BANKINTER 10, 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 [·]. 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:
June 2005

Lead Analyst:

Sandie Arlene Fernandez
AVP/Analyst
Madrid
(34) 91 702 6607
Sandie.Fernandez@moodys.com

Backup Analyst:

Jose de Leon
AVP/Analyst
Madrid
(34) 91 702 6697]
Jose.Deleon@moodys.com

EMEA Investor Liaison

Edward Bowden
London
(44) 20 7772 5454
Edward.Bowden@moodys.com

Client Service Desk
London: (44) 20 7772 5454
csdlondon@moodys.com

Monitoring
London:
monitor.london@moodys.com

Madrid:
monitor.madrid@moodys.com

WEBSITE
www.moodys.com

RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Maturity Expected
A1	(P)**Aaa**	€[80.000.000]	[4.6%]	21/06/43	21/12/2006
A2	(P)**Aaa**	€[1.575.400.000]	[90.54%]	21/06/43	
B	(P)**A1**	€[20.700.000]	[1.19%]	21/06/43	
C	(P)**Baa1**	€[22.400.000]	[1.29%]	21/06/43	
D	(P)**Ba3**	€[19.100.000]	[1.10%]	21/06/43	
E	(P)**Caa3**	€[22.400.000]	[1.29%]	21/06/43	
Total		€[1.740.000.000]	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

- Strong originator & underwriting criteria
- Strong collateral
- Basis swap provided by Bankinter (**Aa3**/**P-1**)
- Excess spread-trapping mechanism through an 18 months "artificial write-off" mechanism
- Strong performance and track record on previous Bankinter deals
- 100% of the loans are paid via direct debit and through monthly instalments

Weaknesses and Mitigants

- Very low margin on the loans (54bps) – hence a very limited excess spread in the structure
- Pro-rata amortisation of the B, C, and D Series of notes on both subpools 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.
- Some second lien loans are included within the structure – however their impact has been analysed through the inclusion of their debts along with the current loan mortgage debt.
- Some high LTV mortgage loans (11.52% are high LTV loans)

STRUCTURE SUMMARY

Issuer:	Bankinter 10 Fondo de Titulización de Activos
Structure Type:	Spanish Fondo de Titulización de Activos (FTA)
Borrower:	Bankinter (**Aa3**/**P-1**)
Seller/Originator:	100%
Servicer:	[•]
Back-up Servicer:	Quarterly on each payment date
Interest Payments:	Pass-through on each payment date
Principal Payments:	Transaction Spread Reserve fund Subordination of the notes
Credit Enhancement/Reserves:	Basis swap
Liquidity Facility:	Bankinter
Hedging:	Bankinter
[Fiscal Property Advisor]:	Bankinter
Principal Paying Agent:	Bankinter
Security Trustee:	Bankinter
Note Trustee:	Europea de Titulización S.G.F.T, S.A
Arranger/Lead Manager:	Bankinter

COLLATERAL SUMMARY

Outstanding Balance:	1,760.8 mn Euros
Number of Contracts:	14,876
Number of Borrowers:	14,739
Type of Mortgage:	First Lien Residential Mortgage (93.30%), Second Lien (6.80%)
Geographic Diversity:	Madrid (35.50%), Comunidad Valenciana (9.70%), Catalonia (15.6%)
Average LTV:	59.15%
Remaining Term:	303 months
Seasoning:	12.6 months
Delinquency Status:	No loans over 30 days in arrears at closing

Class	Note Reference Rate	Note Margin
A1	3m Euribor	[0.02-0.12]
A2	3m Euribor	[0.08-0.22]
B	3m Euribor	[0.18-0.38]
C	3m Euribor	[0.40-1.00]
D	3m Euribor	[1.50-2.50]
E	3m Euribor	[3.50-4.50]

Structural and Legal Aspects

6 Tranche Structure + A Rf Funded Via Equity

BANKINTER 10 comes to market with a revised capital structure – following the pattern of previous recent Spanish deals where the Capital reserve is funded via a rated equity piece.

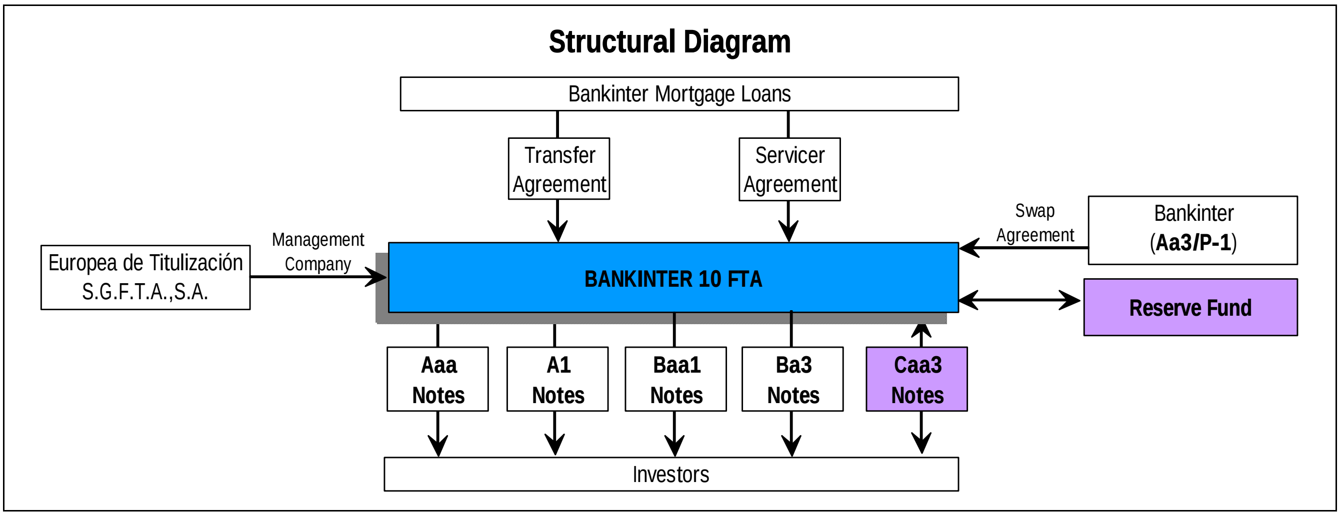
In essence, aside from this and the fact that we'll see 5 tranches on this structure rather than the previous 2 tranche structure as seen before, all else remains quite the same.

Worth to highlight several things regarding this transaction:

- Low LTV levels (CLTV = 59.15%)
- Almost 11.52% of the pool consists of high LTV loans (loans over 80% LTV)
- Very Low Margin on the loans (0.54%)
- Good Geographic diversification

The transaction consists of 6 rated classes – two senior tranchea [Aaa]-rated Series, two mezzanine Series, Series B rated [A1] and Series C rated [Baa1] a subordinated Series D rated [Ba3] and an equity tranche [Caa3] for an equal amount to the reserve fund. The SPV will use the proceeds from the issuance of the notes to purchase the mortgage loans portfolio, as illustrated in the structure in this section. The total initial purchase price of the mortgage loans will be equal to the proceeds received from the issue of the rated Class A1 and A2, Class B, Class C, and Class D notes and the cash reserve will be funded with the proceeds from the Equity tranche.

Equity tranche amortisation plan = the equity tranche will amortise for an equal amount to the different between RF required amount in the previous payment date and the RF required amount in the current payment date.



Payment Waterfall

On each quarterly payment date, the Fondo's available funds will be applied in the following simplified order of priority:

1) Cost and fees, excluding servicing fee (except in the case of Bankinter being replaced as servicer of the loans)
2) Any amount due under the swap agreement and swap termination payment if the Fondo is the defaulting or the sole affected party
3) Interest payment to Series A
4) Interest payment to Series B (if not deferred)
5) Interest payment to Series C (if not deferred)
6) Interest payment to Series D (if not deferred)
7) Amortisation fund
8) Interest payment to Equity Tranche
9) Replenishment of the reserve fund
10) Amortisation of the Equity Tranche

11) Termination payment under the swap agreement (except if the Fondo is the defaulting or the sole affected party)
12) Junior expenses

Post Enforcement Waterfall

Interesting to note as well that this is the among the first transactions in Spain which has an alternative post – enforcement/liquidation waterfall, as follows:

1) Reserve to be used for liquidation costs and expenses or servicing fee should Bankinter had been replaced from its duties as servicer
2) Any amount due under the swap agreement (except termination payments if Bankinter defaults under the swap agreement)
3) Interest payment to Series A1 and A2
4) Series A1 Principal and A2 Principal
5) Interest payment to Series B notes
6) Series B Principal
7) Interest payment to Series C notes
8) Series C Principal
9) Interest payment to Series D notes
10) Series D Principal
11) Interest payment to Series E notes
12) Series E Principal
13) Termination payments under the swap agreement upon default of Bankinter
14) Junior expenses

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

Interest Deferral Mechanism Subject To Triggers

Series B	Series C	Series C
a)The principal deficiency exceeds 98% of the outstanding balance of Series B, Series C and Series D	a) The principal deficiency exceeds 80% of the outstanding balance of Series C and D	a) The principal deficiency exceeds 75% of the outstanding balance of Series C and D
b) Series A1 and A2 are not fully redeemed	b) Series A1, and A2 and Series B are not fully redeemed	b) Series A1, and A2, Series B and Series C are not fully redeemed

18m Artificial Writeoff

The transaction structure for series A, B, C and D 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).

Prorata 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, Series C and Series D Notes will start amortising pro rata with the Series A notes when they respectively represent 2.410%, 2.608%, and 2.224% of the outstanding balance under the Series A1 and A2, B, C and D notes.

Notes Can Amortise Prorata Following Some Conditions

However, the pro rata amortisation will cease if:

For Class B -

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.

For Class C –

The outstanding amount of loans more than 90 days but less than 18 months past due is higher than 1.00% 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

For Class D –

The outstanding amount of loans more than 90 days but less than 18 months past due is higher than 1.00% 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 At Day 1

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) 1.30% of the initial balance of the notes
2) The higher of the following amounts:
   - 2.60% of the outstanding notional balance of class A1, A2, B, C, and D notes
   - 11.164.400 Euro

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 2.60% of the outstanding amounts under A1, A2, B, C and D notes; the reserve fund floor has been set at 11.164.400 euros. 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

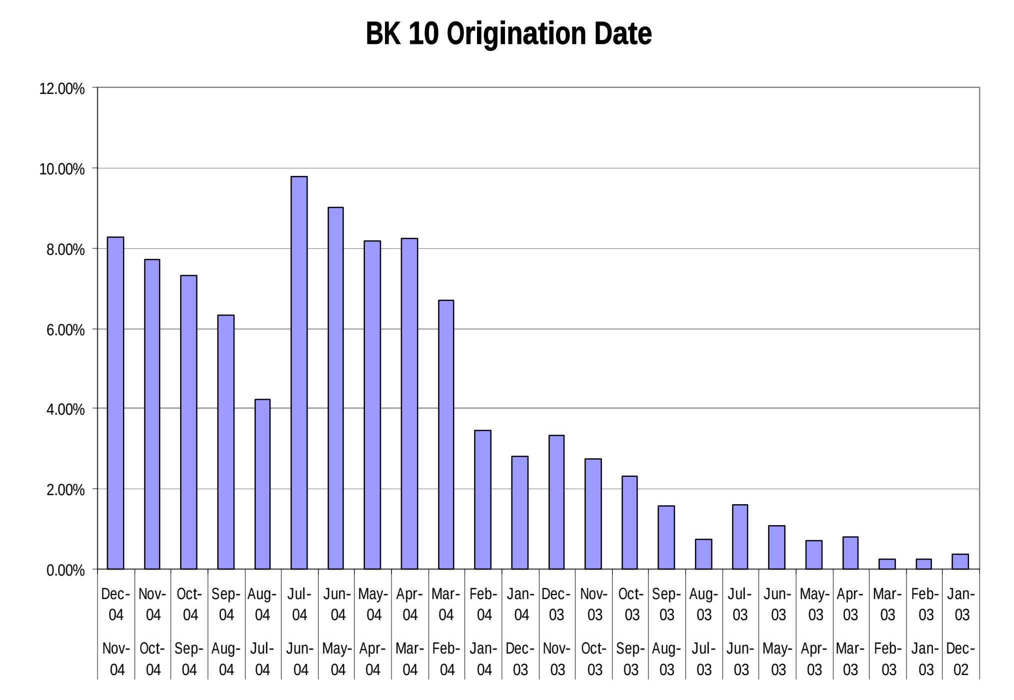
In any case, the RF won’t amortise during the first 3 years since the constitution of the Fund.

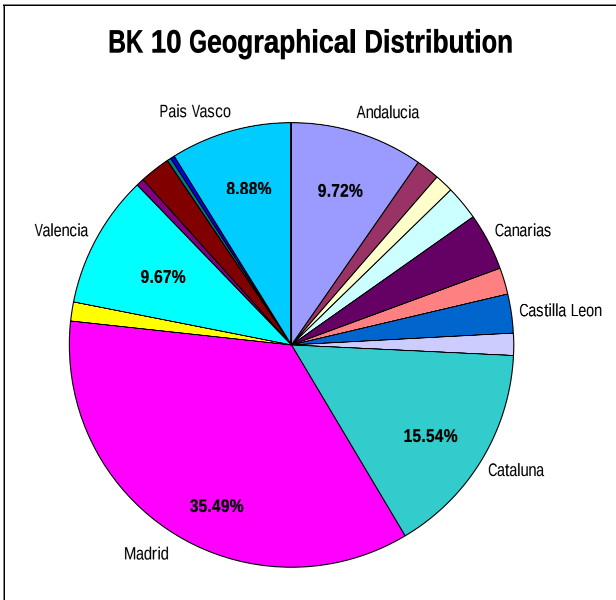
Basis Swap

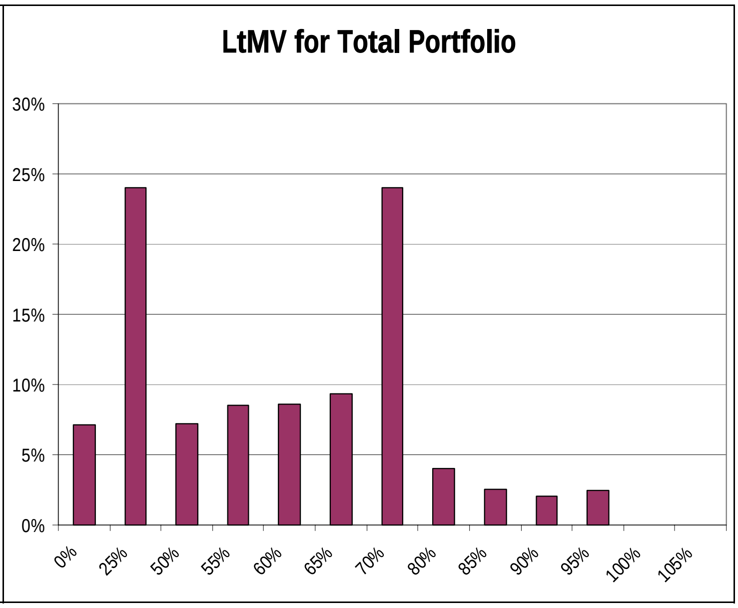
The transaction includes a basis swap by which the index reference rates on the assets are exchanged against the index reference rate on the notes.

COLLATERAL – REFERENCE PORTFOLIO

In Line With Previous Bankinter Deals, Good Quality Collateral







Renegotiation Terms

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 0.45%, 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 [ ]

- The frequency of payments cannot be decreased.
- The repayment system cannot be modified.

ORIGINATOR, SERVICER AND DUE DILIGENCE

Very Strong Originator In Spain

Moody's **Aa3**/**P-1**/**B** ratings for Bankinter reflect the bank's solid credit fundamentals – strong efficiency levels, good asset quality and strong recurring earning power – as well its technological leadership. The ratings also take account of Bankinter's more limited position in the Spanish market. Bankinter's business focuses primarily on servicing and financing small- and medium-sized companies and the top end of the retail market. Its sophisticated clientele and its increasing reliance on non-conventional channels to distribute its products and services could make Bankinter's retail franchise more vulnerable to new participants in an increasingly commoditised market which compels the bank to maintain at all times a differentiated product offering and high quality of service. A low cost structure and strong and stable non-interest income enable the bank to maintain a recurring earning power above that of many of its larger peers. We believe that behind Bankinter's success – demonstrated by its strong financial fundamentals – lies its flexible and agile commercial strategy, which results from the bank's technological leadership that allows it to react rapidly to market changes in a highly competitive environment.

MOODY'S ANALYSIS

Milan And Marco Modelling

The first step in the analysis is to determine a loss distribution for the pool of mortgages to be securitised. Due to the high volume of loans and supporting historical data, Moody's uses a continuous distribution model to approximate the loss distribution: lognormal distribution.

In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility associated with this expected loss. These parameters are derived from the Moody's Individual Loan Analysis ("MILAN") model.

In order to extrapolate expected losses for the loan pool, Moody's has compared the underwriting criteria of the originators with those of other mortgage originators in Spain.

Moody's thus determines a number representing the enhancement that would be required for a pool of mortgages to obtain a 'Aaa' rating under highly stressed conditions. This enhancement number (the "Aaa CE" number) is obtained by means of a loan-by-loan model.

The "MILAN" model looks at each loan in the pool individually and, based on its individual characteristics such as LTV or other identified drivers of risk, computes a benchmark CE number. This number assumes stressed recovery rates (through house price decline), interest rates and costs of foreclosure, as well as a stressed recovery time. The weighted average benchmark CE number is then adjusted according to the positive and negative characteristics of each loan and to those of the pool as a whole, in order to produce the "Aaa CE" number.

The "Aaa CE number" and the Expected Loss Number form the basis of Rating Committee discussions and are used to derive the lognormal distribution of the pool losses.

The standard deviation of the distribution is found by setting the probability of a loss greater than the expected loss that is consistent with the Idealised Expected Loss target of the "Aaa CE number".

Once the loss distribution of the pool under consideration has been computed, a cash flow model, Moody's Analyzer of Residential Cash-Flows ("MARCO"), is used to assess the impact of structural features of the transaction, such as the priorities of interest and principal and the related triggers, swap features and excess margins, liquidity mechanisms and the value of excess spread.

The sum of the loss experienced per note Series in each scenario, weighted by the probability of such loss scenarios, will then determine the expected loss on each tranche and hence the rating, in line with Moody's target losses for each rating category.

RATING SENSITIVITIES AND MONITORING

Very Experienced M,Anagement Company

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

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
- BANKINTER 4 Pre-sale report + Performance Overview
- BANKINTER 5 Pre-sale report + Performance Overview
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- BANKINTER 9 Pre-sale report + Performance Overview

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