BANKINTER 3, Fondo de Titulización Hipotecaria, Bonos de Titulización Hipotecaria

Spain

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TRANSACTION IN BRIEF

Rating:	**Aaa**	**A2**	**Baa3**
Series	A	B	C
Amount:	€1.273.600.000	€33.700.000	€15.200.000
Margin:	Euribor 3M + 0.26%	Euribor 3M + 0.58%	Euribor 3M + 1.46%
Payment Dates:	16 January, 16 April, 16 July, 16 October		
Final Maturity:	16 April 2036		
Issuer:	Bankinter 3, Fondo de Titulización Hipotecaria		
Originators/ Administrators:	Bankinter (**A1**/**P1**)		
Management Company (Gestora):	Europea de Titulización, SGFT, S.A.		
Depository/ Paying Agent:	Bankinter (**A1**/**P1**)		

Collateral Characteristics (as of October 2nd 2001)

Type:	Mortgage shares (Participaciones Hipotecarias: PHs)
Coupon:	Underlying mortgage rate
Count:	19868
Total Amount:	€1.322,5 million

Provisional Pool of Underlying Mortgage Loans

Type:	Primary residential mortgage loans
WALTV:	60.81%
Average Loans:	€69,000
WAC (Current):	5.29%
Interest Basis:	Variable
Indices:	MIBOR 12 months (56.99%), EURIBOR 12 months (43.01%)
Orig. Loan Purpose:	Purchase, Construction and Renovation
Geog. Concentrations:	Madrid 28.16%, Cataluña 14.17%, Vasque Country 10.16%
Structure:	Senior/Mezzanine/Subordinated Tranches + Line of Credit
Credit Enhancement:	96.30%/2.55%/1.15%/ + Line of Credit
Issue Date:	October 2001

RATING OPINION

Moody's ratings are based on:

- The legal characteristics of the mortgage shares (participaciones hipotecarias, or PHs).
- A loan-by-loan analysis of the quality of the mortgage loans underlying the mortgage shares.
- The analysis of other types of risk, including operational risk, prepayment, interest rate and liquidity risk, as well as legal risk.
- Adequate credit enhancement, i.e. the subordination available to each rated class, which partially offsets the above risks.
- The strength of the cash flows, including the line of credit and any excess spread available to cover losses.
- The experience of the Gestora Europea de Titulización, SGFT, S.A. and the supporting guarantee of the gestora obligations by all of its shareholders.
- The contractual obligations and credit strength of the parties to the transaction.

Moody's evaluation included the legal and regulatory context of the primary mortgage market and of structured transactions in Spain.

The ratings assigned to the bonos de titulización hipotecarias (BTHs) address the timely payment of interest and principal on or before the final maturity of the transaction on 16 April 2036.

RATING SUMMARY

Collateral

First Mortgage Transaction Launched in Spain which Includes E-loans (7.8% of E-loans) and Third Transaction by Bankinter

Bankinter is tapping the market for the third time with BANKINTER 3 — an issuance combining both regular mortgage loans as well as a newly introduced securitised product — the e-loan (approximately 7.8% of the loans within the portfolio are e-loans).

Over the last few years, e-loans have appeared as a new product in Spain, mainly as a result of the financial entities' increasing competition to attract clients. There are two main differences between e-loans and regular mortgage loans: (1) decreased margins over referenced interest rates and (2) an automated first step in the underwriting criteria (i.e. the loan process starts when a client enters his/her personal information on a web page, rather than filling up forms at a bank). Aside from these two differences, e-loans are granted in the same way that regular mortgage loans would be granted.

In terms of collateral, the pool consists of good quality loans with LTV levels of 60.81%, a good geographical diversification with a natural bias towards the region of Madrid (28.16%) and Cataluña (14.17%) and low arrears levels. The pool also benefits from Bankinter's strong capitalisation, good asset quality, superior pre-provision profitability and its technological leadership.

E-Loans Origination Process

E-loans are originated directly by each debtor over the Internet. The procedure is relatively straightforward: a potential new client accesses Bankinter's web page and enters some preliminary information about himself/herself (personal information) and the property to be acquired (collateral information). The data entered by each debtor is then automatically introduced into Bankinter's database and analysed by Bankinter's staff. Should the transaction be considered feasible once it is analysed, a client representative will get in touch with the potential client. The client will then be required to provide additional documentation, which will be processed by the bank.

In fact, the lending process is exactly the same as the lending process that would occur should a client go to Bankinter's offices directly. The only main differences are (1) e-loans offer fixed initial conditions, (which will not be subject to negotiations) under very competitive market rates, and (2) e-loans are originated through an automated initial process.

Structure Summary

The BTHs are issued by a mortgage securitisation fund (fondo de titulización hipotecaria), which was created and is managed by Europea de Titulización, SGFT, S.A., the management company. The BTHs are secured by PHs.

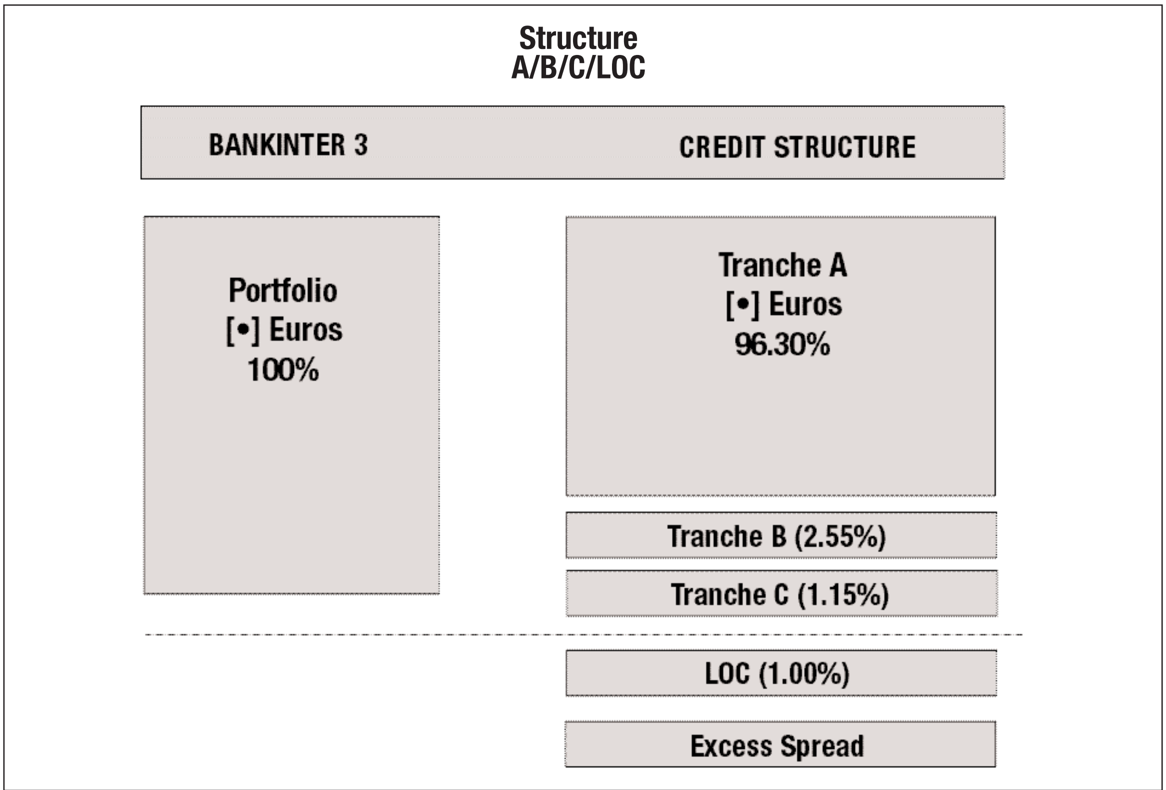
Under Spanish law, each PH represents a certain percentage of a single mortgage loan for the entirety of its remaining life and grants to its holder the right to undertake executive action against the mortgage debtor. As the Fondo does not possess a legal personality, any such action must be taken on its behalf by the gestora. In this transaction, all of the PHs represent 100% of the underlying mortgage loan and pay interest at the mortgage rate. Payments of interest on PHs purchased by a mortgage securitisation fund are not subject to withholding tax. However, interest payments on the BTHs issued by the fund are subject to withholding tax (EU Residents are exempt from this tax).

All of the mortgage loans securing the PHs were originated by Bankinter (**A1**/**P1**), which will continue to service the loans and will substitute or repurchase any PH that is found to be backed by a loan that fails to meet various criteria.

DEAL WILL BE PROTECTED BY A SWAP AGREEMENT

The structure will be protected by a basis swap — by means of this agreement, Bankinter as provider of the swap, receives all interest received on the assets and pays interest at a rate equal to 3 Month Euribor plus the weighted average margin paid out on the notes, on a notional which is at least equal to the total amount of performing assets.

The swap is purely a basis swap — and will not guarantee any margin on the transaction.



The certificate holders are protected from losses primarily through a traditional senior/subordinated structure with a Line of Credit.

Tranche A amounts for 96.30% of the pools original balance. Tranche B amounts for 2.55% of the pool's original balance. The amortisation of the B tranche will take place once the outstanding balance of the B tranche reaches 4.46% of the outstanding balance of the A tranche. Once this limit is reached, amortisation of both A and B notes will take place pro rata.

Tranche C amounts for 1.15% of the pool's original balance. Amortisation of the C tranche will take place once the A and the B tranches have been fully amortised.

In any case, Tranche B will not be amortised if any of the following scenarios would occur:

1. Should 90+ arrears exceed 6% of the PHs outstanding balance, then tranche B will not be amortised and the totality of inflows will be used to amortise tranche A.
2. Should there be an amortisation deficit, then the totality of inflows will be used to amortise Tranche A.

Investors are also protected by a Line of Credit (LOC). At any moment, the maximum credit amount will be equal to the minimum of the following quantities: 1% of the original PH balance, or 2% of the outstanding principal balance of the PHs. Amortisation of the LOC will not take place if any of the following circumstances occur:

1. If 90+ arrears exceed 2.5% of the PHs outstanding balance.
2. If defaulted PHs (over 12 Months in arrears) reach a level equal to the product of: 0.025% of the original balance of the PHs and the number of payment dates elapsed since the issuance date.
3. If there is a shortfall in interest rates received and that is paid to the bondholders.
4. If there is an amortisation deficit.

In addition, should Bankinter lose its **A1** long-term rating, the LOC will automatically be converted into a reserve fund (in a maximum period of 30 days) and the RF will be placed prior to the A Bond Principal Amortisation (after the C Bond interest amortization). Should Bankinter lose its **P-1** short-term rating, the LOC will automatically be converted into a Reserve fund (in a maximum period of 5 days).

AS COMPARED WITH PREVIOUS BANKINTER DEALS

BANKINTER 3 - COMPARISON WITH PREVIOUS DEALS

	BANKINTER 3	BANKINTER 2	BANKINTER 1
LTV	60.81%	60.77%	57.23%
Madrid	28.16%	34.77%	34.67%
Cataluña	14.17%	11.87%	13.41%
P. Vasco	10.16%	12.19%	6.83%
B Bond	different tranching	4.00%	3.70%
LOC		3.50%	2.75%
	swap	no swap	no swap

There are several differences between this Bankinter transaction and the previous ones that had been analysed:

1. *The nature of the product being securitised.* As stated before, this time Bankinter is securitising a pool of loans originated by Internet (approximately 7.8%). Although we expect e-loans to behave in the same way as traditional Bankinter mortgage loans, there is still uncertainty as to how these loans will perform.
2. *Lower margins.* As stated, one of the main features of the e-loans offer is slightly lower margins over referenced index rates than traditional mortgage loans.
3. *Different credit structure* in the sense that we are dealing with three tranches, a LOC and a swap — whereas in previous deals we only saw two tranches and no swap.

When compared with previous Bankinter transactions, Moody's believes that the quality of the loans this time are very similar to the previous Bankinter 2 transaction in that LTV levels are slightly higher and margins are slightly lower for this deal.

Structurally, this transaction benefits from a basis swap. Bankinter 3 also benefits from the revision of our LBL model and from the actualisation of several of the model's parameters.

In terms of past behaviour, Bankinter transactions have behaved well in the past (90+ arrears levels below 0.25%). However, these figures are only indicative since both Bankinter 1 and Bankinter 2 deals are still relatively new and it is still difficult to predict future behaviour on these deals. However, and looking at older originated deals, Bankinter 1 & 2 deals are behaving according to expectations.

Origination/Servicing

Moody's has reviewed the facilities, underwriting and collection procedures and servicing systems of the originators and compared them with the overall lending practices of banks and mortgage lenders in Spain.

Based on this review, Moody's believes that Bankinter is capable of fulfilling its servicing obligations in the transaction due to its solid credit fundamentals, strong capitalisation, good asset quality, superior pre-provision profitability as well as its technological leadership.

Management Company (Gestora)

The management company (Sociedad Gestora) has broad powers under the Spanish securitisation law.

Europea de Titulización is an experienced management company. The obligations of the Gestora within the structure are guaranteed by its shareholders in proportion to their holdings. BBVA accounts for 83% of the Gestora's capital. The remainder is owned by 15 institutions including JP Morgan 4%, Caja de Ahorros del Mediterraneo 1.54%, Bankinter 1.53%, Barclays Bank 1.53%, Citibank España 1.53% and Deutsche Bank 1.53%.

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