BANKINTER 8, Fondo de Titulización de Activos

BANKINTER
RMBS
Spain

PLEASE NOTE: *This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of January 2004. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The* ***definitive*** *ratings may differ from the* ***provisional*** *ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk.*

CLOSING DATE
March 2004

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RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Maturity Expected
A	(P)[**Aaa**]	€[1,029,300,000]	96.20	15/12/40	15/12/17
B	(P)[**A2**]	€[21,400,000]	2.00	15/12/40	15/12/17
C	(P)[**Baa3**]	€[19,300,000]	1.80	15/12/40	15/12/17
Total		€[1,070,000,000]	100		

The ratings address the expected loss posed to investors by the legal final maturity. The structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

OPINION

Strengths of the Transaction

- Good information provided by Bankinter, and Bankinter's expertise in originating and underwriting their mortgage loans
- Quality of Bankinter as originator, servicing and paying agent
- Credit enhancement provided by a reserve fund and the subordination of the notess
- Reserve fund fully funded upfront available to cover potential shortfall in interest and in principal
- Basis swap provided by Bankinter (**Aa3**/**P-1**)
- Excess spread-trapping mechanism through an 18 months "artificial write-off" mechanism
- Proven experience of Europea de Titulización as *gestora* and the supporting guarantee of the *gestora* obligations by all of its shareholders
- Strong performance and track record on previous Bankinter deals
- Good Geographical diversification

Weaknesses and Mitigants

- High LTV loans included within the portfolio. This risk is mitigated by the fact that the potential increased loss severity for these mortgage loans has been analysed under our loan by loan analysis.
- Pro-rata amortisation of the B and C Series of notes leads to reduced credit enhancement of the senior series in absolute terms. This is mitigated by strict triggers which terminate the pro-rata amortisation of the notes as the performance of the transaction deteriorates.
- Limited excess spread on the transaction

STRUCTURE SUMMARY

Issuer:	BANKINTER 8 Fondo de Titulización de Activos
Structure Type:	Spanish Fondo de Titulización de Activos (FTA)
Seller/Originator:	BANKINTER (**Aa3**/**P-1**)
Servicer:	BANKINTER (**Aa3**/**P-1**)
Interest Payments:	Quarterly on March 15th, June 15th, September 15th, December 15th
Principal Payments:	Pass-through on a quarterly basis
Credit Enhancement/Reserves:	Reserve fund
	Subordination
Hedging:	Basis swap provided by Bankinter
Principal Paying Agent:	BANKINTER (**Aa3**/**P-1**)
Management Company:	Europea de Titulización S.G.F.T, S.A
Arranger/Lead Manager:	BANKINTER (**Aa3**/**P-1**)

COLLATERAL SUMMARY

Collateral:	First-lien mortgages on residential properties
Number of Contracts:	13,195
Number of Borrowers:	13,195
Geographic Diversity:	Madrid (26.08%), Catalonia (17.41%), Pais Vasco (12.62%)
Average LTV:	64.21%
Remaining Term:	270.95 months
WA Seasoning:	30.52 months
Delinquency Status:	No loans more than 30 days at closing date
Interest Basis:	Floating (100%)
WA Interest Rate:	3.11%
Highest Exposure:	€300,000
Average Loan:	€83,863

NOTES MARGINS

Class	Reference Rate	Margin
A	3M EURIBOR	[•]
B	3M EURIBOR	[•]
C	3M EURIBOR	[•]

Structural and Legal Aspects

Repeated Plain Vanilla Structure With High LTV Loans Included in it

Bankinter 8 FTA, represents the eighth BK issuance and the latest one with high LTV products included within the securitised portfolio.

Structurally, the transaction consists of 3 tranches rated, **Aaa**, **A2**, and **Baa3** respectively, whose amortisation is sequential from the beginning but switching to prorata once the different tranches represent double the outstanding balance under Series A, B and C. This prorata amortisation will turn fully sequential again subject to certain triggers.

Payment Structured Allocation

On each quarterly payment date, the Fondo's available funds (principal received from the asset pool, the Reserve Fund, amounts received under the swap agreement and interest earned on the transaction accounts) will be applied in the following simplified order of priority:

1. Cost and fees, excluding servicing fee (except in the case in which Bankinter is replaced as servicer of the loans)
2. Any amount due under the swap agreement (except termination payments if Bankinter defaults under the swap agreement)
3. Interest payment to Series A
4. Interest payment to Series B notes (if not deferred)
5. Interest payment to Series C notes (if not deferred)
6. Retention of an amount equal to the principal due under the notes
7. Replenishment of the reserve fund
8. Interest payment to Series B notes (if deferred)
9. Interest payment to Series C notes (if deferred)
10. Termination payments under the swap agreement upon default of Bankinter
11. Junior expenses

The payment of interest on the Series B and C notes will be brought to a more junior position if on a payment date the following criteria are met:

Interest Deferral Mechanism

Series B	Series C
a) The principal deficiency exceeds 100% of the outstanding balance of Series B plus 100% of the outstanding balance of Series C	a) The principal deficiency exceeds 100% of the outstanding balance of Series C
b) Series A is not fully redeemed	b) Series A and Series B are not fully redeemed

18 Months "Artificial Write-Off" Mechanism

The transaction structure for series A, B and C benefits from an "artificial write-off", which traps available excess spread to cover losses (if any). This type of "artificial write-off" is hidden in the definition of principal due, which is the difference between the notes outstanding and the outstanding principal balance of the loans (performing loans plus loans less than 18 months in arrears).

Pro-Rata Amortisation

As in the most recent Bankinter transactions, this transaction also includes pro-rata amortisation. Pro-rata amortisation entails risk as opposed to fully sequential transactions, given that the credit enhancement decreases in absolute terms. The risks introduced by pro rata amortisation are mitigated by the following triggers:

- Series B Notes will start amortising pro rata with the Series A notes when they represent 4.00% of the outstanding balance under the Series A, B and C notes, and when Series C represents 3.60% of the outstanding balance under the Series A, B and C notes
- Series C Notes will start amortising pro rata with the Series A and B notes when they represent 3.6% of the outstanding balance under Series A, B and C notes, and when Series B represents 4% of the Series A, B and C notes

However, the pro rata amortisation will cease if:

- The outstanding amount of loans more than 90 days but less than 18 months past due is higher than 1.50% of the outstanding amount of the asset pool (current loans less the loans that are less than 18 months in arrears)
- The amount under the reserve fund is not equal to the then current required amount

In addition to these triggers, the pro-rata amortisation will cease when the loan balance is less than 10.0% of the initial loan balance.

Reserve Fund Fully Funded Upfront to Cover Potential Shortfall in Interest and in Principal

Bankinter will provide the reserve fund. At every point in time the required amount to be available under the reserve fund will be the lesser of the following amounts:

1. 1.50% of the initial balance of the notes
2. The higher of the following amounts:
   - 3.00% of the outstanding notional balance of the notes
   - 1.00% of the initial amount of the nominal balance of the notes

- The reserve fund will be used to protect all notes against interest and principal shortfall on an ongoing basis. The reserve fund may start to amortise once it represents 3.00% of the outstanding amounts under all notes; the reserve fund floor has been set at 1.00 % of the initial issuance. Amortisation of the reserve fund will cease if either of the following scenarios occurs:
- The amount of loans more than 3 months and less than 18 months in arrears exceeds 1.00% of the outstanding balance of the portfolio (current loans and those less than 18 months in arrears)
- If the available amount under the reserve fund is not equal to the then required amount

In any case, the RF won't amortise during the first 3 years since the constitution of the Fund.

Basis Swap to Cover Interest Rate Risk

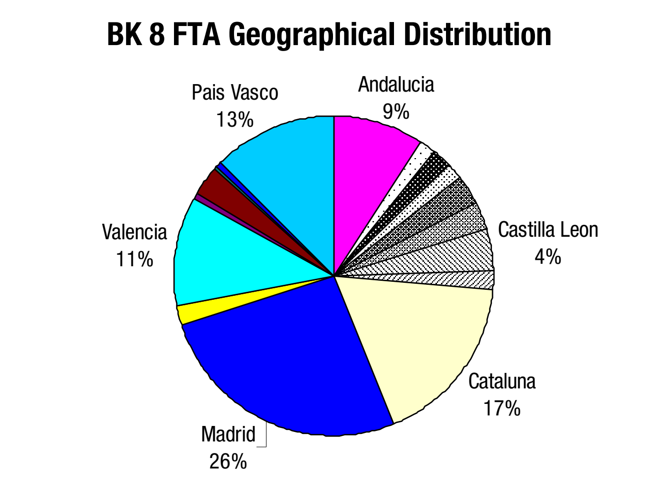
The transaction includes a basis swap by which the index reference rates on the assets are exchanged against the index reference rate on the notes.

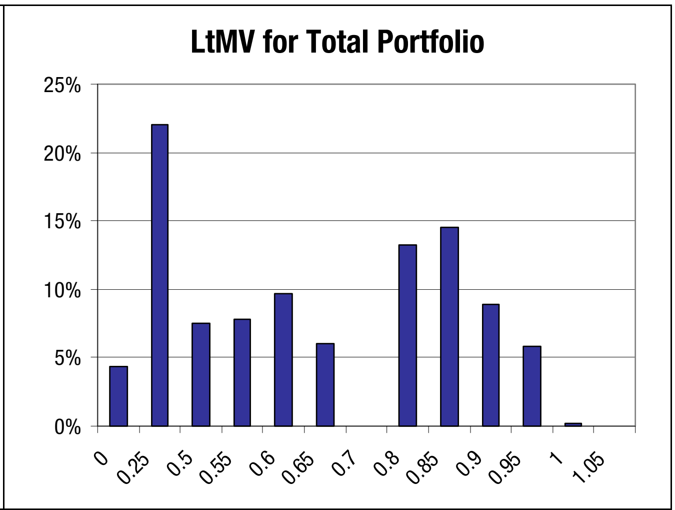
COLLATERAL – REFERENCE PORTFOLIO

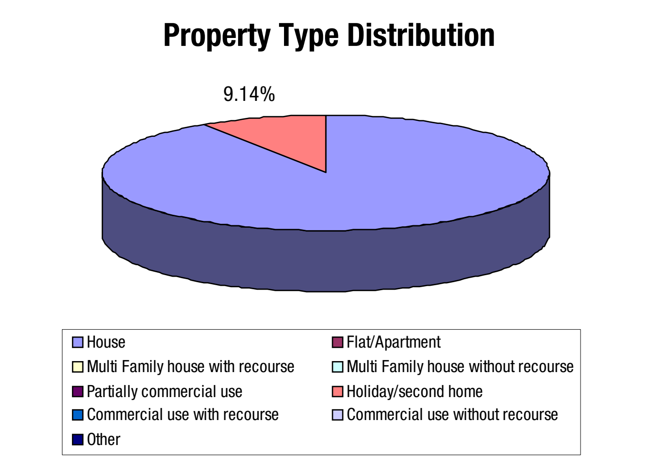
Good Quality Collateral

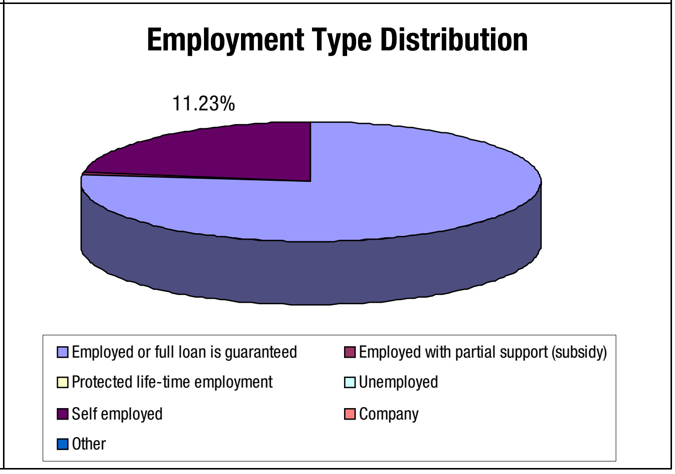
Bankinter has always characterised itself as provider of good quality mortgage loans. This time around, this deal is no exception. Bankinter 8 FTA, consists of a large portfolio of around 13.195 mortgage loans, with an average mortgage loan amount of over 83,000 euros (below the average level in Spain). Geographically, the pool is very well diversified with only slight concentrations in Madrid (26.08%), Catalonia (17.41%) and Pais Vasco (12.62%).

Perhaps the only main difference to consider on this deal, is the fact that 40.92% of the mortgages within the pool are high LTV mortgage loans (it is worth to mention though that none of the mortgage loans have LTV levels over 100%).









Limitations on the Renegotiation of the Participating Loans

Any renegotiation of the terms and conditions of the loans is subject to the *gestora*'s approval. Exceptionally, the *gestora* may authorise the originators to renegotiate the interest rate or the maturity of the loans subject to the following conditions:

- If the weighted average margin of the loans is less than 0.50%, the originator has agreed to pay the fund, for each revised participated loan, the modified margin until the loan is repaid. However, no additional renegotiations are allowed once the weighted average margin on the loans falls below 0.35%.
- The global initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the pool. In any case, the extension of any loan's maturity profile must comply with the following standards:
- The maturity of any loan cannot be postponed later than March 31st, 2038.
- The frequency of payments cannot be decreased.
- The repayment system cannot be modified.

ORIGINATOR, SERVICER AND DUE DILIGENCE

Bankinter, the Fourth Largest Banking Group in Spain

With assets of €25 billion in September 2003, Bankinter (**Aa3**/**P-1**/**B**) is Spain's fourth-largest banking group, but is relatively small compared with the country's largest players. Despite its smaller balance sheet size, Bankinter is a market pioneer in innovation and advanced use of technology.

Bankinter's flexible operating structure, innovative commercial approach and cutting-edge technology offered it a unique starting point for a successful implementation of its multi-channel strategy – an option not available to many other players. The bank's transformation from a traditional banking model to an integrated multi-channel structure, focused on customer service, is bearing fruit, as reflected in its good performance across client segments and distribution channels.

Bankinter's non-performing loans (NPLs) have been gradually increasing at absolute levels, on the back of high loan growth rates and an increasing exposure to the riskier but more profitable – small and medium-sized enterprise (SME) segment. However, at an NPL ratio of 0.31%, and with provisions amounting to 552% of total NPLs in September 2003, Bankinter's asset quality can still be characterised as very strong.

Bankinter's credit risks are widely dispersed, with 58% of the loan portfolio concentrated in low amounts below €100,000, and no sectorial concentrations. About three-quarters of the loan book is to individuals while larger risk exposures tend to be of short-term nature, and approved limits are well below the Bank of Spain's risk concentration limits.

MOODY'S ANALYSIS

The Aaa Credit Enhancement Number is Determined Using a Loan-by-Loan Analysis

In order to analyse the risk of the transaction and to assess the size of the credit enhancement consistent with the rating assigned, Moody's adopts a three-part focus in its analysis:

Collateral Analysis - Although Moody's does not believe that any predetermined model can accurately reflect all of the possible risk factors and combinations within the Spanish mortgage market, a quantitative-based (Loan-by-Loan) model has been developed to assist in the analysis of mortgage loans under various conditions. Under the Loan-by-Loan approach, Moody's calculates an enhancement level for each loan in the pool to be securitised in the following four ways:

- Deriving a *benchmark credit enhancement numbe*r based on its loan-to-property value ratio (LTV). This number assumes that all of the characteristics of the loan (other than LTV) are identical with those of a good-quality *benchmark loan*.
- Assumptions: In the Loan-by-Loan model, a benchmark credit enhancement figure is obtained by taking into account each loan's current LTV level, and by penalising or benefiting any parameter that on aggregate may shift from our benchmark loan assumption. The model takes into account the following severity of loss assumptions: (1) house price decline is 30%, (2) interest rates going up to 8%, (3) 27 months required to sell a property, and (4) 7% costs associated with the sale of the property. High interest rates affect the affordability, but also increase the severity over the period in which repossession takes place.
- Modifying the resultant benchmark credit enhancement number for each loan so as to reflect how the individual characteristics of that loan differ from those of a benchmark loan. The weighted average benchmark credit enhancement number will then be adjusted according to positive and negative characteristics of each loan or of the pool as a whole to produce the "Aaa credit enhancement" number.

The **Aaa** credit enhancement number is the basis of committee discussions and is used to derive the lognormal distribution of losses of the pool.

Cash Flow Modelling Used to Assess Impact of Structural Features

Having obtained the loss distribution of the pool under consideration, a cash flow model is used to assess the impact of structural features of the transaction, such as the priorities of interest and principal, reserve fund and the value of excess spread.

The sum of the loss experience per class of notes weighted by the probability of such a loss scenario will then determine the expected loss on each tranche and hence the rating, consistent with Moody's target losses for each rating category.

Moody's Rating Process also Involves, Structural and Legal Analysis

Structural Analysis: This considers how the cash flows generated by the mortgage collateral are allocated to the parties within the transaction, and the extent to which various structural features of the transaction may provide additional protection to investors, or act as a source of risk themselves.

Legal Analysis: Moody's considers whether the legal documents ensure that the cash flows are allocated to the assumptions made in its structural analysis.

For more information regarding Spanish MBS rating methodology refer to Moodys.com – "Spanish Residential Mortgage-Backed Securities, An Introduction to Moody's Rating Approach".

RATING SENSITIVITIES AND MONITORING

Europea de Titulización, S.G.F.T, S.A, in its capacity as management company, will prepare quarterly monitoring reports with respect to the portfolio and payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data. Moody's will monitor this transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes to the rating will be publicly announced and disseminated through Moody's Client Service Desk. For updated monitoring information, please contact monitor.madrid@moodys.com.

RELATED RESEARCH

Visit Moodys.Com for More Details

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions, please refer to the following reports:

- RATING METHODOLOGY: Spanish Residential Mortgage-Backed Securities, An Introduction to Moody's Rating Approach, July 2001
- SPECIAL REPORT: Introducing Moody's Arrears Index for Spanish Mortgage-Backed Securities – Overall Credit Quality of Spanish RMBS Transactions Remains Strong, According to New Index, March 2002
- SPECIAL REPORT: Moody's Spanish RMBS Arrears Index Delinquency Levels Remained Persistently Low in 2002 but Are Likely to Rise Given Weakening Global Economy and Factors Affecting Homeowners' Indebtedness, May 2003
- SPECIAL REPORT: Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread, January 2004
- BANKINTER 1 Pre-sale report + Performance Overview
- BANKINTER 2 Pre-sale report + Performance Overview
- BANKINTER 3 Pre-sale report + Performance Overview
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