.39	0.02%
01/01/1996	30/06/1996	5	0.03%	410,035.08	0.03%
01/07/1996	31/12/1996	5	0.03%	393,550.75	0.03%
01/01/1997	30/06/1997	50	0.34%	3,785,541.16	0.29%
01/07/1997	31/12/1997	221	1.50%	15,052,564.31	1.15%
01/01/1998	30/06/1998	437	2.96%	31,245,052.20	2.39%
01/07/1998	31/12/1998	593	4.02%	43,112,825.44	3.30%
01/01/1999	30/06/1999	823	5.58%	63,009,101.79	4.83%
01/07/1999	31/12/1999	994	6.74%	77,933,974.24	5.97%
01/01/2000	30/06/2000	1,142	7.74%	88,696,695.30	6.79%
01/07/2000	31/12/2000	1,020	6.92%	82,862,510.09	6.35%
01/01/2001	30/06/2001	1,344	9.11%	114,132,979.58	8.74%
01/07/2001	31/12/2001	1,471	9.97%	126,953,343.99	9.72%
01/01/2002	30/06/2002	1,591	10.79%	149,872,486.67	11.48%
01/07/2002	31/12/2002	1,732	11.74%	166,883,225.77	12.78%
01/01/2003	30/06/2003	1,504	10.20%	152,452,345.04	11.68%
01/07/2003	31/12/2003	1,600	10.85%	162,984,436.79	12.48%
01/01/2004	30/06/2004	212	1.44%	25,375,662.94	1.94%
Total portfolio		14,749	100.00%	1,305,561,795.36	100.00%
		Adjusted average age		15-10-01	2.74 years
		Maximum antiquity		10-01-95	9.43 years
		Minimum age		24-03-04	0.23 years

f) Final due date and residual life

All the mortgage loans in the provisional portfolio have their final due dates between 30 September 2006 and 30 September 2035.

The amortisation of the loans shall take place during the entire remaining life until total amortisation, a period during which the mortgage debtors should pay monthly instalments in repayment of the capital and interest.

In any given moment in the life of the loans, the debtors can repay part or all the capital pending amortisation early, halting the accrual of interest on the part that was repaid in advance, from the time that repayment occurs.

The following chart shows the distribution of the mortgage loans according to the final due date in six-month intervals.

Mortgage Loan Portfolio at 15 June 2004				
Classification by final amortisation date				
Due Date	Loans		Outstanding Principal	
	Number	%	(euros)	%
2006	8	0.05%	202,720.09	0,02%
2007	31	0.21%	1,567,770.82	0,12%
2008	83	0.56%	3,821,913.50	0,29%
2009	119	0.81%	6,087,964.59	0,47%
2010	182	1.23%	9,474,302.93	0,73%
2011	183	1.24%	11,189,555.32	0,86%
2012	303	2.05%	18,892,270.84	1,45%
2013	379	2.57%	24,796,315.85	1,90%
2014	444	3.01%	29,438,689.70	2,25%
2015	471	3.19%	33,019,190.89	2,53%
2016	517	3.51%	37,477,304.94	2,87%
2017	604	4.10%	47,508,126.78	3,64%
2018	842	5.71%	65,055,215.18	4,98%
2019	736	4.99%	59,030,975.00	4,52%
2020	753	5.11%	59,892,536.04	4,59%
2021	873	5.92%	73,529,142.84	5,63%
2022	891	6.04%	78,628,500.85	6,02%
2023	931	6.31%	90,323,537.63	6,92%
2024	426	2.89%	38,679,719.47	2,96%
2025	506	3.43%	44,793,057.30	3,43%
2026	590	4.00%	56,758,785.69	4,35%
2027	742	5.03%	71,204,151.78	5,45%
2028	880	5.97%	89,901,764.10	6,89%
2029	420	2.85%	40,562,009.87	3,11%
2030	518	3.51%	52,393,851.54	4,01%
2031	558	3.78%	58,138,596.89	4,45%
2032	780	5.29%	89,700,609.22	6,87%
2033	945	6.41%	109,357,342.27	8,38%
2034	33	0.22%	3,821,842.03	0,29%
2035	1	0.01%	314,031.41	0,02%
Total portfolio	14.749	100.00%	1,305,561,795,36	100,00%
	Earliest due date		30/09/2006	2.29 years
	Latest due date		30/09/2035	31.29 years
	Adjusted average due date		15/05/2024	19.95 years

g) Maximum, minimum and average value of the ratio: current outstanding principal of the loan/appraised value.

The ratio, expressed as a percentage, of the outstanding principal to the appraised value of the mortgaged property for the mortgage loans making up the provisional portfolio was between 0.65% and 79.99%, with average weighted ratio of the outstanding principal on each loan being 59.83%. The following chart shows the distribution of the mortgage loans according 5% intervals of that ratio.

Mortgage Loan Portfolio at 15 May 2004						
Classification by relationship between Outstanding Principal and Appraised Value						
Intervals	Loans		Outstanding Principal		Value	Average
Principal/Appraisal:	No.	%	Amount	%	Appraisal	Principal/Appraisal:
0 to 4.99 %	5	0.03%	172,252.67	0.01%	19,992,967.00	0.86%
5 to 9.99 %	37	0.25%	1,293,336.69	0.10%	17,588,518.09	7.35%
10 to 14.99 %	107	0.73%	4,407,220.75	0.34%	34,358,411.88	12.83%
15 to 19.99 %	237	1.61%	12,054,928.17	0.92%	67,956,091.13	17.74%
20 to 24.99 %	354	2.40%	19,846,234.80	1.52%	87,693,816.77	22.63%
25 to 29.99 %	536	3.63%	32,318,546.98	2.48%	117,294,779.08	27.55%
30 to 34.99 %	613	4.16%	41,736,746.64	3.20%	128,164,831.19	32.56%
35 to 39.99 %	807	5.47%	59,017,520.93	4.52%	156,929,036.53	37.61%
40 to 44.99 %	939	6.37%	76,864,031.54	5.89%	180,546,014.28	42.57%
45 to 49.99 %	995	6.75%	80,953,958.39	6.20%	170,159,928.85	47.58%
50 to 54.99 %	1.161	7.87%	101,552,657.22	7.78%	193,448,742.35	52.50%
55 to 59.99 %	1.305	8.85%	121,415,407.94	9.30%	211,457,901.61	57.42%
60 to 64.99 %	1.511	10.24%	142,683,032.15	10.93%	228,344,751.06	62.49%
65 to 69.99 %	1.801	12.21%	168,784,134.73	12.93%	249,999,877.09	67.51%
70 to 74.99 %	2.219	15.05%	219,177,190.07	16.79%	301,901,645.55	72.60%
75 to 79.99 %	2.122	14.39%	223,284,595.69	17.10%	289,667,327.78	77.08%
TOTAL	14.749	100.00%	1,305,561,795.36	100.00%	2,455,504,640.24	
Adjusted Average: 59.83% Simple average:: 53.17% Minimum: 0.65% Maximum: 79.99%						

h) Geographical distribution of the mortgage loans by autonomous community.

The following chart shows the distribution of the mortgage loans according to the autonomous communities where the mortgaged homes are located. The table shows the number of loans and the outstanding principal in each autonomous community.

Mortgage Loan Portfolio at 15 June 2004				
Geographical Classification by Autonomous Community				
Autonomous Community	Loans		Outstanding Principal	
	Number	%	Amount (euros)	%
ANDALUCIA	834	5.65%	63,107,225.28	4.83%
ARAGON	101	0.68%	8,468,483.13	0.65%
ASTURIAS	2,428	16.46%	211,995,322.28	16.24%
BALEARES	302	2.05%	27,825,011.63	2.13%
CANARIAS	326	2.21%	29,708,021.10	2.28%
CANTABRIA	107	0.73%	10,552,521.72	0.81%
CASTILLA-MANCHA	107	0.73%	7,247,168.22	0.56%
CASTILLA-LEON	605	4.10%	50,697,825.30	3.88%
CATALUÑA	5,627	38.15%	512,011,279.49	39.22%
EXTREMADURA	16	0.11%	1,251,091.28	0.10%
GALICIA	510	3.46%	40,758,992.85	3.12%
MADRID	2,015	13.66%	204,216,003.57	15.64%
MURCIA	108	0.73%	9,347,477.07	0.72%
NAVARRA	28	0.19%	2,293,800.96	0.18%
PAIS VASCO	254	1.72%	26,163,491.76	2.00%
RIOJA	27	0.18%	2,630,685.63	0.20%
VALENCIA	1,354	9.18%	97,287,394.09	7.45%
Total portfolio	14,749	100.00%	1,305,561,795.36	100.00%

- i) **Information on the existence of late payments of the principal or interest on the mortgage loans and, if so, amount of the principal of the loans currently more than 30, 60 and 90 days late.**

The following table shows the number of loans, the outstanding principal, and the unpaid principal on the loans in the provisional portfolio with some delay in the payment of the due and payable amounts.

Mortgage Loan portfolio on 15 June 2004			
Late Payments in overdue instalments			
Day Interval	Transactions	Amount of Principal not due	Principal and interest unpaid
1-30	277	26.625.619,69	122.614,37
31-60	52	4.913.725,76	50.387,07
61-90	0	0,00	0,00
Total	329	31.539.345,45	173.001,44

As declared by BANCO SABADELL in part IV.1.3.2 (18), all the Mortgage Loans for which the Mortgage transfer certificates used to create the Fund are ultimately issued shall be current in payment on the issue date.

CHAPTER V

INFORMATION ON THE ECONOMIC-FINANCIAL OPERATION OF THE FUND

V.1 Descriptive synoptic charts of the different hypotheses and estimated behaviour of the financial-economic flows of the Fund:

Initial Balance sheet of the Fund

The balance for the Fund in euros at the end of the Disbursement Date shall be as follows:

ASSETS		LIABILITIES	
Fixed Assets	1,201,081,581	Note Issue	1,200,000,000
Mortgage Loans	1,200,000,000	Class of note A1	150,000,000
		Class of note A2	1,020,600,000
Origination Fee	1,081,581	Class of note B	19,200,000
		Class of note C	10,200,000
Current Assets	10,800,000	Other Long-Term Liabilities	11,881,581
Treasury Account (*)	10,800,000	Origination Fee Loan	1,081,581
		Reserve Fund Loan	10,800,000
Total	1,211,881,581	Total	1,211,881,581

(*) It is assumed that all formation fees of the Fund and the Note Issue shall be paid on the Disbursement Date, which is why the expenses are capitalised on the balance sheet above.

V.1.1 Hypothesis assumed in relation with central indexes or the most probable early amortisation parameters, payment delays of overdue and defaulted amounts, related to the Mortgage Loans pooled in the Fund

The charts shown below in section V.1.3, make reference to one of the possible scenarios, in regards to the income and payments of the Fund, that could occur throughout the life span of the Fund and the current Note issue.

For the making of the aforementioned charts of the financial service of the Notes and the treasury cash flows, the following hypotheses were used:

a) Mortgage Loans

- Outstanding principal of the portfolio as of 15 June 2004 from which the Mortgage Loans to be assigned to the Fund shall be extracted: €1,305,561,795.36
- Interest Rate: 3.48% (% weighted average interest rate of the portfolio of selected loans)
- CPR: 6% and 10% annual.
- Overdue percentage: 0% annual.
- Non-payments considered bad debts: 0%.

b) Mortgage transfer certificates

- Principal: 100% of the outstanding principal of the Mortgage Loan.
- Loans Interests 100% of the interest rate applied to the Mortgage Loan.

b) Note Issue.

Total Amount: one billion two hundred million (1,200,000,000) euros.	Euros
Class of Notes	
Class A1	150,000,000
Class A2	1,020,600,000
Class B	19,200,000
Class C	10,200,000
Total	1,200,000,000

- Interest Rate: adjustable interest rate on the outstanding balances of each of the Classes.
- The interest rates on each Class assumed for the First Interest Accrual Period, as specified in parts II.10.1.f) and II.12.a), are as follows:

(Euribor 2 months)	Notes Class A1	Notes Class A2	Notes Class B	Notes Class C
Nominal Interest Rate	2.1530%	2.2530%	2.5130%	2.8630%

- For successive Interest Accrual Periods, the adjustable interest rates of the Notes in each Class assumed to remain constants, as specified in part II.12.a), are as follows:

(Euribor 3 months)	Notes Class A1	Notes Class A2	Notes Class B	Notes Class C
Nominal Interest Rate	2.1720%	2.2720%	2.5320%	2.8820%

- It is assumed that the Fund Manager shall exercise the option to liquidate the Notes in each Class in advance when the outstanding balance of the mortgage loans is less than 10% of the initial amount.

d) Complementary contracts

(i) Treasury Account

- It is assumed that the Treasury Account shall be kept with BANCO SABADELL.
- Interest Rate: It is assumed that it shall remain constant at 2.112% to remunerate all amounts deposited in the Treasury Account.

(ii) Amortisation Account

- It is assumed that the Amortisation Account shall be kept with BANCO SABADELL.
- Interest Rate: It is assumed that it shall remain constant at 2.112% to remunerate all amounts deposited in the Treasury Account.

(iii) Loan for Initial Expenses

- Amount: €1,081,581.29 that shall be dedicated to financing the Fund formation and Note issue expenses.
- Interest Rate: it is assumed it shall remain constant at 3.112%.

- The amortisation of the principal is quarterly during the first five years.

(iv) Subordinated Loan

- Amount: ten million eight hundred thousand (10,800,000) euros to be used to set up the Reserve Fund on the Disbursement Date.
- Ordinary interest rate: it is assumed it shall remain constant at 3.612%.
- Amortised on each of the Payment Dates by the same amount as the Reserve Fund is reduced.

e) Reserve Fund

- Amount: ten million eight hundred thousand (10,800,000) euros.
- Reduction: the amount may be reduced to the level of the required Reserve Fund on each Payment Date.

f) Fees and Commissions

- Fee for the administration of the Mortgage Loans and deposit of the Mortgage transfer certificates. 0.01% annually on the Outstanding Balance of the Mortgage Loans on the Determination Date, including VAT if non-exempt.
- Financial allocation fee: variable amount equal to the positive difference, if any, between the income and expenses of the Fund prior to officially closing the accounting books. This amount shall accrue annually at the end of each financial year of the Fund. Notwithstanding the foregoing, this fee shall be paid in instalments on each of the Payment Dates.
- Fund Manager Commission: initial commission of €100,000 and 0.01725% per annum on the outstanding balance of the principal of the note issue, with an annual minimum of €25,000.
- Annual expenses of the Fund associated with audits, ratings and registration in the business register: approximately €19,140.
- Payment Agency Commission: 0.01% on the gross amount of interest paid to the Noteholders on each Payment Date.

V.I.2 Analysis and commentary on the impact of the possible variations that the described hypothesis of the previous section would have on financial stability of the Fund

To cover the possible credit risk due to late payments and insolvency of the Mortgage Loans, it is decided to set up a Reserve Fund, initially funded by the Subordinate Loan, to be able to handle each Payment Date, by insufficient disposable funds, the fulfilling of certain payment obligations or retentions of the Fund among which are included the interest payment and the Notes amortisation at maturity. Furthermore, the excess margin of 0.50% obtained through interest swapping and the postponement of the payment of interests and the reimbursement of the principal Class C Notes, with respect to the Notes in Class A and Class B and in turn of the latter with respect to the Notes in Class A derived from their position in the Priority of Payments of the Fund, constitutes a protection mechanism for the Classes.

The interest risk derived for the variable interest of the Assigned Assets with different revision periods and liquidation and reference indexes, and the variable interest of the Note issue referenced to the 3 month Euribor and with quarterly accrual and liquidation periods, is offset by the Finance Interest Swap (section V.3.6), that on the other hand does not offset the credit risk that remains in the Fund.

In regard to the repercussion the early repayment of the Mortgage Loans could have on the Notes, in section II.12.a) of this Prospectus there is a chart showing the behaviour of the weighted average life and the duration of the Notes for the different constant effective rates of early amortisation or prepayment (CPR).

In general, the quality of the Mortgage Loans and the financial operations and mechanisms established to maintain the financial equilibrium of the Fund are such that they have been considered sufficient by the Rating Agencies to assign the ratings to each of the Class of Notes indicated in part II.3 of this Prospectus. These ratings express the opinion of the Rating Agencies on the expected loss prior to the legal maturity date of the Fund. The structure provides for the punctual payment of interests and the payment of principal during the life of the operation and in any case prior to the Final Maturity Date of the operation.

V.1.3 Numeric Scheme of the flows of income and expenses of the Fund

The numeric scheme that follows is in reference to collections and payments derived from the application of a treasury account criteria for the purpose of greater transparency for the investor, and, in accordance with the provisions set forth in section V.2 of this Prospectus, the Fund shall make a temporary assignment of the income and expenses, following the principle of accrual.

The aforementioned scheme is based not only in the hypothesis mentioned in section V.1.1 previous, but also on the constant maintenance of the hypothesis during the life span of the Fund. Obviously, the affected variables, especially the interest rates of the Notes of all Classes, as well as the interest rates and the delinquency rates, bad debt the actual early amortisation rate of the Mortgage Loans, are subject to constant change.

In consequence, the numeric scheme has no other value than merely illustrative.

CASHFLOW OF THE FUND – TAA COLLECTIONS = 6%
Note Issue: €1,200,000,000 – Initial Amount of the Reserve Fund: €10,800,000 – Initial Expenses: €1,081,581
Total : €1,211,881,581

Outstanding Balance (1)	Reserve Fund (2)	Date (3)	Am.Principal. (4)	Interest (5)	Red.C.A. (6)	Red.F.R. (7)	Interest C.C. (8)	Total (9)
1,179,649,304	10,800,000	20/09/04	20,350,696	9,542,744	0	0	165,375	30,058,814
1,148,869,256	10,800,000	20/12/04	30,780,048	10,215,607	0	0	434,030	41,429,686
1,118,635,447	10,800,000	20/03/05	30,233,809	9,948,610	0	0	584,591	40,767,011
1,088,369,207	10,800,000	20/06/05	30,266,239	9,686,340	0	0	758,089	40,710,669
1,058,452,992	10,800,000	20/09/05	29,916,215	9,423,785	0	0	915,715	40,255,715
1,029,056,832	10,800,000	20/12/05	29,396,159	9,164,255	150,000,000	0	268,665	188,829,080
1,000,161,942	10,800,000	20/03/06	28,894,890	8,909,228	20,943,168	0	154,679	58,901,965
971,249,978	10,800,000	20/06/06	28,911,964	8,658,537	0	0	157,494	37,727,995
942,663,187	10,800,000	20/09/06	28,586,791	8,407,698	0	0	155,961	37,150,450
914,564,448	10,800,000	20/12/06	28,098,738	8,159,695	0	0	152,328	36,410,761
886,934,447	10,800,000	20/03/07	27,630,001	7,915,914	0	0	148,799	35,694,714
859,316,983	10,800,000	20/06/07	27,617,464	7,676,213	0	0	151,434	35,445,110
832,020,827	10,800,000	20/09/07	27,296,156	7,436,634	0	0	149,941	34,882,731
805,206,310	10,800,000	20/12/07	26,814,517	7,199,878	0	0	146,420	34,160,814
778,718,406	10,800,000	20/03/08	26,487,904	6,967,339	0	0	144,948	33,600,191
752,425,465	10,800,000	20/06/08	26,292,941	6,737,637	0	0	145,410	33,175,989
726,468,740	10,800,000	20/09/08	25,956,725	6,509,644	0	0	143,908	32,610,278
700,975,031	10,800,000	20/12/08	25,493,709	6,284,573	0	0	140,533	31,918,814
675,909,118	10,800,000	20/03/09	25,065,913	6,063,466	0	0	137,299	31,266,678
650,933,224	10,800,000	20/06/09	24,975,893	5,846,103	0	0	139,532	30,961,528
626,290,401	10,800,000	20/09/09	24,642,823	5,629,560	0	0	138,069	30,410,452
602,097,163	10,800,000	20/12/09	24,193,238	5,415,926	0	0	134,822	29,743,986
578,319,130	10,800,000	20/03/10	23,778,033	5,206,134	0	0	131,713	29,115,880
554,670,213	10,409,744	20/06/10	23,648,917	5,000,024	0	390,256	131,670	29,170,867
531,355,168	9,984,064	20/09/10	23,315,044	4,795,031	0	425,681	127,970	28,663,726
508,453,953	9,564,393	20/12/10	22,901,215	4,592,896	0	419,671	122,747	28,036,529
485,954,385	9,152,171	20/03/11	22,499,568	4,394,363	0	412,222	117,689	27,423,842
463,599,812	8,747,179	20/06/11	22,354,574	4,199,384	0	404,992	117,243	27,076,193
441,576,594	8,344,797	20/09/11	22,023,218	4,005,688	0	402,382	113,704	26,544,992
419,939,986	7,948,379	20/12/11	21,636,608	3,814,834	0	396,418	108,860	25,956,719
398,604,026	7,558,920	20/03/12	21,335,961	3,627,344	0	389,459	105,524	25,458,288
377,520,615	7,174,872	20/06/12	21,083,411	3,442,563	0	384,047	103,475	25,013,496
356,798,017	6,795,371	20/09/12	20,722,598	3,260,066	0	379,501	100,009	24,462,174
336,481,785	6,422,364	20/12/12	20,316,232	3,080,643	0	373,007	95,416	23,865,297
316,548,566	6,056,672	20/03/13	19,933,219	2,904,790	0	365,692	91,008	23,294,709
296,821,872	5,697,874	20/06/13	19,726,694	2,732,244	0	358,798	90,111	22,907,848
277,453,543	5,342,794	20/09/13	19,368,329	2,561,564	0	355,080	86,813	22,371,786
258,510,312	5,000,000	20/12/13	18,943,231	2,394,004	0	342,794	82,504	21,762,532
239,962,931	5,000,000	20/03/14	18,547,381	2,230,099	0	0	80,139	20,857,619
221,662,608	5,000,000	20/06/14	18,300,324	2,069,676	0	0	80,836	20,450,836
203,725,141	5,000,000	20/09/14	17,937,467	1,911,416	0	0	79,449	19,928,332
186,196,552	5,000,000	20/12/14	17,528,589	1,756,312	0	0	77,100	19,362,001
169,024,434	5,000,000	20/03/15	17,172,118	1,604,771	0	0	74,930	18,851,820
152,112,549	5,000,000	20/06/15	16,911,885	1,456,374	0	0	75,508	18,443,767
135,595,848	5,000,000	20/09/15	16,516,701	1,310,346	0	0	74,067	17,901,113
119,433,829	5,000,000	20/12/15	16,162,019	1,167,702	0	0	45,625	17,375,346
0	0	20/03/16	119,433,829	1,028,173	0	5,000,000	317,148	125,779,151
			1,200,000,000	246,345,828		10,800,000	8,099,298	1,636,188,294

CASHFLOW OF THE FUND – TAA PAYMENTS = 6%
Note Issue: €1,200,000,000 – Initial Amount of the Reserve Fund: €10,800,000 – Initial Expenses: €1,081,581
Total : €1,211,881,581

Am. Account (10)	Expenses (11)	Int.Bons (12)	Int.Permuta (13)	Am.A1-A2 (14)	Am.B (15)	Am.C (16)	Int.Pt. (17)	Am.P.S. (18)	C.Adm. (19)	M.Interm. (20)	Total (21)
20.350.696	40.900	4.649.680	3.933.753	0	0	0	72.980	37.254	20.667	952.885	30.058.814
30.780.048	57.792	6.819.321	2.089.747	0	0	0	106.823	54.680	29.819	1.491.456	41.429.686
30.233.809	57.216	6.808.702	2.071.680	0	0	0	105.223	54.079	28.722	1.407.579	40.767.011
30.266.239	58.380	6.953.457	1.797.724	0	0	0	107.132	55.281	28.587	1.443.868	40.710.669
29.916.215	58.381	6.957.791	1.696.637	0	0	0	106.692	55.281	27.814	1.436.904	40.255.715
29.396.159	57.798	6.884.330	877.234	150.000.000	0	0	105.097	54.680	26.755	1.427.025	188.829.080
0	50.666	5.994.202	1.604.693	49.838.058	0	0	103.517	54.079	25.726	1.231.023	58.901.965
0	49.459	5.831.487	1.544.732	28.911.964	0	0	105.387	55.281	25.560	1.204.126	37.727.995
0	48.168	5.667.951	1.498.705	28.586.791	0	0	104.948	55.281	24.821	1.163.785	37.150.450
0	46.433	5.444.333	1.526.108	28.098.738	0	0	103.372	54.680	23.828	1.113.268	36.410.761
0	44.748	5.224.928	1.549.948	27.630.001	0	0	101.811	54.079	22.864	1.066.335	35.694.714
0	44.401	5.174.063	1.364.511	27.617.464	0	0	103.643	55.281	22.666	1.063.081	35.445.110
0	43.168	5.018.043	1.320.574	27.296.156	0	0	103.204	55.281	21.960	1.024.344	34.882.731
0	41.545	4.808.902	1.341.561	26.814.517	0	0	101.647	54.680	21.032	976.931	34.160.814
0	40.361	4.652.736	1.296.912	26.487.904	0	0	101.217	54.680	20.354	946.028	33.600.191
0	39.568	4.547.903	1.192.538	26.292.941	0	0	101.894	55.281	19.901	925.962	33.175.989
0	38.394	4.397.407	1.150.804	25.956.725	0	0	101.455	55.281	19.229	890.983	32.610.278
0	36.882	4.202.704	1.165.860	25.493.709	0	0	99.917	54.680	18.364	846.699	31.918.814
0	35.416	4.011.740	1.177.674	25.065.913	0	0	98.394	54.079	17.524	805.938	31.266.678
0	34.976	3.948.803	1.029.305	24.975.893	0	0	100.150	53.478	17.273	801.650	30.961.528
0	33.861	3.808.121	989.691	24.642.823	0	0	99.691	0	16.635	819.629	30.410.452
0	32.457	3.627.369	999.163	24.193.238	0	0	98.608	0	15.831	777.321	29.743.986
0	31.095	3.450.114	1.005.566	23.778.033	0	0	97.524	0	15.052	738.495	29.115.880
0	30.617	3.382.173	874.554	22.586.554	693.788	368.575	99.691	390.256	14.779	729.879	29.170.867
0	29.562	3.255.365	838.125	22.156.248	756.765	402.032	96.089	425.681	14.175	689.685	28.663.726
0	28.263	3.087.698	843.485	21.758.778	746.081	396.356	91.158	419.671	13.431	651.608	28.036.529
0	27.004	2.922.428	845.950	21.377.408	732.839	389.321	86.366	412.222	12.711	617.592	27.423.842
0	26.492	2.849.616	732.598	21.252.095	719.986	382.493	84.481	404.992	12.419	611.022	27.076.193
0	25.494	2.722.450	698.336	20.927.844	715.346	380.028	80.742	402.382	11.848	580.521	26.544.992
0	24.296	2.567.028	698.804	20.557.470	704.743	374.395	76.191	396.418	11.162	546.213	25.956.719
0	23.340	2.439.862	663.963	20.275.767	692.371	367.822	72.571	389.459	10.615	522.517	25.458.288
0	22.591	2.340.036	598.794	20.037.949	682.751	362.711	69.774	384.047	10.187	504.657	25.013.496
0	21.649	2.218.097	566.671	19.689.511	674.669	358.418	66.229	379.501	9.648	477.781	24.462.174
0	20.550	2.075.335	562.723	19.300.825	663.123	352.284	62.044	373.007	9.019	446.386	23.865.297
0	19.489	1.935.987	556.300	18.937.723	650.119	345.376	57.994	365.692	8.412	417.615	23.294.709
0	18.925	1.858.196	473.743	18.749.967	637.863	338.865	55.907	358.798	8.090	407.494	22.907.848
0	18.044	1.745.156	443.759	18.401.721	631.254	335.354	52.595	355.080	7.585	381.237	22.371.786
0	17.045	1.615.096	435.864	17.994.183	619.787	329.262	48.781	342.794	7.013	352.708	21.762.532
0	16.082	1.488.670	425.658	17.619.162	606.183	322.035	45.150	0	6.463	328.215	20.857.619
0	15.504	1.409.916	357.431	17.391.502	593.516	315.305	46.153	0	6.132	315.375	20.450.836
0	14.687	1.304.646	329.697	17.040.751	585.610	311.106	46.153	0	5.665	290.016	19.928.332
0	13.787	1.187.370	318.338	16.649.653	573.999	304.937	45.652	0	5.150	263.117	19.362.001
0	12.922	1.073.747	304.910	16.313.217	560.915	297.986	45.150	0	4.655	238.318	18.851.820
0	12.336	994.639	250.112	16.070.451	549.508	291.926	46.153	0	4.320	224.322	18.443.767
0	11.580	896.978	224.707	15.688.018	541.180	287.502	46.153	0	3.887	201.107	17.901.113
0	11.114	792.097	210.395	15.352.701	528.534	280.784	45.652	0	3.428	150.641	17.375.346
0	11.105	697.756	184.894	112.789.632	4.339.068	2.305.129	45.652	5.000.000	3.019	402.896	125.779.151
	1.494.549	165.744.429	46.664.931	1.170.600.000	19.200.000	10.200.000	3.842.807	11.877.375	714.797	34.906.240	1.636.188.294

CASHFLOW OF THE FUND – TAA COLLECTIONS = 10%
Note Issue: €1,200,000,000 – Initial Amount of the Reserve Fund: €10,800,000 – Initial Expenses: €1,081,581
Total : €1,211,881,581

Outstanding Balance (1)	Reserve Fund (2)	Date (3)	Am.Principal. (4)	Interest (5)	Red.C.A. (6)	Red.F.R. (7)	Interest C.C. (8)	Total (9)
1,174,049,304	10,800,000	20/09/04	25,950,696	9,542,744	0	0	195,510	35,688,949
1,131,483,246	10,800,000	20/12/04	42,566,058	10,167,112	0	0	556,479	53,289,649
1,090,195,395	10,800,000	20/03/05	41,287,852	9,798,057	0	0	761,088	51,846,997
1,049,221,016	10,800,000	20/06/05	40,974,378	9,440,076	0	0	994,337	51,408,792
1,009,179,703	10,800,000	20/09/05	40,041,313	9,084,815	0	0	1,204,064	50,330,193
970,326,927	10,800,000	20/12/05	38,852,776	8,737,639	150,000,000	0	601,684	198,192,099
932,609,716	10,800,000	20/03/06	37,717,211	8,400,764	79,673,073	0	176,326	125,967,375
895,200,209	10,800,000	20/06/06	37,409,507	8,073,729	0	0	178,555	45,661,791
858,628,578	10,800,000	20/09/06	36,571,630	7,749,368	0	0	175,462	44,496,460
823,122,676	10,800,000	20/12/06	35,505,902	7,432,292	0	0	169,914	43,108,108
788,633,075	10,800,000	20/03/07	34,489,602	7,124,450	0	0	164,599	41,778,650
754,461,316	10,800,000	20/06/07	34,171,759	6,825,437	0	0	166,615	41,163,811
721,060,676	10,800,000	20/09/07	33,400,640	6,529,200	0	0	163,774	40,093,614
688,638,330	10,800,000	20/12/07	32,422,346	6,239,686	0	0	158,656	38,820,688
656,955,475	10,800,000	20/03/08	31,682,855	5,958,693	0	0	155,969	37,797,517
625,814,020	10,800,000	20/06/08	31,141,455	5,684,118	0	0	155,511	36,981,084
595,401,460	10,800,000	20/09/08	30,412,560	5,414,260	0	0	152,853	35,979,672
565,875,435	10,717,226	20/12/08	29,526,026	5,150,729	0	82,774	147,728	34,907,256
537,177,261	10,185,758	20/03/09	28,698,174	4,894,848	0	531,468	140,515	34,265,005
508,837,445	9,669,191	20/06/09	28,339,817	4,646,177	0	516,567	139,272	33,641,833
481,171,974	9,159,074	20/09/09	27,665,471	4,400,652	0	510,117	134,108	32,710,348
454,314,515	8,661,096	20/12/09	26,857,458	4,160,996	0	497,978	127,270	31,643,703
428,210,077	8,177,661	20/03/10	26,104,439	3,928,307	0	483,434	120,787	30,636,967
402,485,573	7,707,781	20/06/10	25,724,503	3,702,213	0	469,880	119,357	30,015,953
377,389,730	7,244,740	20/09/10	25,095,844	3,479,420	0	463,041	114,625	29,152,930
353,007,828	6,793,015	20/12/10	24,381,902	3,262,059	0	451,725	108,549	28,204,235
329,309,873	6,354,141	20/03/11	23,697,954	3,050,905	0	438,874	102,740	27,290,473
305,990,903	5,927,578	20/06/11	23,318,970	2,845,738	0	426,563	101,197	26,692,468
283,256,448	5,507,836	20/09/11	22,734,455	2,643,884	0	419,741	96,870	25,894,950
261,156,992	5,098,616	20/12/11	22,099,456	2,447,087	0	409,220	91,472	25,047,235
239,588,653	5,000,000	20/03/12	21,568,339	2,255,814	0	98,616	89,051	24,011,820
218,494,350	5,000,000	20/06/12	21,094,303	2,069,219	0	0	88,271	23,251,794
197,976,657	5,000,000	20/09/12	20,517,693	1,886,800	0	0	86,251	22,490,744
178,067,451	5,000,000	20/12/12	19,909,206	1,709,357	0	0	83,244	21,701,807
158,729,773	5,000,000	20/03/13	19,337,678	1,537,226	0	0	80,393	20,955,298
139,800,396	5,000,000	20/06/13	18,929,377	1,370,054	0	0	80,648	20,380,079
121,410,659	5,000,000	20/09/13	18,389,737	1,206,473	0	0	78,776	19,674,987
103,606,481	5,000,000	20/12/13	17,804,177	1,047,590	0	0	75,960	18,927,727
0	0	20/03/14	103,606,482	893,785	0	5,000,000	272,102	109,772,369
			1,200,000,000	194,791,771		10.800.000	8.610.582	1.643.875.430

CASHFLOW OF THE FUND – TAA PAYMENTS = 10%
Note Issue: €1,200,000,000 – Initial Amount of the Reserve Fund: €10,800,000 – Initial Expenses: €1,081,581
Total : €1,211,881,581

Am. Account (10)	Expenses (11)	Int.Bons (12)	Int.Permuta (13)	Am.A1-A2 (14)	Am.B (15)	Am.C (16)	Int.Pt. (17)	Am.P.S. (18)	C.Adm. (19)	M.Interm. (20)	Total (21)
25.950.696	40.900	4.649.680	3.954.122	0	0	0	72.980	37.254	20.667	962.651	35.688.949
42.566.058	57.792	6.819.321	2.134.070	0	0	0	106.823	54.680	29.677	1.521.228	53.289.649
41.287.852	57.216	6.808.702	2.071.290	0	0	0	105.223	54.079	28.287	1.434.348	51.846.997
40.974.378	58.380	6.953.457	1.762.756	0	0	0	107.132	55.281	27.861	1.469.547	51.408.792
40.041.313	58.381	6.957.791	1.623.611	0	0	0	106.692	55.281	26.813	1.460.309	50.330.193
38.852.776	57.798	6.884.330	764.157	150.000.000	0	0	105.097	54.680	25.510	1.447.750	198.192.099
0	50.666	5.994.202	1.096.229	117.390.284	0	0	103.517	54.079	24.258	1.254.139	125.967.375
0	46.441	5.439.263	1.438.463	37.409.507	0	0	105.387	55.281	23.833	1.143.614	45.661.791
0	44.771	5.226.389	1.379.111	36.571.630	0	0	104.948	55.281	22.877	1.091.452	44.496.460
0	42.721	4.961.713	1.387.535	35.505.902	0	0	103.372	54.680	21.704	1.030.481	43.108.108
0	40.753	4.705.539	1.392.175	34.489.602	0	0	101.811	54.079	20.578	974.115	41.778.650
0	40.011	4.603.303	1.210.102	34.171.759	0	0	103.643	55.281	20.154	959.558	41.163.811
0	38.485	4.409.228	1.155.938	33.400.640	0	0	103.204	55.281	19.281	911.558	40.093.614
0	36.643	4.171.645	1.158.867	32.422.346	0	0	101.647	54.680	18.227	856.632	38.820.688
0	35.211	3.983.273	1.105.057	31.682.855	0	0	101.217	54.680	17.407	817.817	37.797.517
0	34.130	3.840.921	1.001.588	31.141.455	0	0	101.894	55.281	16.789	789.028	36.981.084
0	32.739	3.662.273	952.335	30.412.560	0	0	101.455	55.281	15.993	747.037	35.979.672
0	31.092	3.449.970	950.405	29.300.697	147.153	78.175	99.917	137.454	15.050	697.343	34.907.256
0	29.513	3.245.654	945.511	27.251.398	944.833	501.942	97.646	585.548	14.147	648.812	34.265.005
0	28.781	3.151.508	813.785	26.933.606	918.342	487.869	94.480	570.045	13.728	629.688	33.641.833
0	27.515	2.989.616	770.391	26.276.820	906.874	481.777	89.253	510.117	13.004	644.982	32.710.348
0	26.046	2.798.718	765.384	25.501.850	885.295	470.313	83.625	497.978	12.163	602.329	31.643.703
0	24.639	2.613.819	757.424	24.788.423	859.439	456.577	78.210	483.434	11.358	563.644	30.636.967
0	23.913	2.513.431	647.074	24.445.386	835.342	443.775	75.485	469.880	10.943	550.724	30.015.953
0	22.765	2.366.047	607.760	23.835.343	823.184	437.317	71.148	463.041	10.286	516.041	29.152.930
0	21.460	2.196.407	598.674	23.152.206	803.067	426.629	66.147	451.725	9.540	478.380	28.204.235
0	20.212	2.032.329	586.927	22.503.241	780.221	414.492	61.341	438.874	8.825	444.011	27.290.473
0	19.496	1.934.282	496.046	22.157.770	758.335	402.865	58.653	426.563	8.416	430.043	26.692.468
0	18.454	1.800.254	460.515	21.591.826	746.207	396.422	54.715	419.741	7.820	398.995	25.894.950
0	17.301	1.650.083	447.852	20.985.468	727.503	386.486	50.288	409.220	7.160	365.874	25.047.235
0	16.325	1.520.708	412.504	20.485.466	707.183	375.691	46.552	98.616	6.601	342.175	24.011.820
0	15.488	1.409.899	359.499	20.037.455	690.187	366.662	46.153	0	6.123	320.328	23.251.794
0	14.546	1.287.237	327.543	19.484.072	675.018	358.603	46.153	0	5.584	291.989	22.490.744
0	13.533	1.155.123	311.812	18.903.839	656.566	348.801	45.652	0	5.004	261.478	21.701.807
0	12.567	1.028.132	293.968	18.362.127	637.095	338.456	45.150	0	4.452	233.351	20.955.298
0	11.876	935.311	237.107	17.981.831	618.806	328.741	46.153	0	4.056	216.199	20.380.079
0	11.118	825.719	208.546	17.462.197	605.740	321.799	46.153	0	3.573	190.141	19.674.987
0	11.106	710.674	190.261	16.903.080	588.472	312.626	45.652	0	3.069	162.788	18.927.727
0	11.095	600.640	170.119	97.657.359	3.885.141	2.063.981	45.150	5.000.000	2.590	336.293	109.772.369
	1.201.878	132.286.592	36.946.515	1.170.600.000	19.200.000	10.200.000	3.129.720	11.877.375	563.408	28.196.867	1.643.875.430

Explanations of the numeric Scheme

a) Collections.

- (1) Outstanding Balance of the Mortgage Loans corresponding to each quarterly Payment Date, once the principal is amortised (4).
- (2) Reserve Fund.
- (3) Quarterly Payment Dates.
- (4) Amount of amortised principal of the Mortgage Loans from the previous quarterly date, until the current date.
- (5) Net interest collected by the Fund from the quarterly date immediately prior to the current date Refers to the interest on the Mortgage Loans and the interests resulting from the application of the Interest Swap, where applicable.
- (6) Decrease on the Amortisation Account.
- (7) Reduction of the Reserve Fund.
- (8) Interest corresponding to the Treasury Account and the Amortisation Account.
- (9) Total inflows on each Payment Date, corresponding to the addition of the amounts (4), (5) (6) (7) and (8).

b) Payments.

- (10) Increase in the Amortisation Account.
 - (11) Amounts corresponding to the regular expenses of the Fund.
 - (12) Amount of interest to be paid to the Noteholders.
 - (13) Amount of interest to be paid to the Noteholders.
 - (14) Amount of the principal of Class A1 Notes amortised.
 - (15) Amount of the principal of Class B Notes amortised.
 - (16) Amount of the principal of Class C Notes amortised.
 - (17) Amounts corresponding to the payment of the interest of the Loan for Initial Expenses and the Subordinate Loan.
 - (18) Periodic Amortisation of the principal of the Loan for Initial Expenses and the Subordinate Loan.
 - (19) Commission for the administration of the Mortgage Loans.
 - (20) Allocation Fee
- Total Payments in each payment date, corresponding to the sum of the amounts (10), (11), (12), (13), (14), (15) (16), (17), (18), (19) and (20).

IMPORTANT NOTE TO THE INVESTOR

The information presented in the following tables appears only for illustrative purposes; the amounts do not represent any specific payment obligation to third parties by the Fund on the corresponding dates or periods to which they refer. The data have been elaborated under hypotheses of default rates and amortisation of the Mortgage Loans which are subject to continuous change; as a consequence, all investors interested in knowing the intended payment calendar of the Fund in each specific Date must request the relevant information from those institutions authorised to distribute it, the Fund Manager, AIAF Market and the CNMV. Notwithstanding, the referred information can also be requested through entities active in the secondary market. Also, for the calculation of the charts of the financial service of the Fund shown later, an assumed interest rate is used that may not coincide with the final rate set two (2) Business days prior to the Disbursement Date.

V.1.4 Foreseen calendar of the Fund

a) Date of Formation

12.07.04

Incorporation of the Fund, issue and subscription of the Mortgage Transfer Certificates and issue of the Securitisation Notes.

b) Disbursement Date

20.07.04.

Disbursement of the Notes and payment of the Mortgage Transfer Certificates. Start of the accrual of interest on the Mortgage Transfer Certificates and on the Notes.

c) Fund Payment Date

March 20, June 20, September 20 and December 20 of each year, or, as the case may be, the following Business Day.

The Payment Period corresponds to the period between two Payment Dates, including the first and excluding the second.

d) Determination Dates

The date on which the Fund Manager makes the calculation of the amounts to be paid on the Payment Date. Coinciding with the third (3rd) Business Day prior to the current Payment Date.

e) Fixing Date

The Nominal Interest Rate applicable to each Interest Accrual Period for both Classes of the Notes shall be determined on the second (2nd) Business Day before each Payment Date, on which the corresponding Interest Accrual Period starts.

As an exception, for the first Interest Accrual Period, the first Interest Rate Fixing Date shall correspond to the second (2nd) Business Day prior to the Disbursement Date.

V.2 Accounting criteria used by the Fund

The collections and payments shall be recognised by the Fund according to the maturity criteria, that is, based on the actual flow that the referred collections and payments represent, regardless of the moment on which collection or payment take place.

The cost of setting up the Fund and issuing the Notes detailed in part II.14, shall be amortised using a straight-line method over five years.

The economic year of the Fund shall coincide with the calendar year. Notwithstanding the foregoing, and as an exception, the first economic year shall start on the Date of Incorporation of the Fund, and the last economic year shall end on the date of extinguishment of the Fund.

V.3 Description of the object or aim of the financial operations contracted by the Fund Manager for the account of the Fund, in order to improve the risk, increase the regularity of payments, neutralise interest rate differences derived from the Mortgage Loans or, in general, transform the financial characteristics of all or part of the referred securities

With the goal of consolidating the financial structure of the Fund, of augmenting the security or regularity of the payment of the Notes, of covering the temporary lags between the calendar of the flow of principal and interest of the Mortgage Loans and that of the Notes, or, in general, transforming the financial characteristics of the Mortgage Loans, as well as complementing the administration of the Fund, the Fund Manager, in representation of the Fund, shall proceed in the act of granting the Deed of Incorporation, to formalise the contracts that are listed below, in accordance with article 6.1 of Royal Decree 926/1998.

The Fund Manager may extend or modify the contract signed on behalf of the Fund, replace each of the providers of services to the Fund thereunder and also, if necessary, sign additional agreements, including credit line agreements, and amend the Deed of Incorporation, always in compliance with the laws in force at the time and provided there is nothing that precludes it from doing so. Any such actions shall be notified in advance by the Fund Manager to the CNMV or another competent administrative body or the Rating Agencies, and authorisation shall be obtained in advance where necessary, and such actions shall not jeopardise the ratings of the Notes by the Rating Agencies. The Deed of Incorporation or the agreements may also be rectified at the request of the CNMV.

V.3.1 Guaranteed Interest Rate Contract (Treasury Account)

The Fund Manager, in representation and on the account of the Fund, and BANCO SABADELL, shall sign a Guaranteed Interest Rate Contract (Treasury Account) by virtue of which BANCO SABADELL shall guarantee a variable return on the amounts deposited by the Fund through its Fund Manager into a financial account. In particular, the Guaranteed Interest Rate Contract and Treasury Account shall determine that all amounts received by the Fund are to be deposited into a financial account in euros (the '**Treasury Account**'), open in BANCO SABADELL in the name of the Fund by the Fund Manager, amounts which for the most part derive from the following concepts:

- (i) Net cash amount of management commission for the payment of the subscription of the Note Issue;
- (ii) Repayment of the principal and interest collected on the Mortgage Loans;
- (iii) Disposition of the principal of the Subordinate Loan and the amounts forming the Reserve Fund at any given time;
- (iv) Any other amounts corresponding to the Mortgage Loans or from the disposal or operation of the property and adjudicated assets or from the interim administration and possession of the property during the execution process, as well as any possible rights and indemnities derived from the property damage insurance policies on the mortgaged properties and those derived from any accessory rights of the Mortgage Loans, excluding the commission established in each one;
- (v) Disposition of the principal of the Loan for Initial Expenses;
- (vi) The amounts that are paid to the Fund derived from the Interest Rate Swap Agreement;
- (vii) The amounts of the income obtained for the balances of the Treasury Account itself and of the Amortisation Account; and
- (viii) The amounts of the withholdings on account for the yield of the movable capital that on each Payment Date has to be made for the interest of the Notes paid by the Fund, until the moment at which they must be paid to the Tax Authority.

BANCO SABADELL guarantees an annual nominal interest rate, adjustable quarterly, and with monthly maturity, except for the first interest accrual period, applicable on each interest accrual period (different from the Interest Accrual Period established for the Notes), on the positive balances in the Treasury Account equal to the Reference Interest Rate determined for each Interest Accrual Period. The accrued interest, which must be paid by the fifth day of each month, shall be calculated on the basis of: (i) the effective days of each interest accrual period and (ii) a three-hundred-and-sixty-five (365) day year.

In the event that the unsubordinated and unsecured short term debt of BANCO SABADELL would at any time during the life of the issue of the Notes experience a decrease under P-1 according to the rating scales of Moody's or A-1 in the case of S&P, respectively, or an equivalent rating specifically recognised by the Rating Agencies, the Fund Manager, within the maximum term of thirty (30) Business Days from the moment of occurrence of such situation, shall exercise any of the options described below, which allow the maintenance

of an adequate guarantee level regarding the commitments derived from this Contract, and provided that the rating granted to the Notes by the Rating Agencies is not prejudiced:

- a) Obtain from a financial entity with a minimum credit rating for its unsecured and unsubordinated short term debt, of P-1 and A-1, according to the rating scales of Moody's and S&P, respectively, and which does not impair the rating granted to the Notes by the Rating Agencies, a first-demand guarantee to secure the Fund, at the simple demand of the Fund Manager, the timely payment by BANCO SABADELL of its refund obligation of the amounts deposited in the Treasury Account during the time that the situation of loss of the P-1 or A-1 ratings by BANCO SABADELL remains.
- b) Move the Amortisation Account of the Fund to an entity whose unsecured and unsubordinated short term debt has a minimum credit rating of P-1 and F1, according to the rating scales of Moody's and S&P, respectively, and arrange the maximum return for its balances, although it may be different than that agreed with BANCO SABADELL by virtue of this Contract.
- c) If options a) and b) above were not possible, obtain from BANCO SABADELL or from a third party, a pledge guarantee in favour of the Fund over financial assets with a credit quality no lower than that of the Spanish State Public Debt, for an amount sufficient to guarantee the commitment assumed in this Contract and which do not impair the ratings assigned to the Notes by the Rating Agencies.
- d) If neither of the aforementioned options is possible, the Fund Manager shall be entitled to invest the balances, for quarterly periods at the maximum, in short-term fixed-rate assets in euros issued by entities with a minimum credit rating of P-1 and A1 for short term debt, according to the rating scales of Moody's and S&P, respectively, including short-term securities issued by the Spanish State, it being therefore possible, also in this case, that the return obtained is different from that initially obtained from BANCO SABADELL by virtue of this Contract.
- e) In both b) and d), the Fund Manager shall be later entitled to return the balances to BANCO SABADELL under the Guaranteed Interest Rate Contract (Treasury Account), in the event that its short term debt again reaches the P-1 and A-1 ratings, in accordance with the scales of Moody's and S&P, respectively.

By means of the Guaranteed Interest Rate Contract (Treasury Account), the interest rate risk is partially mitigated by temporary gaps between the collections of the Fund in the concept of principal and interest of the Mortgage Loans with, for the most part, monthly periodicity, and amortisation and payment of the interest on the Notes, with quarterly periodicity.

As long as BANCO DE SABADELL maintains a credit rating of A-1 on the S&P scale for its short term debt, the sum of the balances in the Treasury Account and the Amortisation Accounts may not exceed twenty percent (20%) of the Outstanding Principal Balance of the Notes (hereinafter, the '**Current Account Balance Limit**').

If the Current Account Balance Limit is surpassed, the Fund Manager shall notify S&P in writing of the business day when the percentage is reached and S&P shall have five (5) business days to inform the Fund Manager whether any of the ratings assigned to the Notes could be affected by this circumstance and if this were the case the Fund Manager shall proceed to open a new current account (hereinafter the '**Treasury Surplus Account**') with a financial entity with a short term debt rating of at least A1+ on the S&P scale and P-1 on the Moody's scale and transfer any of the amounts on deposit in the Treasury Account, initially, and if necessary the amounts deposited in the Amortisation Account in excess of the Current Account Balance Limit. Likewise, the Fund Manager may transfer from the Treasury Surplus Account any amounts deposited therein until the sum of the balances of the Treasury Account and the Amortisation Account equals the Current Account Balance Limit.

Should the unsubordinated and unsecured short term debt of BANCO SABADELL, at any time during the life of the issue of the Notes, experience a decrease under P-1 according with the rating scales of Moody's or A-1 in the case of S&P, respectively, or an equivalent rating specifically recognised by the Rating Agencies, the Fund Manager, within the maximum term of thirty (30) Business Days counting from the moment of occurrence of such situation, shall exercise any of the options described below that allow the maintenance of an adequate guarantee level regarding the commitments derived from this Contract, and provided that the rating granted to the Notes by the Rating Agencies is not prejudiced:

- a) Obtain from a financial entity with a minimum credit rating for its unsecured and unsubordinated short term debt, of P-1 and A-1, according to the rating scales of Moody's and S&P, respectively, and which does not impair the rating granted to the Notes by the Rating Agencies, a first-demand guarantee to secure the Fund, at the simple demand of the Fund Manager, by the timely payment by BANCO SABADELL of its refund obligation of the amounts deposited in the Treasury Account during the time that the situation of loss of the P-1 or A-1 ratings by BANCO SABADELL remains.
- b) Move the Treasury Surplus Account of the Fund to an entity whose unsecured and unsubordinated short term debt has a minimum credit rating of P-1 and A-1+, according to the rating scales of Moody's and S&P, respectively, and arrange the maximum return for its balances, although it may be different than that agreed with BANCO SABADELL by virtue of this Contract.

The Guaranteed Interest Rate Contract (Treasury Account) shall be terminated for all legal purposes if the Rating Agencies did not confirm before the start of the Subscription Period, as final, the ratings assigned on a provisional basis to each of the Classes or in the event of the termination of the Management Contract for the Note Issue.

V.3.2 Guaranteed Interest Rate Contract (Amortisation Account)

The Fund Manager, in representation and on the account of the Fund, and BANCO SABADELL, shall sign a Guaranteed Interest Rate Contract (Amortisation Account) by virtue of which BANCO SABADELL shall guarantee a variable return on the amounts deposited by the Fund through its Fund Manager into a financial account. In particular, the Guaranteed Interest Rate Contract (Amortisation Account) shall determine that the financial account in euros (the '**Amortisation Account**') opened by the Fund Manager with BANCO SABADELL in the name of the Fund by the Fund Manager, shall be used to deposit the Funds Available for Amortisation applied from the first Payment Date (20 September 2004), inclusive, to the allocation of the Fund for the Amortisation of Class A2 through the Payment Date on 20 December 2005, which shall be used to redeem the Class A1 Notes on the Class A1 Maturity Date (20 December 2005) and the partial redemption of Class A2 Notes on the first Amortisation Payment Date (20 March 2006).

BANCO SABADELL guarantees an annual nominal interest rate, adjustable quarterly, and with monthly maturity, except for the first interest accrual period, applicable on each interest accrual period (different from the Interest Accrual Period established for the Notes), on the positive balances in the Amortisation Account equal to the Reference Interest Rate determined for each Interest Accrual Period. The accrued interest, which must be paid by the fifth day of each month, shall be calculated on the basis of: (i) the effective days of each interest accrual period and (ii) a three-hundred-and-sixty-five (365) day year.

In the event that the unsubordinated and unsecured short term debt of BANCO SABADELL would at any time during the life of the issue of the Notes experience a decrease under P-1 according with the rating scales of Moody's or A-1 in the case of S&P, respectively, or an equivalent rating specifically recognised by the Rating Agencies, the Fund Manager, within the maximum term of thirty (30) Business Days counting from the moment such situation occurs, shall exercise any of the options described below, which allow the maintenance of an adequate guarantee level regarding the commitments resulting from this Contract, and provided that the rating granted to the Notes by the Rating Agencies is not prejudiced:

- a) Obtain from a financial entity with a minimum credit rating for its unsecured and unsubordinated short term debt, of P-1 and A-1, according to the rating scales of Moody's and S&P, respectively, and always subject to the approval of the Rating Agencies, a first-demand guarantee to secure the Fund, at the simple demand of the Fund Manager, by the timely payment by BANCO SABADELL of its refund obligation of the amounts deposited in the Treasury Account during the time that the situation of loss of the P-1 or A-1 rating by BANCO SABADELL remains.
- b) Move the Treasury Account of the Fund to an entity whose unsecured and unsubordinated short term debt has a minimum credit rating of P-1 and F1, according to the rating scales of Moody's and S&P, respectively, and arrange the maximum return for its balances, although it may be different than that agreed with BANCO SABADELL by virtue of this Contract.
- c) If options a) and b) above were not possible, obtain from BANCO SABADELL or from a third party, a pledge guarantee in favour of the Fund over financial assets with a credit quality no lower than that of the Spanish State Public Debt, for an amount sufficient to guarantee the commitment assumed in this Contract, and which do not impair the ratings assigned to the Notes by the Rating Agencies.
- d) If neither of the aforementioned options is possible, the Fund Manager shall be entitled to invest the balances, for quarterly periods at the maximum, in short-term fixed-rate assets in euros issued by entities with a minimum credit rating of P-1 and A1 for short term debt, according to the rating scales of Moody's and S&P, respectively, including short-term securities issued by the Spanish State, it being therefore possible, also in this case, that the return obtained is different from that initially obtained from BANCO SABADELL by virtue of this Contract.
- e) In both b) and d), the Fund Manager shall be later entitled to return the balances to BANCO SABADELL under the Guaranteed Interest Rate Contract (Amortisation Account), in the event that its short term debt again reaches the P-1 and A-1 ratings, in accordance with the scales of Moody's and S&P, respectively.

While BANCO DE SABADELL maintains a credit rating of A-1 on the S&P scale for its short term debt, the sum of the balances in the Treasury Account and the Amortisation Accounts may not exceed twenty percent (20%) of the Outstanding Principal Balance of the Notes (hereinafter, the '**Current Account Balance Limit**').

If the Current Account Balance Limit is surpassed, the Fund Manager shall notify S&P in writing of the business day when the percentage is reached and S&P shall have thirty (30) business days to inform the Fund Manager whether any of the ratings assigned to the Notes could be affected by this circumstance and if this were the case, the Fund Manager shall proceed to open a new current account (hereinafter the '**Treasury Surplus Account**') with a financial entity with a short term debt rating of at least A1+ on the S&P scale and P-1 on the Moody's scale and transfer any of the amounts on deposit in the Treasury Account, initially, and if necessary the amounts deposited in the Amortisation Account in excess of the Current Account Balance Limit. Likewise, the Fund Manager may transfer from the Treasury Surplus Account any amounts deposited therein until the sum of the balances of the Treasury Account and the Amortisation Account equals the Current Account Balance Limit.

In the event that the unsubordinated and unsecured short term debt of BANCO SABADELL would at any time during the life of the issue of the Notes experience a decrease under P-1 according to the rating scales of Moody's or A-1 in the case of S&P, respectively, or an equivalent rating specifically recognised by the Rating Agencies, the Fund Manager, within the maximum term of thirty (30) Business Days counting from the moment such situation occurs, shall exercise any of the options described below that allow the maintenance of an adequate guarantee level regarding the commitments derived from this Contract, and provided that the rating granted to the Notes by the Rating Agencies is not prejudiced:

- a) Obtain from a financial entity with a minimum credit rating for its unsecured and unsubordinated short term debt, of P-1 and A-1+, according to the rating scales of Moody's and S&P, respectively, and which does not impair the rating granted to the Notes by the Rating Agencies, a first-demand guarantee to secure the Fund, at the simple demand of the Fund Manager, by the timely payment by BANCO SABADELL of its refund obligation of the amounts deposited in the Treasury Account during the time that the situation of loss of the P-1 or A-1+ ratings by BANCO SABADELL remains.
- b) Move the Treasury Surplus Account of the Fund to an entity whose unsecured and unsubordinated short term debt has a minimum credit rating of P-1 and A-1+, according to the rating scales of Moody's and S&P, respectively, and arrange the maximum return for its balances, although it may be different than that agreed with the financial entity by virtue of this Contract.

The Guaranteed Interest Rate Contract (Amortisation Account) shall be terminated for all legal purposes in the event that the Rating Agencies did not confirm before the start of the Subscription Period, as final, the ratings assigned on a provisional basis to each of the Classes or in the event of the termination of the Direction, Management Contract for the Note Issue. The Amortisation Account shall also be cancelled on 20 March 2006. If there were any balance remaining in the account on that date, which could only be used for the amortisation of the Class A2 principal, it will be deposited into the Treasury.

V.3.3 Subordinate Loan Contract

The Fund Manager, on behalf of the Fund, shall sign a subordinate loan contract with BANCO SABADELL (the '**Subordinate Loan Contract**') to the amount of ten million eight hundred thousand (10,800,000) euros. The amount of the Subordinate Loan shall be delivered on the Disbursement Date and shall be used to set up the Reserve Fund under the terms set forth in III.2.3 of this Prospectus, although this should not be construed as a guarantee of the successful repayment of the Mortgage Loans.

Amortisation

The principal of the Subordinate Loan shall be repaid on each of the Payment Dates in an amount equal to the positive difference between the amount of the Reserve Fund required on the previous Payment Date and the amount of the Reserve Fund required on the current Payment Date, in the application order set out in the Priority of Payments and provided that the conditions set forth in III.2.3 of this Prospectus for the reduction of the Reserve Fund are met.

In the case that the Fund, according to the Priority of Payments, did not have, on a Payment Date, sufficient liquidity to make the refund corresponding to the Subordinate Loan, the part of the principal that was not refunded, shall be refunded on the immediately following Payment Date together with the amount which, if applicable, corresponds to be reimbursed on that same Payment Date, until it has been refunded in full.

Financial Return

Interest Rate: The principal of the Subordinate Loan shall accrue an annual nominal interest, determined quarterly for each interest accrual period, which shall be the result of the aggregation of: (i) the Interest Rate of Reference on the Notes for each Interest Accrual Period and (ii) a margin of 1.50%. Such interest shall be paid only if the Fund has sufficient liquidity in accordance with the Priority of Payments. The interest accrued to be paid on March 20, June 20, September 20 and December 20 of each year and to be paid at maturity on the corresponding Payment Date, shall be calculated based on: (i) the effective days of each interest accrual period and (ii) a three-hundred-and-sixty (360) day year. The first interest Payment Date shall be 20 September 2004.

The interest accrued but not paid on a Payment Date shall be accumulated to the principal of the Subordinate Loan, accruing additional interest at the same rate as that applicable to the Subordinate Loan for the interest accrual period concerned and shall be paid, provided that the Fund has sufficient liquidity, in accordance with the Priority of Payments in the same place as indicated for the payment of the interest accrued on the Subordinate Loan according to the Priority of Payments Date, on the immediately following Payment Date.

All amounts due and payable on the Loan which are not paid due to insufficient Funds shall be paid on subsequent Payment Dates as the Available Funds allow, according to the established Priority of Payments. All the amounts not paid on preceding Payment Dates shall be paid with preference over the amounts related to the Loan to be paid on that Payment Date, attending in the first place the interest accrued but not paid, and in second place, the amortisation of the principal.

The Subordinate Loan shall be terminated for all legal purposes in the event that the Rating Agencies did not confirm before the start of the Subscription Period, as final, the ratings assigned on a provisional basis to each of the Classes or in the event of the termination of the Direction, Management Contract of the Note Issue.

V.3.4 Loan for Initial Expenses

The Fund Manager, on behalf of the Fund, shall sign a mercantile contract with BANCO SABADELL (the '**Loan for Initial Expenses**') to the amount of one million, eighty-one thousand, five hundred and eighty-one euros and twenty-nine cents (€1,081,581.29), which shall be used to finance the cost of setting up the Fund.

The Loan for Initial Expenses shall accrue an annual nominal interest, determined quarterly for each interest accrual period, which shall be the one resulting from the aggregation of: (i) the Interest Rate of Reference on the Notes for each Interest Accrual Period and (ii) a margin of 1%. Such interest shall be paid only if the Fund has sufficient liquidity in accordance with the Priority of Payments. The interest accrued to be paid on days March 20, June 20, September 20 and December 20 of each year and to be paid at maturity on the concerned Payment Date, shall be calculated based on: (i) the effective days of each interest accrual period and (ii) a three-hundred-and-sixty (360) day year. The first interest Payment Date shall be 20 September 2004.

The interest accrued but not paid on a Payment Date, shall accumulate and shall accrue a default interest at the same rate as the nominal interest of the Loan and shall be paid, provided that the Fund has sufficient liquidity, in accordance with the Priority of Payments, on the following Payment Date.

It shall be amortised quarterly to the amount that the referred formation expenses had been amortised, according to the official accounting records of the Fund, and in any case, during a maximum period of five (5) years from the Fund formation date and in accordance with the accounting and fiscal regulations in effect at any given time and the Priority of Payments, provided that the Fund has sufficient liquidity.

All the amounts not paid on preceding Payment Dates shall be paid on the following Payment Dates with preference over the amounts related to the Loan for Initial Expenses to be paid on that Payment Date, attending in the first place the interest accrued but not paid, and in second place, the amortisation of the principal, according to the Priority of Payments of the Fund.

V.3.5 Interest Rate Swap Contract

The Fund Manager, in representation and on the account of the Fund, shall sign with BANCO SABADELL an Interest Rate Swap (the '**Interest Swap Contract**' and the '**Interest Swap**') in accordance with the form of the Master Financial Operations Contract (MFOC) of the Spanish Banking Association, the most relevant characteristics of which are described below.

Under the Interest Swap Contract, the Fund shall make payments to BANCO SABADELL calculated on the interest rate of the Mortgage Loans and, in exchange, BANCO SABADELL shall make payments to the Fund calculated on the weighted average nominal interest rate of the Class of Note, as described below:

Part A: BANCO SABADELL

Part B: The Fund, represented by the Fund Manager

1. Liquidation Dates

The liquidation dates shall coincide with the Payment dates of the Notes, i.e., 20 March, 20 June, 20 September and 20 December of each year, or if any of these dates falls on a non-business day, the next business day.

2. Liquidation Periods

The liquidation periods shall be the days actually lapsed between two consecutive liquidation dates, including the first and excluding the last. As an exception, the first liquidation period for Part A shall have a duration equivalent to the days elapsed between the Disbursement Date of the Fund (included) and the first Payment Date (20 September) (excluded).

3. Notional of the Swap

The amount resulting from adding the Outstanding Balance of the Principal of the Notes on each of the Determination Dates in progress.

4. Amounts to be paid by Part A

Calculated by applying the Interest Rate payable by Part A to the Notional of the Swap for the number of days in the liquidation period.

4.1 Interest rate payable by Part A: For each liquidation period, the Weighted Average Nominal Interest Rate on the Notes plus a margin of 0.50%.

5. Amounts to be paid by Part B

Calculated by adding (i) the amount of interest accrued on the non-delinquent loans plus (ii) the amount of interest accrued on the Amortisation Account.

5.1. Accrued Interest: The interest generated, collected or uncollected, during the liquidation period of reference

6. Net Amount Payable

The positive or negative result of the difference between the amount payable by part A (BANCO SABADELL) and the amount payable by Part B (The Fund).

If the amount payable by Part A and the amount payable by Part B are equal, neither of the parties shall be obliged to make any payment in relation to the Net Amount.

If on any liquidation date the Fund (Part B) did not have sufficient liquidity to pay the entire net amount to Part A, the unpaid amount shall be paid on the next Payment Date, provided the Fund has sufficient liquidity according to the Priority of Payments. If this non-payment circumstance were to occur on two consecutive Payment Dates, the Interest Swap Contract shall be cancelled. If the Contract is cancelled, the Fund shall assume the obligation to pay the liquidation amount set forth under the terms of the Interest Swap Contract, all in accordance with the Priority of Payments.

If on any liquidation date Part A did not have sufficient liquidity to pay the entire net amount to Part B, the Fund Manager may cancel the Interest Swap Contract early. If the Fund Manager were to exercise the early cancellation option, it must look for an alternative financial entity to replace Part A as quickly as possible.

In the event that the liquidation of the Interest Swap Contract due to a breach by Part A were to result in a payment in favour of Part A, that payment shall occupy tenth place on the Priority of Payments. All of the expenses of replacing Part A in the Interest Swap Contract shall be assumed by Part A being replaced.

Notwithstanding the foregoing, except in a situation of permanent alteration of the financial balance of the Fund, the Fund Manager, on behalf of the Fund, shall attempt to sign a new swap contract.

Should the unsubordinated and unsecured long-term debt of BANCO SABADELL, at any time during the life of the issue of the Notes, experience a decrease under A-1 according to the rating scales of Moody's, or if the unsubordinated and unsecured short term debt of BANCO SABADELL at any time during the life of the issue of the Notes experience a decrease under A-1 in the case of S&P, respectively, or an equivalent rating specifically recognised by the Rating Agencies, Part A, within the maximum term of thirty (30) Business Days counting from the moment of occurrence of such situation, shall exercise any of the options described below, which allow the maintenance of an adequate guarantee level regarding the commitments derived from this Contract:

- (i) Seek a third party entity whose credit rating for its short term unsubordinated and unsecured debt is A1 according to Moody's, and whose short term debt rating is equal to A-1 according to S&P, to assume the contractual position of BANCO SABADELL and to replace it in the Interest Swap Contract;
- (ii) Seek a third party entity meeting the same requirements as set forth above in option (i) to guarantee the fulfilment of the contractual obligations of BANCO SABADELL; or
- (iii) Set up a cash or security deposit in favour of the Fund to an amount that satisfies Moody's and S&P; all subject to the terms and conditions required by the Fund Manager and the Rating Agencies to maintain the ratings assigned to each Class of Notes.

If Part A were to set up a deposit in cash or securities in favour of the Fund to satisfy the requirements of S&P and if the credit rating of the referred Part in respect of its short term debt on the S&P scale were less than A-3, the referred Part shall seek a financial entity with a credit rating for its short term debt of A-1 on the S&P scale and A1 on the Moody's scale of long term debt and replace it immediately. During the search period, Part A shall continue to assume the function of the counterpart and shall set up a deposit in cash or securities in favour of the Fund to the satisfaction of S&P.

All costs, expenses and taxes incurred in the fulfilment of the above obligations shall be charged to BANCO SABADELL.

The failure by Part A to take the measures described herein within the stipulated periods shall be grounds for early cancellation attributable to Part A, at the discretion of the Fund Manager. If the Fund Manager were to exercise this option, it must look for an alternative financial entity to replace Part A as quickly as possible.

The occurrence, if applicable, of the early termination of the Swap Contract shall not in itself constitute a cause for Early Amortisation of the Note issue or for Early Liquidation of the Fund referred to in sections II.11.3.2 and III.7.1 of the present Prospectus, except if, in conjunction with other events or circumstances relating to the equity situation of the Fund, a substantial or permanent alteration of its financial balance should occur.

The Interest Swap Contract shall be terminated for all legal purposes in the event that the Rating Agencies did not confirm before the start of the Subscription Period, as final, the ratings assigned on a provisional basis to each of the Classes or in the event of the termination of the Management Contract of the Note Issue.

The reason for the Interest Swap Contract is to eliminate or mitigate the interest rate risk to which the Fund is exposed due to the fact that the Mortgage Loans have adjustable interest rates with different reference indexes and different adjustment periods and that there are different interest liquidation periods for each of the Class of Note issued against the Fund (basic risk), as well as the risk which, under the terms of Law 2/1994 on the

assumption and modification of mortgage loans, is derived from possible renegotiations of the interest rates on the Mortgage Loans which could result in the referred rates being lowered.

V.3.6 Mortgage Loan Administration and Mortgage Unit Deposit Contract

BANCO SABADELL, as the issuing entity of the Mortgage transfer certificates to be subscribed by the Fund, in accordance with the Deed of Incorporation and the provisions of Royal Decree 685/1982, modified by Royal Decree 1289/1991 of 2 August, shall sign with the Fund Manager on behalf of the Fund, the Mortgage Loan Administration and Mortgage Unit Deposit Contract (the '**Administration Contract**') by virtue of which BANCO SABADELL (as the '**Administrator**' under this Contract) as the agent of the Fund Manager on behalf of the Fund shall (i) hold the titles representing the Mortgage Units, (ii) hold and administer the Mortgage Loans and (iii) collect all sums on behalf of the Fund paid by the borrowers of the Mortgage Loans to which the Mortgage transfer certificates refer.

The terms of the Administration Contract are described in section IV.2 of the present Prospectus.

The Administration Contract shall be terminated for all legal purposes if the Rating Agencies do not confirm before the start of the Subscription Period, as final, the ratings assigned on a provisional basis to each of the Classes or in the event of the termination of the Management Contract.

V.3.7 Management Contract of the Note Issue

The Fund Manager, in representation and on the account of the Fund, shall execute a Management Contract for the Note Issue with Barclays Bank PLC, Credit Suisse First Boston Europe Limited, Lehman Brothers International (Europe) and Banco de Sabadell, S.A. as the Direction Entities and Managers.

The terms of the Management Contract are described in section II.19.3 of this Prospectus. The management commitment of each Manager and the management fees are specified in part II.19.1 of this Prospectus.

Barclays Bank PLC, Credit Suisse First Boston Europe Limited, Lehman Brothers International (Europe) and Banco de Sabadell, S.A. shall participate in the Note Issue as Placement Directors. This shall not receive any remuneration for the management of the Note Issue.

The Management Contract shall be terminated for all legal purposes if the Rating Agencies do not confirm before the start of the Subscription Period, as final, the ratings assigned on a provisional basis to each of the Classes or for any of the reasons provided for under the law.

V.3.8 Payment Agency Contract

The Fund Manager, in representation and on the account of the Fund, shall sign with BANCO SABADELL a payment agency contract to carry out the financial services of the Note issued against the Fund (the '**Payment Agency Contract**'). The obligations assumed by BANCO SABADELL (the '**Payment Agent**') under this Contract are summarised below:

- (i) Before 1500 hours (CET) on the Disbursement Date, it shall pay into the Fund by means of a deposit into the Treasury Account the total amount of the subscriptions of the Note Issue which, under the Management Contract, are paid to it by the rest of the Managers, plus the nominal amount of the Notes it has placed and those it has subscribed itself, up to the limit of its management commitment.
- (ii) On the Disbursement Date it shall pay each of the Managers their management commissions after they have paid the nominal amounts of the Notes placed or subscribed by each of them, up to the limit of their respective management commitments.
- (iii) On each of the Payment Dates of the Notes, it shall pay the interest and reimbursement of principal of the Notes, once the total amount of the withholding tax retention has been deducted on account of the income from the movable assets which, if applicable, may have to be made in accordance with the applicable tax legislation.

In consideration for the services to be provided by the Payment Agent, the Fund shall pay to the same on each Payment Date during the life of the contract, a fee of 0.01%, including taxes, if applicable, over the gross amount of the interest paid to the Noteholders on each Payment Date, to be paid on the same Payment Date, provided that the Fund has sufficient liquidity according to the Priority of Payments.

In the event of a drop in the credit rating of BANCO SABADELL or for any other duly justified reason that could jeopardise the ratings assigned to the Notes by the Rating Agencies, the Fund Manager, based on the standards of the Rating Agencies, may revoke the designation of BANCO SABADELL as the Payment Agent and appoint another agent to replace it. If BANCO SABADELL were replaced as the Payment Agent, the Fund Manager shall be entitled to modify the commission paid to the replacement agent, which could be higher than that paid to BANCO SABADELL under this contract.

Should the Fund not have sufficient liquidity to pay the entire mentioned fee, the unpaid amounts shall be accumulated, without penalty, with the fee corresponding to the following Payment Date, except when the lack of liquidity continues, in which case the amounts due shall continue to accumulate until the Payment Date on which said lack of liquidity has ceased.

The Payment Agency Contract shall be terminated for all legal purposes if the Rating Agencies do not confirm before the start of the Subscription Period, as final, the ratings assigned on a provisional basis to each of the Classes or in the event of the termination of the Management Contract of the Note Issue.

V.3.9 Financial Mediation Contract

The Fund Manager, on behalf of the Fund, shall sign a Financial Mediation Contract with BANCO DE SABADELL to remunerate BANCO DE SABADELL for the financial mediation process which has permitted the definitive financial transincorporation of the Fund activity, the subscription by Fund of the Mortgage transfer certificates and the satisfactory credit rating assigned to each Class of Notes.

The remuneration paid to BANCO DE SABADELL under this heading consists of a variable amount that is subject to the difference between the annual income and expenses, according to the Fund's official accounting records, less any negative tax bases from previous fiscal years which may be used to compensate the accounting results of the fiscal year for the purposes of the annual Corporate Income Tax payment.

This amount shall accrue annually at the end of each financial year of the Fund. Notwithstanding the foregoing, this fee shall be paid in instalments on each of the Payment Dates.

The Financial Mediation Margin (between the amounts paid in advance and the Fund's results at the end of the fiscal year) shall be adjusted on the first Payment Date of the next year, according to the Priority of Payments shown in part 5.1.B) of this chapter, when the result of such adjustment is an amount payable by the Fund to BANCO DE SABADELL.

The Financial Mediation Contract for the Note Issue shall remain in force until the Fund Liquidation Date or the next business day (if the Fund Liquidation Date does not fall on a business day) or until the date on which the Mortgage transfer certificates or the Notes have been fully redeemed.

V.4 Priority rules established for the payments of the Fund

V.4.1 Origin and application of funds on the Disbursement Date for the Notes, and up to and excluding the first Payment Date

The origin and application of the available amounts by the Fund on the Disbursement Date of the Note issue shall be as follows:

1. **Origin:** the Fund shall dispose of Funds under the following concepts:
 - a) Disbursement of the subscription of the Notes.
 - b) Drawdown of the Loan for Initial Expenses.
 - c) Drawdown of the Subordinate Loan.

2. **Application:** the Fund in turn shall apply the above resources to the following payments:
 - a) Payment of the subscription price of the Mortgage transfer certificates.
 - b) Payment of the expenses for the incorporation of the Fund and for the issue of the Notes.
 - c) Initial funding of the Reserve Fund.

V.4.2 Origin and application of funds after the first Payment Date and until the final liquidation of the Fund, inclusive

On each Payment Date, the Fund Manager shall proceed to apply the Available Funds and the Funds Available for Amortisation in the Priority of Payments indicated below for each of them (the '**Priority of Payments**')

V.4.2.1 Available Funds: origin and application.

1. Origin.

The funds available on each Payment Date (the '**Available Funds**') to fulfil the payment or withholding obligations listed in part 2 below shall be the amounts that have been deposited into the Treasury Account and into the Treasury Surplus Account for the following items:

- a) The amounts received for reimbursement of the principal of the Mortgage Loans.
- b) The amounts received for ordinary interest on the Mortgage Loans.
- c) The income received from the amounts deposited in the Treasury Account and any amounts deposited into the Treasury Surplus Account.
- d) The amount allocated to the Reserve Fund.
- e) The amounts received by virtue of the Interest Swap Contract.
- f) Any other amounts received by the Fund, including the proceeds from the disposal or operation of the properties adjudicated to it.

2. Application:

The Available Funds shall be applied on each Payment Date to the fulfilment, regardless of the moment of their accrual, of the payment or withholding obligations actionable on each Payment Date in the following priority order, except for the application established in order 1, which may be requested at any time, in accordance with requirements:

1. Payment of the taxes and ordinary and extraordinary expenses of the Fund, supplied or not by the Fund Manager and duly justified, including the fee for the administration of the Mortgage Loans in favour of the Administrator (except when the provisions of paragraph 15 of the Priority of Payments apply) and the other expenses and charges for services, including those associated with the Payment Agency Contract. In this sense, of the expenses in favour of the Administration, only those in relation to the Administration Contract that the Administration may have anticipated or provided for the account of the Fund, as well as the amounts to which it may be entitled, all duly justified, shall be attended.

2. Payment of the value of the Interest Swap Contract and only in the event of the termination of the referred Contract due to a breach by the Fund, the payment of the amount to be paid by the Fund corresponding to the liquidation payment.
3. Payment of the interest accrued by the Class A1 and Class A2 Notes.
4. Payment of the interest accrued on the Class B Notes except for deferral of this payment to 8th place in the Priority of Payments. This payment shall be moved to 8th place when otherwise there would be an amortisation deficit in an amount greater than the sum of (i) one hundred fifty-seven percent (157%) of the nominal value of the Class B Notes and (ii) one hundred percent (100%) of the nominal value of the Class C Notes, provided that the Class A Notes have not been fully redeemed and this were not going to occur on the current Payment Date.
5. Payment of the interest accrued on the Class C Notes save deferral of this payment to 9th place in the order of priority. This payment shall be moved to 9th place when otherwise there would be an amortisation deficit in an amount greater than one hundred forty percent (140%) of the nominal value of the Class C Notes, provided that the Class A and Class B Notes have not been fully redeemed and this were not going to occur on the current Payment Date.
6. Retention for Amortisation of the Notes that shall be included in the Funds Available for Amortisation and distributed according to the rules for the Distribution of the Funds Available for the Amortisation of each Class. The Retention for Amortisation required on the Payment Date shall be equal to the positive difference between the i) outstanding balance of the Note issue less the balance of the amortisation account, both on the immediately preceding Determination Date and (ii) the outstanding balances of the Mortgage Loans on the current Payment Date.
7. Retention of a sufficient amount to maintain the Reserve Fund at the required level on each Payment Date. This application shall not take place on the last Payment Date or Liquidation Date of the Fund.
8. Payment of the interest accrued on the Class B Notes when this payment is moved to 4th place in the Priority of Payments.
9. Payment of the interest accrued on the Class C Notes when this payment is moved to 5th place in the Priority of Payments.
10. Payment of the amount payable by the Fund for the liquidation of the Interest Swap Contract when the referred contract is terminated due to a breach of the counterpart (Part A) of the Fund.
11. Payment of the interests accrued on the Loan for Initial Expenses.
12. Repayment of the principal of the Loan for Initial Expenses in the amount corresponding to the amortisation of the loan.
13. Payment of the interests accrued on the Subordinate Loan corresponding to the ordinary interest rate.
14. Repayment of the principal of the Subordinate Loan in the amount corresponding to the amortisation of the loan.
15. Payment of the Administrator's fees in relation to the Administration Contract for administering the Mortgage Loans. If BANCO SABADELL were replaced by another entity as the Administrator of the Mortgage Loans, the payment of the administration fee to the new administration shall occupy 1st place in the Priority of Payments, along with the rest of the payments occupying this place.
16. Payment of Financial Allocation Fee:

When there are different amounts due for numerous items occupying the same place in the Priority of Payments and the Available Funds are insufficient to pay them all, the surplus of the Available Funds shall be applied on a pro rata based on each of the different items, distributing the amount applied to each item based on the due dates.

V.4.2.2 Funds Available for Amortisation: origin and application

1. Origin

The Available Funds on each Payment Date (the 'Available Funds') shall be as follows:

- a) The Balance of the Amortisation Account and the balance of the Treasury Surplus Account, if any, on the Payment Date of 20 December 2005.
- b) The Amortisation Retention applied to the Available Funds on each Payment Date.

2. Distribution of Funds Available for Amortisation in each Class

The Funds Available for Amortisation shall be applied on each Payment Date to the amortisation of each Class according to the following rules ('Distribution of the Funds Available for Amortisation of each Class'):

1. Up to (and including) the first Payment Date on which the Outstanding Principal of the Class B and the Outstanding Principal of the Class C, in relation to the Outstanding Principal of the Note issue, is equal to or greater than 3.20% and 1.70%, respectively, the Funds Available for Amortisation shall be applied in full to the amortisation of the Class A Notes in accordance with Rule 2 below.

2. The Funds Available for Amortisation applied to the amortisation of Class A by virtue of Rule 1 above and Rules 3 and 4 below shall be applied as follows:

2.1 Ordinary application in the following order:

1. Amortisation of the principal of the Class A1 Notes or, on the payment dates prior to the maturity date of the Class A1 (20 December 2005), endowment of the fund for amortisation of the Class A1.
2. a) Amortisation of the principal of the Class A2 Notes on the Payment Date following that on which the Class A1 Notes have been completely amortised, or
b) Deposit in the amortisation account of the amounts applied to the amortisation of principal of the Class A2 (and where applicable deposit in the Treasury Surplus Account applied to the amortisation of Class A2) in the following cases:
 - (i) on the payment dates prior to the payment date that corresponds to the 20 March 2006 and once the Class A1 Notes have been completely amortized or the fund for amortisation of the A1 Class has been completely endowed .

2.2 Exceptional pro rata application of Class A ('Prorated Amortisation of Class A'): The order of application stated in part 2.1 above shall be interrupted if, on the Determination Date immediately preceding the corresponding Payment Date, the amount of (i) the outstanding balance of the mortgage loans that is more than three (3) months in arrears, (ii) the total outstanding balance of the mortgage loans on that date is greater than 2%.

In this case, on the corresponding Payment Date the Funds Available for Amortisation applied to the amortisation of Class A shall be applied to the amortisation of Class A1 or to the funding of the Amortisation Fund for Class A1, and the amortisation of Class A2 or the amounts to be applied to the amortisation of the principal of Class A2 shall be deposited into the Amortisation Account, distributing them on a directly proportional pro rata basis to (i) the outstanding principal of Class A1 less the balance, if any, of the Amortisation Fund for Class A1 and (ii) to the Outstanding Principal of Class A2 less the balance, if any, of the amounts applied to the amortisation of the principal of Class A2 deposited into the Amortisation Account on the Determination Date prior to the respective Payment Date.

3. Starting on the Payment Date subsequent to that on which the ratios between the Outstanding Principal of Class B and Class C Notes in relation to the Outstanding Principal of the Note Issue, as foreseen in Rule 1, were equal to or greater than 3.20% and 1.70%, respectively, the Funds Available for Amortisation shall be applied to the amortisation of Class A and Class B and C, proportionally, so that the ratios between (i) the Outstanding Principal of Class B and Class C and (ii) the Outstanding Principal of the Note Issue are maintained at 3.2% and 1.70%, respectively, or higher percentages as close as possible to these.

However, the Funds Available for Amortisation shall not be used on the Payment Date for the amortisation of Class B and Class C if the balance in the Reserve Fund were less than the required balance of the Reserve Fund.

The Funds Available for Amortisation shall likewise not be used on the Payment Date for the amortisation of Class B or Class C Notes if, on the Determination Date preceding the Payment Date in question, the amount of (i) the outstanding balance of the mortgage loans that is more than three (3) months in arrears, (ii) the total outstanding balance of the mortgage loans on that date is greater than 1.50%, in which case the Class B Notes shall not be amortised, or greater than 1%, in which case the Class C Notes shall not be amortised.

4. Starting on and including the Payment Date on which the Outstanding Balance of the Mortgage Loans is less than 10 percent of the initial outstanding balance when the Fund was set up or on the Payment Date of the liquidation of the Fund, the Funds Available for Amortisation shall be applied sequentially, first of all to the amortisation of Class A Notes, as provided for in Rule 2 above, until completely amortised, and secondly to the amortisation of Class B Notes until completely amortised and thirdly to the amortisation of Class C until completely amortised.

CHAPTER VI

INFORMATION OF A GENERAL NATURE ABOUT THE FUND MANAGER OF THE MORTGAGE SECURITISATION FUND

In accordance with Law 19/1992 of 7 July governing the Regulation of Real Estate Investment Funds and Companies and Mortgage Securitisation Funds, the latter have no legal status of their own, where the formation, administration and legal representation thereof is entrusted to the Fund Managers of Mortgage Securitisation Funds, as well as the defence of the interests of the holders of the securities issued against the Funds they may administer.

As a result of the above, this Chapter contains information on GestiCaixa as the Fund Manager that forms, administers and represents GC SABADELL 1, the Mortgage Securitisation Fund.

VI.I Relating to the Company, except its equity

VI.1.1 Name and Registered Office

GestiCaixa, Sociedad Gestora de Fondos de Titulización, S.A. has its registered office at Avenida Diagonal, 621 in Barcelona.

VI.1.2 Formation and inscription in the Companies' Book, as well as data relative to the administrative authorisations and inscription with the National Securities Market Commission

GestiCaixa, Sociedad Gestora de Fondos de Titulización, S.A., is a limited liability company of Spanish nationality, with CIF A-58481227, incorporated by public deed before the Notary of Barcelona, Mr. Wladimiro Gutiérrez Álvarez, on November 6, 1987 under the name 'Caixa 92, S.A.', having changed its initial name to that of GestiCaixa, Compañía Gestora de Fondos de Titulización Hipotecaria, S. A. and having been transformed into mortgage securitisation funds manager on September 6, 1993, by virtue of deed authorised by the Notary of Barcelona, Mr. Roberto Follia Camps, under number 2,129 of his protocol, and in accordance with the dispositions of article six of Law 19/1992 governing the regulation of Real Estate Investment Funds and Companies and Mortgage Securitisation Funds, by virtue of the authorisation granted in the Ministerial Order of 24 August 1994. It is registered in the Companies' Book of Barcelona, Page 110.165, Folio 141, Volume 9.173, Book 8.385, Section 2, Inscription 1 and was adapted to the Limited Liability Companies Act of Spain by public deed before the Notary of Barcelona, Mr. Wladimiro Gutiérrez Álvarez, registered as Inscription 3 of Page B-50.432, Folio 143, Volume 9.173. On June 10, 2002, it was transformed into a Securitisation Funds Manager by means of a deed authorised by the Notary of Barcelona, Mr. Joaquín Viola Tarragona, under number 424 of his protocol, in accordance with the Single Transitional Provision of Royal Decree 926/1998, of May 11, whereby the assets securitisation funds and the management companies of securitisation funds are regulated, and by virtue of the authorisation of the Ministry of Economy by Ministerial Order dated May 9, 2002, having adopted as a new company name that of GestiCaixa, Compañía Gestora de Fondos de Titulización, S.A. The referred deed has been registered in the Companies' Book of Barcelona, Volume 34187, Folio 192, Page B-50432, Inscription 14.

GestiCaixa, Compañía Gestora de Fondos de Titulización, S.A. is registered in the Special Registry of Securitisation Funds Management Companies of the National Securities Market Commission under number 7.

The duration of the Fund Manager is indefinite, except in the event of any of the causes for dissolution the legal or regulatory dispositions may establish.

VI.1.3 Company Object

The exclusive object of the Fund Manager is the formation, administration and legal representation of the assets of both securitisation funds and mortgage securitisation funds, as established by Royal Decree 926/1998, of May 11 which regulates the securitisation fund assets and the manager of securitisation funds.

VI.1.4 Place where the documents mentioned by the Prospectus or whose existence derives from its contents can be consulted

The Fund Manager shall have available for the public all the documentation and information necessary in accordance with the Deed of Incorporation.

This Prospectus has been registered in the Official Register of the National Securities Market Commission on 1 July 2004. It is available to the public, free of charge, at the central offices of the Fund Manager and the Direction Entity. Also, it can be consulted at the National Securities Market Commission, the Note Management firm, as well as at the administrative body of the IAAF Market, domiciled in Madrid, Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, planta 43.

Likewise, all information of a public nature detailed in this Prospectus may be found at the registered office of the Fund Manager and in the Official Registry of the National Securities Market Commission.

VI.2 Relating to the company equity

VI.2.1 Nominal value subscribed and disbursed

The share capital of the Fund Manager at the moment of incorporation of the Fund is one million five hundred and two thousand five hundred (€1,502,500) euros, represented by two hundred and fifty thousand (250,000) nominative shares with a nominal value of six euros and one cent (€6.01) each. On 29 June 2001, the Board of Directors of the Fund Manager agreed to redenominate the share capital in euros by reducing the share capital by the amount of €30.26 to adjust it to the unitary value of the shares.

VI.2.2 Classes of shares

All shares issued by the Company up to the date of publication of this Prospectus are ordinary nominative shares of a single Class, represented by certificates, and confer identical political (voting) and economic rights.

VI.2.3 Evolution of the equity during the last three years

There has been no capital increase by the Fund Manager in the last three years

VI.3 Data relating to participations

VI.3.1 Existence or not of participations in other companies

There are no participations of the Company in any other companies.

VI.3.2 Group of companies of which the company forms part

To the effects of article 42 of the Commercial Code, the Fund Manager forms part of the Caixa d'Estalvis i Pensions de Barcelona Group of Companies.

VI.3.3 Holders of significant participations

At the date of registration of the present Prospectus, holding of the shares of the Fund Manager is distributed among the companies listed below, with an indication of the participation quota corresponding to each one:

Name of the shareholding company	Percentage
CaixaHolding, S.A.	80%
VidaCaixa, S.A. de Seguros y Reaseguros	9%
Caixa Barcelona Seguros Vida, S.A., Seguros y Reaseguros	6%
HipoteCaixa, E.F.C., S.A.	5%

VI.4 Company bodies

The government and administration of the Fund Manager are entrusted by the by-laws to the General Shareholders Meeting and to the Board of Directors. Their competences and faculties are those corresponding to such bodies in accordance with the Limited Liability Companies Act and Law 19/1992 of 7 July in relation to the company's object.

VI.4.1. Administrators

Board of Directors

At the date of registration of the present Prospectus, the Board of Directors is formed by the following persons:

Office	Name
Chairman:	D. Pedro Huguet Vicens
Directors:	D. Joaquin Vilar Barrabeig
	D. Hernán Cortés Lobato
	D. Xavier Jaumandreu Patxot
	D. José R. Montserrat Miró
	D. Asunción Ortega Enciso
Secretary (non-voting):	D. Juan Ignacio Sanz Caballero

VI.4.2 CEO.

The CEO of the Fund Manager is Xavier Jaumandreu Patxot.

VI.5 Grouped Interests in the Fund Manager of the individuals on the governing bodies

The persons that form the board of directors of the Fund Manager are not holders or representatives, directly or indirectly, of any shares or convertible Note issued by the Fund Manager.

VI.6 Lender of the Fund Manager by more than 10 percent

As of the registration date of this Prospectus, there is no lender of the Fund Manager of more than 10% of the share capital.

VI.7 Mention of whether the Fund Manager is involved in a situation of bankruptcy and the possible existence of claims or significant controversies that may affect the economic-financial situation or its future capacity to carry out the management and administration functions of the Fund provided for in this informative prospectus

At the date of registration of the present Prospectus, there are no claims or controversies that may significantly affect the economic-financial situation of the Fund Manager or its future capacity to carry out the management and administration functions of the Fund provided for in this informative Prospectus

CHAPTER VII

RECENT EVOLUTION AND OUTLOOK FOR THE MORTGAGE MARKET IMPLICATIONS FOR THE FUND

VII.1. Most recent and significant trends in the Mortgage Market in general and the mortgage loan market in particular in relation to the regulatory framework, with the evolution of interest rates and early repayment and delinquency rates.

In the second half of the nineties, the Spanish mortgage market experienced significant growth which affected both the regulations applicable to the sector and the interest in this market on the part of financial entities.

The most significant legislative change came with passage of Law 2/94 of 30 March on the Assumption and Modification of Mortgage Loans (which introduced the possibility of replacing and renegotiating the economic terms of mortgages with a reduction of fees and commissions involved and a reduction of the commissions for the early repayment of adjustable interest loans). Furthermore, with regard to notary and registry fees, Royal Decree 2616/1996 of 20 December modified both the notary and registry fees payable on assumptions and novations of mortgage loans pursuant to Law 2/94.

As a result, there was an increase in the Early Repayment Rates (ERRs) on mortgage loans in the years following the approval of Law 2/94. Another important factor that played a crucial role in the increase in Early Repayment Rates (ERRs) was the drop in interest rates, a factor which also influenced the renegotiation of mortgage loans with higher interest rates than those available on the mortgage market at that time. The mortgages most heavily affected were fixed rate loans taken out when interest rates were high, most of which were transformed into adjustable rate loans. It should be noted that the portfolio of Mortgage loans securitised in this operation is composed exclusively of adjustable rate loans.

VII.2. Implications that could be derived from the tendencies described in the previous point VII.1 (anticipated amortisations index, default index, etc.)

As mentioned above, all the Mortgage Loans representing the Mortgage transfer certificates pooled in the Fund are adjustable rate loans which are adjusted periodically according to market variations. Consequently, it is not likely that there will be important changes in the portfolio TAAs as a result of changes in interest rate levels.

Despite this, the average term and duration of the Note issue to which this Prospectus refers could be modified in respect of those initially estimated in part II.11 in the event of a modification in the TAAs of the Mortgage transfer certificates.

In the Fund Manager's opinion, there is no public historical information currently available on early repayments that would make it possible to predict the medium- to long-term behaviour TAA behaviour of the portfolio of loans. As indicated above in part VII.1, the mortgage loan market has undergone significant changes in the recent past. It is therefore not advisable to make predictions based on the extrapolation of the data available from prior fiscal years which, in addition to be scarce and limited in time, do not have any value as a representative sample.

The Mortgage Loans for which the Mortgage transfer certificates are ultimately issued to set up the Fund shall not have any past due amounts outstanding as of the issue date.

Signed: Xavier Jaumandreu Patxot
Managing Director
GestiCaixa, S.G.F.T., S.A.

APPENDIX I

Definitions.

'Administrator' means the issuing entity of the Mortgage transfer certificates and in reference to the Mortgage Loan and Mortgage Unit Deposit Administration Contract, BANCO SABADELL.

'Rating Agencies' means Moody's Investors Service España, S.A and Standard & Poor's España, S.A.

'Payment Agent' means the entity that provides the financial services for the Notes. The Payment Agent shall be BANCO SABADELL.

'AIAF' means AIAF Fixed Rate Market.

'Class A Prorated Redemption' means the exceptional application on a Payment Date of the Funds Available for Redemption between the Notes in Class A1 and A2 that make up Class A, interrupting the redemption order of the Notes in Class A1 and A2 under certain circumstances provided for in the Distribution of Funds Available for Redemption between each Class in the Priority of Payments.

'Early Redemption' means the redemption of the Notes on a date before the Final Due Date in the Cases of Early Liquidation of the Fund in accordance with the requirements established in part III.7.1 of this Prospectus.

'Banco Sabadell' means Banco de Sabadell, S.A.

'Notes' means the Class A1 Notes, the Class A2 Notes, the Class B Notes and the Class C Note issued against the Fund.

'Class A1 Notes' means the Notes in Class A1 issued against the Fund with a total nominal value of one hundred and fifty million (150,000,000) euros composed of one thousand five hundred (1,500) Notes with a nominal value of one-hundred-thousand (100,000) euros each.

'Class A2 Notes' means the Notes in Class A2 issued against the Fund with a total nominal value of one billion twenty million six hundred thousand (1,020,600,000) euros composed of ten thousand two hundred and six (10,206) Notes with a nominal value of one hundred thousand (100,000) euros each.

'Class B Notes' means the Notes in Class B issued against the Fund with a total nominal value of nineteen million two hundred thousand (19,200,000) euros composed of one hundred and ninety-two (192) Notes with a nominal value of one hundred thousand (100,000) euros each.

'Class C Notes' means the Notes in Class C issued against the Fund with a total nominal value of ten million two hundred thousand (10,200,000) euros composed of one hundred and two (102) Notes with a nominal value of one hundred thousand (100,000) euros each.

'CET' means Central European Time.

'Circular 2/1994' means Circular 2/1994 of 16 of March of the National Securities Market Commission (CNMV), which approved the model prospectus for the constitution of Mortgage Securitisation Funds.

'Circular 2/1999' means Circular 2/1999 of 22 of April of the National Securities Market Commission (CNMV), which approved certain model prospectuses for use in share issues and public offerings.

'CNMV' means the National Securities Market Commission.

'Administration Contract' means the Mortgage Loan and Mortgage Unit Deposit Administration Contract.

‘Mortgage Loan and Mortgage Unit Deposit Administration Contract’ means the Mortgage Loan and Mortgage Unit Deposit Administration Contract signed by the Fund Manager on behalf of the Fund and Banco Sabadell as the Administrator.

‘Note Payment Agency Contract’ means the note payment agency contract signed by the Fund Manager on behalf of the Fund and Banco Sabadell as the Payment Agent.

‘Guaranteed Interest Rate Deposit Contract (Treasury Account)’ means the guaranteed interest rate deposit contract (treasury account) signed by the Fund Manager on behalf of the Fund and Banco Sabadell.

‘Guaranteed Interest Rate Deposit Contract (Amortisation Account)’ means the guaranteed interest rate deposit contract (amortisation account) signed by the Fund Manager on behalf of the Fund and Banco Sabadell.

‘Management Contract’ means the Management Contract signed by the Fund Manager on behalf of the Fund and the Placement Directors and Managers.

‘Interest Swap Contract’ means the financial swap contract according to the model Financial Operations Framework Agreement signed by the Fund Manager on behalf of the Fund and Banco Sabadell, whereunder the Fund shall make payments to Banco Sabadell based on the Mortgage Loan interest rates, in exchange for which Banco Sabadell shall make payments to the Fund calculated on the nominal average weighted interest rate of the Class of note.

‘Initial Expense Loan Agreement’ means the loan agreement for initial expenses signed by the Fund Manager on behalf of the Fund and Banco Sabadell.

‘Subordinate Loan Contract’ means the subordinate loan agreement of a mercantile nature signed by the Fund Manager on behalf of the Fund and Banco Sabadell.

‘Amortisation Account’ means the financial account in euros with the Banco Sabadell in the name of the Fund as provided for in the Guaranteed Interest Rate Account Contract (Amortisation Account) where the quantities applicable to the Fund allowance for the amortisation of Class A1 shall be deposited.

‘Cash Surplus Account’: current account held by the Fund Manager to deposit cash surpluses. Should the sum of the balances in the Treasury Account and the Amortisation Account exceed 20% of the Outstanding Principal of the Notes, the surplus will be transferred to the Cash Surplus Account.

‘Treasury Account’ means the financial account in euros with the Banco Sabadell in the name of the Fund as provided for in the Guaranteed Interest Rate Account Contract (Amortisation Account) where all deposits and payments to the Fund shall be made.

The Contribution to the Fund for Amortisation of the Principal Deficit on a Payment Date shall be the positive difference, should it exist, between (i) the Contribution to the Fund for Amortisation of the Principal required and (ii) the effective amount applied in the distribution of the Available Funds for Amortisation according to the Priority of Payments of the Fund, given the liquidity of the Fund on the referred Payment Date.

‘Deloitte & Touche’ means Deloitte & Touche España S.L.

‘Debtors’ means the borrowers of the Mortgage Loans.

‘Business Day’ means any day other than Saturday, Sunday, holiday in Madrid or Barcelona or a non-business day on the TARGET (Trans-European Automated Real-Time Gross Liquidation Express Transfer System) calendar.

‘Distribution the Funds Available for Amortisation in each Class’ means the rules applicable to the Funds Available for Amortisation on each Payment Date established in part II.11.3.1.6 of the Prospectus.

'Note Issue' means the securitisation Note issued against the Fund in the amount of one billion two hundred million (€1,200,000,000) euros of nominal value, composed of twelve thousand (12,000) Notes grouped into four (4) Classes (Class A1, Class A2, Class B and Class C).

'Assigning Entity' means Banco de Sabadell, S.A.

'Placement Directors' means Barclays Bank PLC, Credit Suisse First Boston Europe Limited, Lehman Brothers International (Europe) and Banco de Sabadell, S.A.

'Managers' means Barclays Bank PLC, Credit Suisse First Boston Europe Limited, Lehman Brothers International (Europe) and Banco de Sabadell, S.A.

'Deed of Incorporation' means the public Deed of Incorporation of the Fund, assignment of the Mortgage Loans through the issue and subscription of the mortgage transfer certificates and the securitisation note issue.

'Euribor' means the Euro Interbank Offered Rate currently offered for interbank time deposits denominated in euros and calculated as the daily average of the quotations provided for thirteen maturity dates by a panel composed of 57 Banks, among the most active in the Euro zone. The rate is quoted based on the calculation of the calendar days to maturity and a 360-day year and is fixed at 1100 hours (CET), being expressed to three (3) decimal positions.

'Disbursement Date' means 20 July 2004, the date on which the cash amount of the note subscription must be paid along with the nominal price of the Mortgage transfer certificates.

'Interest Rate Fixing Date' means the second-to-last business day before each Payment Date.

'Payment Date' means 20 March, 20 June, 20 September and 20 December of each year, or the next business day. The first Payment Date shall be 20 September 2004.

'Class A1 Maturity Date' means the amortisation of the principal of the Class A1 Notes by means of a single payment of the total nominal value against the Funds Available for Amortisation on that Payment Date (20 December 2005 or the next business day).

'Final Maturity Date' means the final maturity date of the Notes, i.e. 20 June 2038 or the next business day if it falls on a holiday.

'Determination Date' means the third-from-last business day before each Payment Date.

'Fund' means GC SABADELL 1, MORTGAGE SECURITISATION FUND.

'Class A1 Maturity Fund' means the fund that is set up on each Payment Date starting with the first Payment Date (20 September 2004) to the Payment Date on 20 December 2004, both inclusive, for the amortisation of Class A1 Notes, for a maximum amount of the total nominal value of the Class A1 Notes against the Funds Available for Amortisation according to the Priority of Payments of the Fund.

'Reserve Fund' means the reserve fund set up on the Disbursement Date for the full amount of the Subordinate Loan or subsequently set up for the amount of the Reserve Fund.

'Available Funds' means on each Payment Date the sum of (i) the balance of the Treasury Account and (ii) the liquidation amount of the Fund's assets, where applicable.

'Funds Available for Amortisation' will be, on each Payment Date, as follows: a) the balance in the Amortisation Account and the balance in the Cash Surplus Account from the Amortisation Account, if any, on the Payment Dates of 20 December 2005 and 20 March 2006 only, and b) the amount of the withholding for amortisation applied from the Available Funds on the corresponding Payment Dates.

'Tberclear' means the entity 'Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.'

'Securities Market Act' means Law 24/1988 of 28 July governing the Securities Market, reformed by Law 37/1998 of 16 November and by Law 44/2002 of 22 November.

'Law 2/1981' means Law 2/1981 of 25 March governing the Regulation of the Mortgage Market.

'Law 2/1994' means Law 2/1994 of 30 March governing the assumption and modification of mortgage loans.

'Law 3/1994' means Law 3/1994 of 14 April, which adapted Spanish legislation on the subject of credit entities to comply with the Second Directive on Banking Coordination and introduced relevant changes into the financial system.

'Law 19/1992' means Law 19/1992 of 7 July governing the Regulation of Real Estate Investment Funds and Companies and Mortgage Securitisation Funds.

'Law 40/1998' means Law 40/1998 of 9 December governing Personal Income Tax and other Tax Regulations.

'Law 41/1998' means Law 41/1998 of 9 December governing Non-Resident Income Tax and other Tax Regulations.

'Law 44/2002' means Law 44/2002 of 22 November governing Financial System Reform Measures.

'Current Account Balance Limit' means that the sum of the balances in the Treasury Account and the Amortisation Accounts may not exceed twenty percent (20%) of the Outstanding Principal Balance of the Notes.

'Early Liquidation of the Fund' means the liquidation of the Fund and with it the early redemption of the Note issue on a date prior to the Final Maturity Date under the circumstances and in accordance with the procedure established in part III.7.1.

'Moody's' means both Moody's Investors Service España, S.A. and Moody's Investors Service Limited, the parent company of Moody's Investors Service España, S.A.

'Priority of Payments' means the order of priority for the application of the payment obligations or retentions of the Fund in the application of the Available Funds and the Distribution of the Funds Available for Amortisation for each Class.

'Mortgage transfer certificates' means the mortgage units issued by Banco Sabadell and subscribed by the Fund in accordance with Article 15 of Law 2/1981 and article 61 and following of Royal Decree 685/1982.

'Interest Accrual Period' means the actual number of days between two consecutive Payment Dates, including the initial Payment date and excluding the Final Payment Date. The first Interest Accrual Period commences on the Disbursement Date, inclusive and ends on the first Payment Date, exclusive.

'Subscription Period' means the period between 1200 (CET) on 16 July 2004 and 1300 (CET) the same day.

'Mortgage Loans' means the credit rights comprising the Fund's assets as a result of the loans granted by BANCO SABADELL to individual borrowers with mortgage guarantees on homes located in Spain, both directly and through the assumption of the mortgages granted to real estate developers for home construction, assigned by BANCO SABADELL to the Fund through the issue of Mortgage transfer certificates.

'Initial Expense Loan' means the loan granted by Banco Sabadell to the Fund under the Initial Expense Loan Agreement.

'Subordinate Loan' means the loan granted by Banco Sabadell to the Fund under the Subordinate Loan Agreement.

'Royal Decree 116/1992' means Royal Decree 116/1992 of 14 February governing the representation of securities through account entries and the compensation and liquidation of stock market operations.

'Royal Decree 291/1992' means Royal Decree 291/1992 of 27 March governing the issue and public offering of securities in the wording modified by Royal Decree 2590/1998 of 7 December.

'Royal Decree 685/1982' means Royal Decree 685/1982 of 17 March which developed certain aspects of Law 2/1981 of 25 March regulating the mortgage market and Royal Decree 1289/1991 of 2 August which modified certain articles of the former.

'Royal Decree 926/1998' means Royal Decree 926/1998 of 14 May which regulated asset securitisation funds and the managers of securitisation funds.

'Retention for Amortisation' means the retention of the amount allocated to the amortisation of the Notes as a group regardless of the Class, which shall be part of the Funds Available for Amortisation on each Payment Date against the Available Funds and in accordance with the Priority of Payments. On each Payment Date it will be equal to the positive difference between (i) the balance of the outstanding principal of the Note issue less the balance of the Amortisation Account and (ii) the outstanding balance of the Mortgage Loans on the current Payment Date, on the Determination Date preceding the current Payment Date.

'Outstanding Balance of Principal of the Class' means the sum of the outstanding balances of the unamortised principal of the Notes in the Class, including the principal which should have been, but was not amortised due to insufficient Funds Available for the Amortisation of the Notes according to the Priority of Payments.

'Outstanding Balance of Principal of the Note Issue' means the sum of the Outstanding Principal Balances of Class A1, A2, B and C Notes.

'Outstanding Balance of Mortgage Loans' means the outstanding capital not paid into the Fund of each of the Mortgage Loans, not including default amounts, as they are described below.

'Class A1' means the Notes in Class A1 issued against the Fund.

'Class A2' means the Notes in Class A2 issued against the Fund.

'Class B' means the Notes in Class B issued against the Fund.

'Class C' means the Notes in Class C issued against the Fund.

'Fund Manager' means GestiCaixa, Sociedad Gestora de Fondos de Titulización, S.A.

'Grounds for Early Liquidation' means the circumstances described in part III.7.1, under which the Fund Manager, after notifying the CNMV, is authorised to liquidate the Fund early on a single Payment Date.

'Systems Company' means the entity 'Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.'

'S&P' means Standard & Poor's España, S.A. and Standard & Poor's Rating Services, the parent company of Standard & Poor's España, S.A.

'CPR' means the constant effective annual rate of early repayment or prepayment used to estimate the average life and duration of the Notes in this Prospectus.

'Interest Rate of Reference' means the Euribor interest rate at three (3) months as of 11:00 a.m. (CET) or the Interest Rate of Reference that replaces it, except for the first Interest Accrual Period which shall be Euribor at two (2) months.

'IRR' means the internal rate of return.

APPENDIX II
CERTIFICATION OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF
BANCO DE SABADELL, S.A.

APPENDIX III

**CERTIFICATION OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF
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