OFFERING CIRCULAR **May 10, 1999**

BANKINTER 1
FONDO DE TITULIZACIÓN HIPOTECARIA

MORTGAGE-BACKED BONDS
EUR 600,000,000

Series A	EUR 577,800,000	Aaa	6-M Euribor + 0.25%
Series B	EUR 22,200,000	A2	6-M Euribor + 0.50%

Lead Manager, Underwriter and Originator

BANKINTER

Paying Agent
BANKINTER

Fund structured, established and managed by

Europea de Titulización, S.A.
Sociedad Gestora de Fondos de Titulización

Offering Circular entered in the Registers of the Comisión Nacional del Mercado de Valores

MORTGAGE-BACKED BONDS ISSUED

Characteristics:

- Amount: EURO 600,000,000 (ESP 99,831,600,000) in two Series:
  Series A: EUR 577,800,000 (ESP 96,137,830,800).
  Series B: EUR 22,200,000 (ESP 3,693,769,200).
- Face value:EUR 100,000 (ESP 16,638,600) each Bond.
- Issue price: EUR 100,000 (ESP 16,638,600) per Bond, clear of taxes and subscription costs for the subscriber.
- Redemption price: EUR 100,000 (ESP 16,638,600) per Bond.
- Interest rate variable yearly: Six- (6-) month Euribor plus a margin for each Series, 0.25% margin for Series A Bonds and 0.50% margin for Series B Bonds.
- Interest and principal payment frequency: six-monthly, April 22 and October 22, or, as the case may be, the following Business Day.
- Final Maturity Date: April 22, 2024**.**

Credit risk rating ("ratings"):

- Series A Bonds: Aaa (Moody's España).
- Series B Bonds: A2 (Moody's España).

Organised Secondary Market where admission to trading will be applied for:

AIAF Fixed-Income Market *(AIAF Mercado de Renta Fija)*.

MORTGAGE CERTIFICATE PORTFOLIO

Consisting of mortgage loans entirely granted for financing homes, satisfying all the requirements set down in Mortgage Market Act 2/81 and implementing regulations.

Issuer: BANKINTER, S.A**.** ("BANKINTER").

Rights conferred by the Mortgage Certificates:

- All Participated Mortgage Loan amounts due in connection with
  - principal repayment;
  - ordinary interest; and
  - late-payment interest.
- And any other amounts, assets or rights as payment for Participated Mortgage Loan principal or interest, sale or utilisation of properties awarded upon execution, in the administration or interim possession of the property in execution proceedings, rights or indemnities owing to BANKINTER, including insurance and ancillary loan rights, excluding fees.

WARNINGS

Certain information contains estimates: all the information contained in this Offering Circular, in relation to interest payments, principal repayments, average lives and yields, and financial flow tables, are merely indicative and are intended to illustrate the financial structure of the issue, serving for guidance only.

Mortgage Certificate delinquency and early amortisation: the delinquency and default and prepayment risk of the Participated Mortgage Loan and consequently of the Mortgage Certificates shall be borne by bondholders.

In accordance with the priority of payments contained in section V.5.1.B).2., the Available Funds shall be applied to meeting payment or withholding obligations on each Payment Date as follows, irrespective of the time of accrual, other than the application in the 1st place, which may be made at any time:

1. Payment of the Fund's properly supported ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the same, and all other expenses and service fees. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to BANKINTER, provided they are all properly supported, shall be made to BANKINTER under the Servicing Agreement in this priority.
2. Payment of Series A Bond interest, as it falls due.
3. Payment of Loan interest due.

4. Payment of Series B Bond interest, as it falls due.
5. Payment of the Principal Amount Due for Amortisation of Series A and B Bonds in accordance with the distribution rules for amortisation of both Series, as established hereinafter.
6. Repayment of Loan principal.
7. Payment of Subordinated Credit interest due.
8. Repayment of Subordinated Credit principal drawn down.
9. Payment to BANKINTER under the Servicing Agreement of the Participated Mortgage Loan servicing fee.
10. Payment of the variable remuneration established under the Financial Intermediation Agreement.

The Available Funds for Amortisation, originating in the withholding to be made in accordance with paragraph 5 of the order of priority of payments, shall be allocated to such amortisation, in accordance with the following rules:

1. Until the first Payment Date (inclusive), after October 22, 2000, on which the Outstanding Principal Balance of Series B Bonds is equal to or greater than 7.40% of the Outstanding Principal Balance of Series A Bonds, the Available Funds for Amortisation shall be fully used for amortising Series A Bonds.
2. From the Payment Date after October 22, 2000 and after the date on which the above ratio is equal to or greater than 7.40%, the Available Funds for Amortisation shall be applied to amortising both Series A and B pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series A and B Bonds to be kept at 7.40%, or a higher percentage closest thereto.
3. Upon the Outstanding Principal Balance of Series B Bonds reaching a figure of EUR six million (6,000,000) (ESP 998,316,000), the amortisation of the Bonds in that Series shall cease and the Available Funds for Amortisation shall be fully allocated to repayment of Series A Bonds until fully amortised.
4. And once Series A Bonds have been fully amortised, the amortisation of Series B Bonds shall recommence until fully amortised.

Exceptional rules of priority of payments by the Fund:

In connection with the Amortisation of Series B Bonds, and even if all of the requirements set in the above rules are met, there will be no such amortisation if either of the following two circumstances occur:

i) That the amount of the sum of the Outstanding Balance, as defined in section II.11.3.2.4, of Mortgage Certificates with a delinquency equal to or greater than ninety (90) days on the Determination Date preceding the then-current Payment Date should be equal to or greater than 6.5% of the Outstanding Balance of the Mortgage Certificates on that same date, in which case the Available Funds for Amortisation will be fully allocated to Series A Bond amortisation.
ii) That there should be an Amortisation Deficiency, as defined in section II.11.3.2.5, in which case the Available Funds for Amortisation will also be fully allocated to Series A Bond amortisation.

In relation to the Participated Mortgage Loan Servicing Fee to BANKINTER contained in 9th place in the order of priority of payments described above, in the event that any other institution should replace BANKINTER as their Servicer, then that fee, which shall accrue for the third party, the new servicer, shall take 5th place in said order of priority, and there will consequently be a change of the numbering of successive payments contained in the following paragraphs.

REMEDIES: Neither the Fund nor bondholders shall have any recourse respectively against the issuer of the Mortgage Certificates or against the Management Company other than as derived from breaches of their respective duties and, therefore, at no event as a result of the existence of delinquency or prepayments.

NATURE OF THIS INFORMATION: This information is in the nature of an OFFERING CIRCULAR within the meaning of Royal Decree 291/1992, amended by Royal Decree 2590/1998, and has been entered in the Official Registers of the Comisión Nacional del Mercado de Valores *(National Securities Market Commission-CNMV*) on May 4, 1999.

The Management Company, Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización, which shall establish and manage the Fund, is responsible for the contents of the Offering Circular (notwithstanding the responsibility accepted by the other parties involved).

Positive verification and consequently registration of the Offering Circular by the CNMV shall not imply recommending subscription for the Securities nor indeed any statement whatsoever as to the issuer's credit rating or yield or quality of the offered securities.

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CHAPTER I

PERSONS TAKING RESPONSIBILITY FOR THE CONTENTS OF AND BODIES SUPERVISING THE OFFERING CIRCULAR

I.1 Persons taking responsibility for the contents of the Offering Circular.

I.1.1 Full name, Spanish identity or personal identification document number and position or powers of the individual(s) taking responsibility for the contents of the Offering Circular on behalf of the Management Company.

Mr MARIO MASIÁ VICENTE, of full age, who holds Spanish Identity Document number 50,796,768-A, acting as General Manager for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, and using the authorities conferred by the Board of Directors at its meeting held on January 19, 1993, takes responsibility for the contents of this Offering Circular.

EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with registered office at Madrid, Calle Conde de Aranda, 8, having VAT Reg. no. A-80514466, sponsors BANKINTER 1 FONDO DE TITULIZACIÓN HIPOTECARIA (hereinafter also "the Fund"), and shall be responsible for managing and legally representing the same.

I.1.2 Specification that the above-mentioned individual(s) believe(s) that the information contained in the Offering Circular is truthful and that no fact has been omitted that might alter its scope.

Mr MARIO MASIÁ VICENTE represents that, to the best of his knowledge and understanding, the facts and figures contained in the Offering Circular are truthful and no relevant event has been omitted which might alter the public appraisal of the Fund, the financial transactions, the Bonds to be issued by the Fund and their trading.

I.2 Supervisory Bodies.

The establishment of the Fund and the issue of the Mortgage-Backed Bonds (hereinafter also the "Bonds") are subject to the condition precedent that they be verified by and entered in the Official Registers of the CNMV, in accordance with the provisions of article 5.3 of Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7 ("Act 19/1992"), and articles 26 et seq. of Securities Market Act 24/1988, July 28, amended by Act 37/1998, November 16 ("Act 24/1988"), as well as Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, amended by Royal Decree 2590/1998 ("Royal Decree 291/1992"), December 7, the Order of July 12, 1993, on Offering Circulars and Other Implementations of Royal Decree 291/1992, and CNMV Circular 2/1994, March 16, approving the standard Offering Circular for establishing Mortgage Securitisation Funds.

This full Offering Circular regarding the establishment of the Fund and the issue of the Bonds was verified and entered in the Official Registers of the CNMV on May 4, 1999.

Positive verification and consequently registration of the Offering Circular by the CNMV shall not imply recommending subscription for the securities referred to therein, nor indeed any statement whatsoever as to the issuer's credit rating or yield or quality of the offered securities.

I.3 Name, address and qualifications of the auditors who have verified the number, amount and characteristics or attributes of the assets securitised through the Fund.

Appendix IV to this Offering Circular contains the Audit Report on a selection of portfolio mortgage loans of BANKINTER, S.A., part of which are the Participated Mortgage Loans subject of the issue of the Mortgage Certificates. That Report was prepared by the firm Price Waterhouse Auditores, S.A., entered in the Official Register of Auditors (ROAC) under number S0242 and with place of business at Paseo de la Castellana, no. 43, Madrid.

The verification in that audit deals with a number of both quantitative and qualitative attributes regarding that selection of mortgage loans and specifically regarding: purpose of the loan, identification of the borrower, address of the mortgaged property, origination date, maturity date, initial amount, current balance, interest rate applied, reference rate, appraisal value, current loan-to-value ratio, arrears in payments, damage insurance and mortgage security.

BANKINTER, S.A. agrees in accordance with the provisions of section IV.1.d) of this Offering Circular that, if in spite of its own enquiries and those of the above-mentioned auditors, the existence of any Participated Mortgage Loan not fully observing the characteristics given in section IV.1.a) of this Offering Circular should be detected, then it will forthwith replace or proceed to an early amortisation of the relevant Mortgage Certificate, as the case may be, in accordance with the provisions of section IV.1.d).

CHAPTER II

INFORMATION REGARDING THE SECURITIES ISSUED BY THE MORTGAGE SECURITISATION FUND

II.1 Information on prerequisites and resolutions necessary for the Fund to be established and on the securities issued by the Fund, and also on the terms for the Fund to acquire the assets (mortgage loans-mortgage certificates) subject of the securitisation process.

II.1.1 Issue resolutions and statutory requirements.

a) Corporate resolutions.

Resolution to issue the Mortgage Certificates:

At meetings of October 14, 1998, March 17 and April 14, 1999, the Board of Directors of BANKINTER, S.A. (hereinafter "BANKINTER") resolved that the issue of mortgage participation certificates (hereinafter the "Mortgage Certificates") to be fully subscribed for by the Fund forthwith upon being established be authorised. The characteristics of the issue of Mortgage Certificates of BANKINTER pooled in the Fund are given in section IV.1 of Chapter IV. Attached as Appendix I to this Offering Circular is a photocopy of the Transcript of the Resolutions of BANKINTER's Board of Directors.

Resolution to establish the Fund:

At a meeting of January 22, 1999, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (hereinafter the "Management Company") resolved that BANKINTER 1 FONDO DE TITULIZACIÓN HIPOTECARIA be established in accordance with the legal system provided for in Act 19/1992, that the Mortgage Certificates issued by BANKINTER be subscribed for and that the Bonds be issued out of the Fund. The characteristics of the Bond issue by the Fund are given in Chapter II of this Offering Circular. Attached as Appendix II hereto is a photocopy of the Transcript of the Resolutions of the Executive Committee of the Management Company's Board of Directors.

b) Execution of the Fund public deed of constitution.

Upon the CNMV verifying and registering this Offering Circular and within twenty (20) Business Days thereafter, without the Bond subscription period having yet begun, the Management Company shall, along with BANKINTER, the issuer of the Mortgage Certificates described in section IV.1 of this Offering Circular to be subscribed for by Fund, proceed to execute a public deed whereby BANKINTER 1 FONDO DE TITULIZACIÓN HIPOTECARIA will be established, the Mortgage Certificates will be issued and subscribed for and the Mortgage-Backed Bonds will be issued (hereinafter the "Deed of Constitution"), on the terms provided for in Act 19/1992.

Said Deed of Constitution shall be submitted to the CNMV to be entered in the public registers before the Bond Subscription Period begins.

In accordance with the provisions of article 5.9 of Act 19/1992, the Bonds issued by the Fund shall be exclusively represented by means of book entries and the Fund Deed of Constitution shall have the effects provided in article 6 of Act 24/1988. In this connection, and in pursuance of said article and article 6 of Royal Decree 116/1992, February 14, on securities in book-entry form and clearance and settlement of stock-exchange transactions ("Royal Decree 116/1992"), the deed recording that the Bonds shall be in book-entry form shall have to be the issue deed.

II.1.2 Information on prerequisites and resolutions for admission to trading on the Stock Exchange or on an organised secondary market.

In accordance with article 5.9 of Act 19/1992, the Management Company shall, forthwith upon execution of the Deed of Constitution and upon the Subscription Period being closed, apply for this Bond issue to be listed on AIAF Mercado de Renta Fija (hereinafter "AIAF"), which is a qualified official secondary securities market pursuant to Transitional Provision six of Act 37/1998, November 16, amending Act 24/1988. It is expected that definitive admission to trading will be achieved not later than three months after the Closing Date.

In addition, the Management Company shall, for and on behalf of the Fund, apply for the issue to be included in the Servicio de Compensación y Liquidación de Valores, S.A. in order for the Bonds to be cleared and settled in accordance with the operating rules regarding securities admitted to trading on the AIAF, in book-entry form, now established or hereafter approved by the Servicio de Compensación y Liquidación de Valores, S.A.

II.2 Administrative authorisation prior to the issue or offering, specifying resultant details or restrictions. Specification of the warnings and considerations made by the CNMV pursuant

to article 1.9 of the Economy and Finance Ministry's Order dated July 12, 1993 on Offering Circulars.

Verification and registration by the CNMV.

The condition precedent for the Fund to be established and the Bonds to be issued is their prior verification and registration in the Official Registers of the CNMV, in accordance with the provisions of article 5.3 of Act 19/1992, articles 26 et seq. of Act 24/1988 and Royal Decree 291/1992, March 27, on Issues of and Public Offerings for the Sale of Securities.

This Offering Circular regarding the establishment of the Fund and the issue of the Bonds was verified and entered in the Official Registers of the CNMV on May 4, 1999. No prior administrative authorisation other than the prior verification and registration of the Offering Circular is required.

The CNMV has made no warning or consideration concerning the establishment of the Fund and issue of the Bonds.

II.3 Assessment of the risk inherent in the securities issued by the Fund by a rating firm recognised by the CNMV.

Act 19/1992 requires that a rating firm recognised by the CNMV evaluate the credit risk of the Bonds issued by the Fund.

The Management Company has entrusted the evaluation of the credit risk of the Bonds to Moody's Investors Service España, S.A. (hereinafter "Moody's España"), a Spanish company wholly-owned by Moody's Investors Service Limited, which is a rating firm recognised by the CNMV, for the purposes of the provisions of article 5.8 of Act 19/1992, and operates in accordance with the methodology, standards and quality control of Moody's Investors Service Limited.

Rating given to the Bond issue.

On April 26, 1999 Moody's España assigned an Aaa rating to the Series A Bonds and an A2 rating to the Series B Bonds, in both cases provisionally, and expects to assign respective final Aaa and A2 ratings by the start of the Bond Subscription Period, as described in section II.18.3 of this Offering Circular.

If the rating agency should fail to confirm the Aaa and the A2 ratings respectively for the Series A and B Bonds by the start of the Subscription Period, this circumstance would forthwith be notified to the CNMV and be publicised in the manner for which provision is made in section III.5.3.b).2).

The failure to confirm the Aaa and the A2 ratings respectively for the Series A and B Bonds by the start of the Subscription Period would be an event of termination of the establishment of the Fund and the Bond issue.

Appendix III to this Offering Circular contains a copy of the rating letter from Moody's España.

Rating considerations.

The following are the rating scales of Moody's Investors Service Limited, used by Moody's España, for long- and short-term debt issues:

Long-Term	Short-Term
Aaa	Prime-1
Aa	Prime-2
A	Prime-3
Baa	Not Prime
Ba	
B	
Caa	
Ca	
C	

Moody's Investors Service Limited applies numerical modifiers 1, 2 and 3 in each long-term rating category from Aa to B, inclusive. Modifier 1 indicates that the security ranks in the higher end of the rating category, modifier 2 indicates a mid-range ranking and modifier 3 a ranking in the lower end.

Moody's Investors Service Limited assigns an Aaa rating to debt issues with very strong interest payment and repayment capacity, and an A2 rating to debt with strong interest payment and principal repayment capacity, but somewhat more susceptible to the effects of circumstantial changes and adverse economic conditions than higher-rated debt.

The rating is the Agency's opinion about the credit risk, the capacity to meet payments of interest as they fall due on each set payment date and of the principal of the issue on the final maturity date. Moody's Investors Service Limited's rating takes into account the structure of the Bond issue, its legal aspects and the issuing Fund, the characteristics of the mortgage loans selected for issuing the Mortgage Certificates and the regularity and continuity of the operating flows.

Moody's España's ratings are not an assessment of the likelihood of mortgagors prepaying principal, nor indeed of the extent to which such prepayments differ from what was originally forecast. The ratings are not by any means a rating of the level of actuarial performance, nor of the evaluation of the financial risk of the Bonds.

The ratings assigned, and any revision or suspension of the ratings:

(i) are assigned by Moody's España based on manifold information received with respect to which Moody's España gives no assurance, nor even as to its accuracy or completeness, wherefore Moody's España may at no event be deemed to be responsible therefor; and

(ii) are not and cannot therefore be howsoever construed as an invitation, recommendation or encouragement for investors to proceed to carry out any transaction whatsoever on the Bonds and, in particular, acquire, keep, charge or sell those Bonds.

Moody's España may revise, suspend or withdraw the final ratings assigned at any time, based on any information that it may come to know. Those events, which shall not constitute early amortisation events of the Fund, shall forthwith be notified to both the CNMV and Bondholders, in accordance with the provisions of section III.5.3.

In carrying on the rating and monitoring process, Moody's España relies on the accuracy and completeness of the information provided by the Management Company, auditors, lawyers and other experts.

Undertakings by the Management Company.

The Management Company, on behalf of the Fund, agrees to report regularly to Moody's España as to the status of the Fund and the performance of the Mortgage Certificates. It shall also report when reasonably required to do so and in any event whenever there is a change in the conditions of the Fund, the agreements entered into by the Fund through its Management Company or the parties concerned.

II.4 Nature and denomination of the securities offered specifying the issue or series number.

The total face value amount of the issue of bonds (hereinafter the "Bonds") is EUR six hundred million (600,000,000.00) (ESP 99,831,600,000), and comprises two series:

i) Ordinary bonds making up Series A (hereinafter "Series A Bonds") having a total face amount of EUR five hundred and seventy-seven million eight hundred thousand (577,800,000) (ESP 96,137,830,800), comprising five thousand seven hundred and seventy-eight (5,778) Bonds having a unit face value of EUR one hundred thousand (100,000) (ESP 16,638,600), represented by means of book entries.

ii) Subordinated bonds making up Series B (hereinafter "Series B Bonds") having a total face amount of EUR twenty-two million two hundred thousand (22,200,000) (ESP 3,693,769,200), comprising two hundred and twenty-two (222) Bonds having a unit face value of EUR one hundred thousand (100,000) (ESP 16,638,600), represented by means of book entries.

Series B Bond interest payment and principal repayment is deferred with respect to Series A Bonds, as provided for in the order of priority of payments contained in section V.5.1.B).2 of this Offering Circular.

Subscribing for or holding Bonds in one Series does not imply subscribing for or holding Bonds in the other Series.

Those Bonds, referred to as Mortgage-Backed Bonds, are covered by Act 19/1992 and legally qualify as standard homogeneous fixed-income securities that may consequently be traded on organised exchanges, and the legal and financial configuration of the Fund therefore differs from investment funds.

II.4.1 Legal system of the securities, specifying the procedures guaranteeing the certainty and effectiveness of the rights of their first and subsequent holders. Servicing implications in each series of securities issued out of the Fund resulting from the compulsory connection between the schedule of principal and interest payments on those securities and the cash flows of the assets securitised through the Fund.

The establishment of and the Bond issue by the Fund are carried out pursuant to Act 19/1992.

Bondholders will be identified as such when entered in the accounting record kept by the Servicio de Compensación y Liquidación de Valores, S.A., as provided for in section II.5 of this chapter, and the relevant Certificates of Title may be issued upon request by the Bondholder and at the Bondholder's expense; the provisions of Title I, Chapter I, section four of Royal Decree 116/1992 will apply in this connection.

The Bonds may be freely transferred by any means admissible at Law. A transfer in the accounts will convey the ownership of each Bond. The effects of entering the conveyance to the transferee shall be the same as handing over the certificates and the transfer shall thereupon be enforceable on third parties.

Pursuant to article 5.7 of Act 19/1992, management companies may transitorily acquire financial assets with a quality at least as high as the highest-rated securities issued by the Fund in order to cover timing differences between the scheduled principal repayment and interest flows of the Mortgage Certificates and of the Bonds issued by the Fund, the Management Company shall, on behalf of the Fund, enter into a Guaranteed Interest Rate Deposit Agreement with BANKINTER whereby the Mortgage Certificate principal repayment and interest amounts received by the Fund and the amounts referred to in section V.3.1 of the Offering Circular will be invested until the next Bond Payment Date, on which Bond principal repayment and interest payment shall fall due.

II.4.2 Other implications and risks that might, due to the legal and economic nature of the assets pooled in the Fund, affect servicing of the securities issued by the Fund as a result of the process for securitising those assets.

a) Risk of default on the Mortgage Certificates:

In accordance with the provisions of article 5.8 of Act 19/1992, the holders of Bonds issued by the Fund shall bear the risk of default on the Mortgage Certificates pooled therein.

Consequently, BANKINTER shall have no liability whatsoever for the mortgagors' default of principal, interest or any other amount they may owe under the Participated Mortgage Loans. It will have no liability whatsoever to directly or indirectly guarantee that the transaction will be properly performed, nor give any guarantees or security, nor indeed agree to repurchase the Mortgage Certificates, other than in relation to those failing to conform to the characteristics and conditions given in section IV.1.a) of this Offering Circular, as provided therein.

b) Mortgage Certificate early amortisation risk:

By issuing the Mortgage Certificates, BANKINTER, on the terms described in Chapter IV of this Offering Circular, allows the Fund to participate in the principal and interest of the Participated Mortgage Loans granted by BANKINTER.

There may be an early amortisation of the Mortgage Certificates pooled in the Fund when the Participated Mortgage Loan borrowers prepay the portion of principal pending repayment, on the terms provided for in each loan deed. Similarly, there will be a full amortisation of the Mortgage Certificates in the event that BANKINTER should be substituted in the relevant Participated Mortgage Loans by another financial institution licensed to do so, subject to Mortgage Loan Subrogation and Amendment Act 2/1994, March 30 ("Act 2/1994").

That early amortisation risk shall pass six-monthly on each Payment Date to Bondholders upon the partial amortisation of the Bonds, in accordance with the provisions of section II.11.3.2 of this Offering Circular.

II.5 Form of representation and name and place of business of the institution in charge of the accounting record.

The Bonds issued out of the Fund will be exclusively represented by means of book entries, in accordance with the provisions of article 5.9 of Act 19/1992, and will become such bonds when entered in the appropriate accounting record. In this connection, and for the record, the Deed of Constitution shall have the effects prescribed by article 6 of Act 24/1988.

In fulfilment of the provisions of article 6 of Royal Decree 116/1992, the denomination, number of units, face value and other characteristics and terms of the issue of Bonds in book-entry form are as set down in the Deed of Constitution and in this Chapter II.

Bondholders shall be identified as such when entered in the accounting record kept by the clearing Members of the Servicio de Compensación y Liquidación de Valores, S.A., which shall be the institution designated in the Deed of Constitution to account for the Bonds in order for the Bonds to be cleared and settled in accordance with the operating rules regarding securities admitted to trading on the AIAF, and in book-entry form, now established or hereafter approved by the Servicio de Compensación y Liquidación de Valores, S.A. Such designation shall be entered in the Official Registers of the CNMV.

Servicio de Compensación y Liquidación de Valores, S.A. has its place of business at calle Orense, no. 34, Madrid.

II.6 Face amount of the securities altogether issued out of the Fund, number of securities comprised and their numbering, as the case may be, itemised by the various constituent series.

The total face value amount of the Bond issue is EUR six hundred million (600,000,000) (ESP 99,831,600,000), and the issue consists of two Series.

i) Series A Bonds having a total face amount of EUR five hundred and seventy-seven million eight hundred thousand (577,800,000) (ESP 96,137,830,800), comprising five thousand seven hundred and seventy-eight (5,778) Bonds having a unit face value of EUR one hundred thousand (100,000) (ESP 16,638,600), represented by means of book entries.

ii) Series B having a total face amount of EUR twenty-two million two hundred thousand (22,200,000) (ESP 3,693,769,200), comprising two hundred and twenty-two (222) Bonds having a unit face value of EUR one hundred thousand (100,000) (ESP 16,638,600), represented by means of book entries.

Series B Bond interest payment and principal repayment is deferred with respect to Series A Bonds, as provided for in the order of priority of payments contained in section V.5.1.B).2 of this Offering Circular.

Subscribing for or holding Bonds in one Series does not imply subscribing for or holding Bonds in the other Series.

II.7 Face and actual amounts of each security, specifying, where it exists, the issue premium expressed in proportion to the face value and in monetary units per security. Currency in which each series of securities issued out of the Fund is denominated.

The Bond issue consists of two Series, A and B, each denominated in euros.

The Bond issue price in each Series shall be EUR one hundred thousand (100,000) (ESP 16,638,600) per Bond, clear of taxes and subscription costs for the subscriber. The Bonds are issued at 100 percent of their face value.

The expenses and taxes attaching to the Bond issue shall be borne by the Fund.

II.8 Fees and related expenses of every description that must be borne by investors upon subscribing for the securities issued by the Fund.

The issue price established in section II.7 above shall be clear of taxes and subscription costs for the subscriber.

II.9 Specification, as appropriate, of the existence of fees, if any, to be borne by the holders of the securities issued by the fund, mandatorily represented as a book entry, for entering and maintaining a balance.

The expenses of including the Bond issue in the accounting record of the Servicio de Compensación y Liquidación de Valores, S.A. shall be borne by the Fund and may not be shifted to Bondholders. This institution has established no fee whatsoever for maintaining a balance.

In accordance with the laws in force for the time being, the members of said Service may nevertheless establish such securities servicing fees and expenses to be charged to Bondholders as they may freely determine, and duly notified to the Bank of Spain or the CNMV, being their supervisory bodies.

II.10 Interest rate clause:

II.10.1 Nominal interest rate.

The Bonds in both Series A and Series B shall accrue a yearly nominal interest, variable and payable six-monthly, which shall be the result of applying the policies established hereinafter.

The resultant yearly nominal interest rate (hereinafter "nominal interest rate") shall be payable six-monthly on each Payment Date on the Outstanding Principal Balance of the Bonds in each Series (both of which concepts are respectively described in sections II.10.3 and II.11.3.2.3 below), provided that the Fund has sufficient liquidity in the order of priority of payments set for each Series in section V.5.1.B).2 of the Offering Circular.

Withholdings, contributions and taxes established or to be established in the future on Bond principal, interest or returns shall be borne exclusively by Bondholders, and their amount, if any, shall be deducted by the Management Company, for and on behalf of the Fund, as provided by law.

a) Interest accrual.

The duration of this issue shall be divided into successive Interest Accrual Periods comprising the exact number of days elapsed between each Payment Date described in section II.10.3 of this Offering Circular, each Interest Accrual Period including the beginning Payment Date but not including the ending Payment Date. Exceptionally, the duration of the first Interest Accrual Period shall be less than six months, and shall be equivalent to the period comprised between the Closing Date, inclusive, described in section II.18.5 of this Offering Circular, and the first Payment Date (October 22, 1999), exclusive.

The nominal interest rate shall accrue on the exact number of days elapsed in each Interest Accrual Period for which it was determined, calculated based upon a 365-day calendar year.

b) Nominal interest rate.

The nominal interest rate determined for each Interest Accrual Period shall be the result of adding: (i) the six- (6-) month Euribor reference rate, described in section c) below, and (ii) a margin for each Series:

- 0.25% for Series A Bonds, and
- 0.50% for Series B Bonds,

all of which shall be translated to an equivalent interest rate based on 365-day calendar years (i.e., multiplied by 365 and divided by 360) and rounded to the nearest ten thousandth of a whole number.

c) Determining the Euribor reference rate.

i) That six- (6-) month Euribor, "Euro Interbank Offered Rate", calculated and distributed by the BRIDGE financial information system under an FBE ("Federation Bancaire de l'Union Europeene") mandate, fixed at 11am (CET or "Central European Time") on the Interest Rate Fixing Date described below, which is currently published on electronic pages EURIBOR01 supplied by Reuters, and 248 supplied by Dow Jones Markets (Bridge Telerate), or any other page taking their stead in providing these services.

That Euribor rate is currently the term interbank deposit offered rate in euros calculated as the daily average of the quotations supplied by a panel consisting of 57 Banks, from among the most active banks in the Euro zone. The rate is quoted based on a count of the actual days to maturity and a 360-day year, and is fixed at 11am (CET time), accurate to three decimal places.

ii) In the event that the rate established in paragraph i) above should not be available or be impossible to obtain, the substitute reference rate shall be the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable six- (6-) month deposit transactions in euros, on the Interest Rate Fixing Date, declared by the banks listed below, following a simultaneous request to each of them:

- Deutsche Bank, London branch.
- Banco Santander Central Hispano, S.A.
- Banco Bilbao Vizcaya, S.A.

Should it be impossible to apply the above substitute reference rate, upon the failure by any of said banks to continuously provide written quotations, the interest rate resulting from applying the simple arithmetic mean of the interest rates declared by at least two of the other banks shall be applicable.

iii) If the rates established in paragraphs i) and ii) above should not be available or be impossible to obtain, the last reference rate applied to the last Interest Accrual Period shall apply, and so on for successive Interest Accrual Periods whilst matters remain the same.

d) Interest Rate Fixing Date.

The Management Company shall, for and on behalf of the Fund, determine the nominal interest rate applicable to both Bond Series for every Interest Accrual Period on the second TARGET (Trans European Automated Real-Time Gross Settlement Express Transfer System) calendar business day before each Payment Date, described in section II.10.3 below (hereinafter "Interest Rate Fixing Date"), and will apply for the following Interest Accrual Period.

The nominal interest rate of the Bonds in both Series for the first Interest Accrual Period shall be determined as provided in paragraph c) above, based on six- (6-) month Euribor, albeit referred to the second TARGET calendar business day preceding the Closing Date, and shall be notified to the public at large by the start of the Subscription Period by means of the notice provided for in section III.5.3.c) of this Offering Circular.

The nominal interest rates determined for both Bond Series for successive Interest Accrual Periods shall be communicated to Bondholders on the dates and in the manner for which provision is made in sections III.5.3.a) and c).

e) Informative table on the evolution of the benchmark interest rate to be used.

For merely illustrative purposes, below are details of the six- (6-) month Euribor rates shown on the EURIBOR01 electronic page supplied by Reuters and, because there were no Euribor rates before January 1, 1999, the six- (6-) month Mibor rates, on the dates given, and the nominal interest rates that would result if applied to both Bond Series, A and B:

Dates	6-month Euribor	6-month Mibor	Series A Bonds	Series B Bonds
18 March 1998		4.2180%	4.5301%	4.7835%
20 April 1998		4.2850%	4.5980%	4.8515%
20 May 1998		4.2310%	4.5432%	4.7967%
18 June 1998		4.2250%	4.5372%	4.7906%
20 July 1998		4.1830%	4.4946%	4.7480%
20 August 1998		4.1660%	4.4773%	4.7308%
18 September 1998		3.9500%	4.2583%	4.5118%
20 October 1998		3.7260%	4.0312%	4.2847%
19 November 1998		3.6710%	3.9755%	4.2289%
18 December 1998		3.2230%	3.5212%	3.7747%
20 January 1999	3.0140%		3.3093%	3.5628%
18 February 1999	3.0350%		3.3306%	3.5841%
18 March 1999	3.0100%		3.3053%	3.5588%

20 April 1999	2.6960%	2.9159%	3.1694%

II.10.2 Simple reference to the order number of interest payment on the securities issued by the Fund in the Fund's priority of payments, and specification of the section and pages of this Offering Circular in which the rules of priority established in the Fund's payments are described, and specifically those affecting interest payments on those securities.

Series A Bond interest payment is second (2^{nd}) in the order of priority of payments established in section V.5.1.B).2, page 110 of this Offering Circular.

Series B Bond interest payment is fourth (4^{th}) in the order of priority of payments established in said section, page 110 hereof.

II.10.3 Dates, place, institutions and procedure for paying interest.

Interest on the Bonds in both Series A and Series B will be paid on April 22 and October 22 of each year until the Bonds are fully amortised (each of those dates, a "Payment Date"), by means of the procedure described in section II.12.a) of this Offering Circular.

In the event that any of the dates established in the preceding paragraph should not be a Business Day, because it is a Saturday, Sunday or public holiday in Madrid, as described in section II.10.1.d) above, the Payment Date shall be the next succeeding Business Day, and interest for the then-current Interest Accrual Period, described in section II.10.1.a) will accrue until said first Business Day, not inclusive.

The first interest Payment Date for the Bonds in both Series shall be October 22, 1999, and interest will accrue at the relevant nominal interest rate between the Closing Date for subscribers, inclusive, provided for in section II.18.5, and October 22, 1999, exclusive.

In this Bond Issue, Business Days shall mean all days other than a:

- Saturday,
- Sunday, or
- public holiday in Madrid.

Interest settlement payable on each Payment Date for each Interest Accrual Period shall be calculated in accordance with the following formula:

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

Where:

I = Interest payable on a given Payment Date.

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

R = Nominal interest rate expressed as a yearly percentage.
d = Exact number of days in each Interest Accrual Period.

Both the interest resulting for Series A and Series B Bondholders, calculated as established above, and the amount of the interest accrued and not paid shall be notified to Bondholders as described in section III.5.3 of this Offering Circular, at least one (1) calendar day in advance of each Payment Date.

Bond interest accrued shall be paid on each Payment Date provided that the Fund has sufficient liquidity to do so in the order of priority of payments laid down in section V.5.1.B).2 of the Offering Circular.

In the event that on a Payment Date the Fund should be unable to make full or partial payment of interest due on the Bonds in any Series, in the relevant order of priority of payments, established in section V.5.1.B).2 of the Offering Circular, the amounts that Bondholders should not have received shall be paid on the following Payment Date.

Deferred interest amounts shall earn for holders an interest equivalent to that applied to the Bonds in their respective Series during the Interest Accrual Period(s) until the Payment Date on which they are paid, without late-payment interest and without this entailing a capitalisation of the debt.

The Fund, through its Management Company, may not defer interest payment on both Series beyond April 22, 2024, the Final Maturity Date, or the following Business Day if that is not a Business Day.

The Bond issue shall be serviced through the Paying Agent, to which end the Management Company shall, for and on behalf of the Fund, enter into a Paying Agent Agreement with BANKINTER.

In order for the subscriber to more readily understand the system for fixing the nominal interest rate and the interest amount receivable on each Bond on each Payment Date, section II.12 of the Offering Circular provides an example for illustration, and the Theoretical Tables for servicing the issue.

II.11 Amortisation of securities.

II.11.1 Redemption price, specifying the existence of premiums, rewards, lots or any other financial advantage.

The redemption price of the Bonds in both Series shall be EUR one hundred thousand (100,000) (ESP 16,638,600) per Bond, equivalent to 100 percent of their face value, payable progressively on each Payment Date.

Each and every one of the Bonds in a same Series shall be amortised in an equal amount by reducing the face amount of each of the Bonds. The amount repayable upon the Bonds in each Series being amortised on each Payment Date shall be determined as established in section II.11.3 of this Chapter.

II.11.2 Simple reference to the order number for principal payment on the securities issued by the Fund in the Fund's priority of payments, and specification of the section and pages of this Offering Circular in which the rules of priority established in the Fund's payments are described, and specifically those affecting principal payments on those securities.

Both Series A and B Bond principal repayment is fifth (5th) in the order of priority of payments established in section V.5.1.B).2, page 110 of this Offering Circular.

II.11.3 Amortisation methods, specifying dates, place, institutions, procedure and advertising for the same.

II.11.3.1 Final Amortisation.

The Final Maturity Date and consequently final amortisation of the Bonds in both Series shall be on April 22, 2024 or the following Business Day if that is not a Business Day, notwithstanding which the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section II.11.3.3 below, proceed to an early amortisation of this issue, in which case the Payment Date on which the same is to occur will be the final amortisation date of the Bonds.

II.11.3.2 Partial Amortisation.

Notwithstanding the above, the Fund shall, through its Management Company, proceed to partial amortisation of the Bonds in both Series on the terms described hereinafter.

1. **Amortisation Payment Dates.**

   These shall fall on the interest Payment Dates, i.e. on April 22 and October 22 of each year or the following Business Day, as the case may be, as described in section II.10.3 above, until fully amortised.

   The first Series A Bond amortisation Payment Date shall be October 22, 1999, in accordance with the rules contained in said section.

   The first Series B Bond amortisation Payment Date shall be the Payment Date after October 22, 2000 and after the date on which the Outstanding Principal Balance of Series B Bonds is equal to or greater than 7.40% of the Outstanding Principal Balance of Series A Bonds, and subject to the provisions for amortisation of said Series B Bonds of section 6 below and section V.5.1.B).2 of this Offering Circular.

2. Determination Dates and Determination Periods.

These will be the dates referred to each Payment Date on which the Management Company on behalf of the Fund will make all necessary calculations to distribute or withhold the Available Funds existing on those dates, in the order of priority of payments described in section V.5.1.B).2 of this Offering Circular.

Such Determination Dates shall fall on the fifth calendar day preceding each Payment Date and shall demarcate the periods successively comprised between those Determination Dates, which shall be referred to as Determination Periods, each period not including the beginning but including the ending Determination Date.

Exceptionally, the first Determination Period shall be comprised between the date of execution of the Deed of Constitution and the first Determination Date.

3. Outstanding Principal Balances of Series A and B Bonds.

These shall the outstanding principal balances yet to be repaid on the Bonds in both Series, such balances including the principal amounts due, as described in section 4 hereinafter, on previous Payment Dates, but not settled due to a shortfall of Available Funds, in the order of priority of payments contained in section V.5.1.B).2 of this Offering Circular.

4. Principal Amount Due for Amortisation on each Payment Date.

The Principal Amount Due for Amortisation of Bonds in both Series A and B, making no distinction between them, shall be equal to the difference existing between the sum of the Outstanding Principal Balances of the Bonds in those Series and the Outstanding Balance of the Mortgage Certificates, as described in the following paragraph, on the Determination Date preceding each Payment Date.

The Outstanding Balance of the Mortgage Certificates shall for these purposes comprise the sum of the capital not yet due and the capital due and not paid into the Fund on each Mortgage Certificate.

In order to illustrate this concept, let us assume the following example:

	EUR	*ESP*
• *Outstanding Balance of the Mortgage Certificates on a given Determination Date:*	*160,400,000*	*26,688,314,400*
• *Outstanding Principal Balance of the Bonds in both Series on the same date:*	*175,400,000*	*29,184,104,400*
• *Difference:* *(Principal Amount Due for Amortisation of the Bonds in both Series)*	*15,000,000*	*2,495,790,000*

In this case, Principal Amount Due for Amortisation of the Bonds in both Series would amount to EUR fifteen million (15,000,000) (ESP 2,495,790,000).

5. Liquid amortisation amount payable on each Payment Date and Amortisation Deficiency.

Depending on the existing liquidity, the Principal Amount Due for Amortisation which may be used for the application provided for in 5th place in the order of priority of payments, described in section V.5.1.B).2 of this Offering Circular, shall make up the Available Funds for Amortisation.

On the other hand, the Amortisation Deficiency will be the difference, if any, between the Principal Amount Due for Amortisation and the Available Funds for Amortisation, the latter minus the Subordinated Credit amount drawn, as described in section V.3.2 for this application.

Continuing the above example:

	EUR	ESP
• *Principal Amount Due for Amortisation of the Bonds in both Series*	*15,000,000*	*2,495,790,000*
• *Because the Fund does not have sufficient liquidity, Available Funds for Amortisation to pay the Principal Amount Due for Amortisation:*	*14,400,000*	*2,395,958,400*
• *Amortisation Deficiency:*	*600,000*	*99,831,600*

6. Distribution of the Available Funds for Amortisation among the Bonds in each Series.

Those Available Funds for Amortisation of the Bonds shall be distributed among both Series for their amortisation in accordance with the following rules:

i) Until the first Payment Date (inclusive), after October 22, 2000, on which the Outstanding Principal Balance of Series B Bonds is equal to or greater than 7.40% of the Outstanding Principal Balance of Series A Bonds, the Available Funds for Amortisation shall be fully used for amortising Series A Bonds.

ii) From the Payment Date after October 22, 2000 and after the date on which the above ratio is equal to or greater than 7.40%, the Available Funds for Amortisation shall be applied to amortising both Series A and B pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series A and B Bonds to be kept at 7.40%, or a higher percentage closest thereto.

iii) Upon the Outstanding Principal Balance of Series B Bonds reaching a figure of EUR six million (6,000,000) (ESP 998,316,000), the amortisation of the Bonds in that Series shall cease and the Available Funds for Amortisation shall be fully allocated to repayment of Series A Bonds until fully amortised.

iv) And once Series A Bonds have been fully amortised, the amortisation of Series B Bonds shall recommence until fully amortised.

In connection with the Amortisation of Series B Bonds, and even if all of the requirements set in the above rules are met, there will be no such amortisation if either of the following two circumstances occur on the relevant Determination Date:

a) In the event that the amount of the sum of the Outstanding Balance, as defined in section 4 above, of Mortgage Certificates with a delinquency equal to or greater than ninety (90) days on the Determination Date preceding the then-current Payment Date should be equal to or greater than 6.5% of the Outstanding Balance of the Mortgage Certificates on that same date, the Available Funds for Amortisation will all be allocated to Series A Bond amortisation.

b) In the event that there should be an Amortisation Deficiency, as described above, the Available Funds for Amortisation will also be fully allocated to Series A Bond amortisation.

In our example, in which the Available Funds for Amortisation are EUR 14,400,000 (ESP 2,395,958,400) in accordance with the above rules, this amount would in any event be fully applied to amortising the Series A Bonds, due to the existence of an Amortisation Deficiency.

Assuming now that there is no such Amortisation Deficiency, the Available Funds for Amortisation, which would in this case have totalled EUR 15,000,000 (ESP 2,495,790,000), would be distributed among the Bonds in both Series, as follows:

a) If the Outstanding Principal Balances of both Series should be equal to EUR 175,400,000 (ESP 29,184,104,400), that balance being equal to EUR 163,314,711.36 (ESP 27,173,281,564) for Class A and EUR 12,085,288.64 (ESP 2,010,822,836) for Class B, the above figure of EUR 15,000,000 (ESP 2,495,790,000) would be distributed allocating EUR 13,966,480.45 (ESP 2,323,826,816) to the Series A Bonds and EUR 1,033,519.55 (ESP 171,963,184) to the Series B Bonds, thereby for the Outstanding Principal Balance of Series B, after the amortisation payment, to be equal to 7.40% of the balance of Series A.

b) Lastly, if the Outstanding Principal Balances of both Series should be equal to EUR 88,532,432 (ESP 14,730,557,231), EUR 82,432,432 (ESP 13,715,602,631) being for Series A and EUR 6,100,000 (ESP 1,014,954,600) being for Series B, then EUR 14,900,000 (ESP 2,479,151,000) would be allocated to the Series A Bonds and a reduced amount of EUR 100,000 (ESP 16,638,600) would be allocated to the Series B Bonds, for in this case the Outstanding Principal Balance of Series B Bonds would total EUR 6,000,000 (ESP 998,316,000) and, consequently, the amortisation of this Series B Bonds would be stopped until the Series A Bonds should be fully amortised.

Notwithstanding the above, in the event that on a Payment Date, and as a result of the order of priority of payments given in section V.5.1.B).2 of this Offering Circular, the Fund should not have sufficient liquidity to carry out said amortisation of the Bonds (i.e. because the Available Funds for Amortisation are less than the Principal Amount Due for Amortisation calculated), the difference shall not entitle to any additional or late-payment interest whatsoever since it will in any event be part of the Outstanding Principal Balance of the Bonds in Series A and/or B, on which interest settlement shall be calculated as provided in section II.10.3 above, since the Bonds shall not have been amortised to that extent.

The Management Company shall proceed to notify Bondholders as provided in section III.5.3.a) of the amortisation amount resulting for the same, the Outstanding Principal Balances of the Bonds, the Amortisation Deficiency, if any, and the actual Participated Mortgage Loan Prepayment Rates and the average residual life estimated for the Bonds.

7. Notices.

Within seven (7) Business Days of each Payment Date, the Management Company shall issue a notice, signed by a duly empowered individual, certifying: the Outstanding Principal Balance of the Bonds, the Amortisation Deficiency, if any, not paid due to a shortfall of funds, as provided in this section and, where appropriate, the interest accrued amount not paid to Bondholders as established in section II.10.3 of this Offering Circular.

That notice shall be filed with the CNMV, with the Institution in charge of the accounting Record and with AIAF Mercado de Renta Fija, to be made available to the public along with the Deed of Constitution.

II.11.3.3 Early amortisation.

Notwithstanding the Fund's obligation, through its Management Company, to amortise the Bonds on the Final Maturity Date or on each partial amortisation, as established in the preceding paragraphs, the Management Company shall, following notice served on the CNMV, be entitled to proceed to an early liquidation of the Fund and thereby an early amortisation, on a Payment Date, of the entire Bond issue in the Liquidation Events in accordance with and subject to the requirements established in section III.8.1 of this Offering Circular.

(i) When the amount of the Outstanding Balance of the Mortgage Certificates pending amortisation is less than 10 percent of the initial Outstanding Balance, in accordance with the entitlement for which provision is made in article 5.3 of Act 19/1992.

(ii) Where any event or circumstance whatsoever unrelated to the actual operation of the Fund occurs and the financial balance of the Fund required by article 5.6 of Act 19/1992 is substantially altered or permanently impaired. This event includes such circumstances as the existence of any change in the laws or supplementary implementing regulations, the establishment of withholding obligations or other events that might permanently affect the financial balance of the Fund.

The occurrence, as the case may be, of a potential Amortisation Deficiency will not in itself be an early amortisation event of the Bonds and an early liquidation event of the Fund, unless in conjunction with other events or circumstances related to the net asset value of the Fund, the financial balance should be materially or permanently altered.

(iii) In the event that the Management Company should be declared insolvent or bankrupt or have its licence revoked, or the statutory term to do so, or failing that term four months, should elapse without a new management company being designated in accordance with the provisions of section III.3.1 of this Offering Circular.

Early amortisation of all the Bonds in the above-mentioned events shall occur at the Outstanding Principal Balance on that date plus interest accrued and not paid since the last Payment Date until the date of early amortisation, deducting withholding tax, if any, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

The following requirements shall be necessary to proceed to that early liquidation of the Fund:

(i) That all the payment obligations derived from the Bonds issued by the Fund may be met and settled or otherwise that, before proceeding to an early liquidation of the Fund, the Management Company calls the Bondholders purely for informative purposes.

Payment obligations derived from the Bonds on the date of early liquidation of the Fund shall at all events be deemed to be the Outstanding Principal Balance on that date plus interest accrued and not paid since the last Payment Date until the date of early amortisation, deducting withholding tax, if any, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

(ii) That Bondholders are given, in the manner provided for in section III.5.3 of this Offering Circular, thirty (30) Business Days' notice of the Management Company's resolution to proceed to an early liquidation of the Fund.

That notice, previously made available to the CNMV, shall contain a description (i) of the event or events for which an early liquidation of the Fund is effected, (ii) of the liquidation procedure, as described in the following section, and (iii) of the manner in which the payment obligations derived from the Bonds are to be honoured and settled.

In order for the Fund, through its Management Company, to proceed to an early liquidation of the Fund and an early amortisation of the Bond issue in the events and subject to the requirements determined in this section and, specifically, in order for the Fund to have sufficient liquidity to meet payment of the Outstanding Balance of the Bonds plus interest accrued and not paid since the last Payment Date until the amortisation date, the Management Company shall, for and on behalf of the Fund:

(i) Sell the Mortgage Certificates for a price of not less than the sum of the principal value plus interest accrued and not paid on the Mortgage Certificates then outstanding.

(ii) Terminate such agreements as are not necessary for the Fund liquidation procedure.

(iii) Be entitled to arrange for a credit facility, which shall be fully and forthwith allocated to the early amortisation of the Bond issue. Repayment of that credit facility shall be secured solely with the interest and principal flows derived from the Mortgage Certificates then outstanding and the proceeds from the sale of the other assets remaining on the assets of the Fund.

(iv) Finally, both due to an insufficiency of the preceding actions and the existence of remaining assets, sell the other remaining assets of the Fund. The Management Company shall be authorised to accept such offers as shall, in its view, cover the market value of the assets at issue and be paid in cash and on the spot. Exceptionally, it may accept deferred payment for a period not exceeding two years. In order for the market value to be fixed, the Management Company may commission such valuation reports as it shall see fit.

In events (i) and (iv) above, BANKINTER shall have a pre-emptive right and shall therefore have priority over third parties to acquire the Mortgage Certificates or other remaining assets of the Fund. The Management Company shall therefore send BANKINTER a list of the assets and third-party bids received, and the latter may use that right for all the assets offered by the Management Company within thirty days of receiving said notice, and provided that its bid is at least equal to the best of the third-party bids.

II.12 Issue servicing table, including both interest payments and principal repayment, for each of the Series of Mortgage-Backed Bonds to be issued out of the Fund.

The issue will be serviced through BANKINTER as the Paying Agent. Interest payment and principal repayment shall be notified to Bondholders in the events and in such advance as may be provided for each case in section III.5.3.a). Interest and principal shall be paid upon submission by lawful Bondholders of the document proving title or upon submission of the relevant certificate issued by the institution responsible for the accounting record, identified in section II.5 of this Offering Circular.

a) Example for fixing the nominal interest rate.

In fulfilment of the provisions of II.10.3 and in order for the subscriber to more readily understand the system for fixing the nominal interest rate and the interest amount to be received on each Series A Bond on each Payment Date, the following is the method for calculating the same in the following event:

- *6-month Euribor* — *2.626%*
- *Margin* — *0.25%*
- *Translation to an equivalent rate based on 365-day calendar years* — *2.876%*

$$\frac{2.876 \times 365}{360} = 2.915944\%$$

- *Rounded to the nearest ten thousandth of a whole number:* — *2.9159%*
- *Interest amount per Bond:* — *EUR 1,453.96 (ESP 241,919)*

Interest period per Bond: *182 days*
Outstanding Principal Balance of the Bond: *EUR 100,000 (ESP 16,638,600)*

Calculation of interest accrued per Bond: EUR 1,453.96

$$100,000 \times \frac{2.9159}{100} \times \frac{182}{365} = EUR\ 1,453.9556$$

Rounded to the nearest hundredth: EUR 1,453.96

Consequently, the interest amount receivable per Series A Bond would be EUR 1,453.96 (ESP 241,919) based on an Outstanding Principal Balance of the Bond of EUR 100,000. The example would be identical for Series B Bonds, by merely replacing the 0.25% margin for Series A with a 0.50% margin for Series B, in such a way that the interest rate applicable to Series B would be 3.1694% and the interest receivable for each Series B Bond would be EUR 1,580.36 (ESP 262,950).

b) Issue servicing tables.

The main characteristic of the Mortgage-Backed Bonds lies in that their regular amortisation and hence their average life and duration depend mainly on the pace at which mortgagors decide to repay their loans.

In this sense, the prepayments decided by the obligors, subject to continual changes, and estimated in this Offering Circular using the future effective constant annual early amortisation or prepayment rate (hereinafter “CPR”) shall directly affect the pace at which the loans are repaid, and therefore the average life and duration of the Bonds.

In addition, there are other variables, also subject to continual changes, affecting said average life and duration of the Bonds. These variables and their assumed values in all the tables contained in this section are:

- Mortgage Certificate portfolio interest rate: 4.487% (weighted average nominal interest as at 20.04.1999);
- Mortgage Certificate portfolio delinquency: 0% per annum;
- Mortgage Certificate portfolio defaults: 0%;
- that the prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is May 12, 1999;
- and that there is no Amortisation Deficiency.

Finally, the actual adjusted duration of the Bonds will also depend on their floating interest rate, which is assumed to be constant in all the tables contained in this section, at 2.9159% for Series A and at 3.1694% for Series B.

Assuming that the issuer shall exercise the early amortisation option provided in the first paragraph of section II.11.3.3 of this Offering Circular (i.e., when the Outstanding Balance of the Mortgage Certificates is less than 10% of their initial amount), the average life and duration of the Bonds for different CPRs shall be as follows:

% CPR:	6%	8%	10%	12%	14%

	Series A Bonds				
Average life	5.9	5.3	4.8	4.4	4.0
Duration	5.1	4.7	4.3	3.9	3.6
Final maturity	22.04.2012	22.04.2011	22.04.2010	22.10.2009	22.04.2008
(in years)	13.0	12.0	11.0	10.5	9.0

	Series B Bonds				
Average life (years)	9.2	8.4	7.6	7.0	6.4
Duration	7.7	7.1	6.5	6.1	5.6
Final maturity	22.04.2012	22.04.2011	22.04.2010	22.10.2009	22.04.2008
(in years)	13.0	12.0	11.0	10.5	9.0

These figures have been calculated using the following formulae:

Average life of the Bonds

$$V = \frac{\sum (P \times d)}{T} \times \frac{1}{365}$$

Where:

V = Average life in each Bond Series issued expressed in years.

P = Principal to be repaid in each Bond Series on each Payment Date, in accordance with the amount to be amortised in each Bond Series, as described in section II.11.3.2.4 of this Offering Circular.

d = Number of days elapsed between the Closing Date and the Payment Date at issue.

T = Total face amount in euros in each Bond Series A and B.

Duration of the Bonds (adjusted Macaulay formula)

$$D = \frac{\sum (a \times VA)}{PE} \times \frac{1}{(1+i)}$$

Where:

D = Duration in each Bond Series expressed in years.

a = Time elapsed (in years) between the Closing Date and each of the Payment Dates at issue.

VA= Present value of each of the amounts comprising principal and gross interest, payable on each of the Payment Dates discounted at the actual interest rate (IRR) of 2.937% for Series A and 3.195% for Series B.

PE= Issue price of the Bonds, EUR 100,000 (ESP 16,638,600).

i = Actual interest rate (IRR) of 2.937% for Series A and 3.195% for Series B, per unit.

Finally, the issuer expressly states that the issue servicing tables described hereinafter are merely theoretical and given for illustrative purposes, and represent no payment obligation whatsoever, on the basis that:

- Whereas CPRs are assumed to be constant respectively at 6% and 10% throughout the life of the issue, as explained above actual prepayment rates change continually.

- The Outstanding Balance of the Bonds on each Payment Date and hence interest payable on each such dates shall depend on the actual Mortgage Certificate portfolio prepayment rate.

- Whereas Bond interest rates are assumed to be constant at 2.9159% for Series A and at 3.1694% for Series B, the interest rate in both Series is known to be variable.

- The assumed values referred to at the beginning of this section are at all events taken for granted.

- The assumption is that the issuer will exercise the early amortisation option provided for in the first paragraph of section II.11.3.3 of this Offering Circular.

FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER

(AMOUNTS IN EUR)

CPR = 6%

	Series A Bonds			Series B Bonds		
Payment Date	Principal Repayment	Interest (gross)	Total Flow	Principal Repayment	Interest (gross)	Total Flow
12 May 1999						
22 Oct 1999	5,331.71	1,302.17	**6,633.88**	0.00	1,415.38	**1,415.38**
22 Apr 2000	5,852.86	1,384.00	**7,236.86**	0.00	1,589.04	**1,589.04**
22 Oct 2000	5,649.57	1,298.43	**6,948.00**	0.00	1,589.04	**1,589.04**
22 Apr 2001	5,438.78	1,209.19	**6,647.97**	0.00	1,580.36	**1,580.36**
22 Oct 2001	5,250.82	1,136.33	**6,387.15**	0.00	1,589.04	**1,589.04**
22 Apr 2002	5,027.83	1,053.77	**6,081.60**	0.00	1,580.36	**1,580.36**
22 Oct 2002	4,836.24	986.06	**5,822.30**	0.00	1,589.04	**1,589.04**
22 Apr 2003	4,629.81	910.35	**5,540.16**	0.00	1,580.36	**1,580.36**
22 Oct 2003	4,451.66	847.67	**5,299.33**	0.00	1,589.04	**1,589.04**
22 Apr 2004	4,275.17	782.59	**5,057.76**	0.00	1,589.04	**1,589.04**
22 Oct 2004	3,632.21	720.09	**4,352.30**	12,129.40	1,589.04	**13,718.44**
22 Apr 2005	3,639.60	663.34	**4,302.94**	7,009.88	1,388.67	**8,398.55**
22 Oct 2005	3,481.91	613.78	**4,095.69**	6,706.15	1,284.91	**7,991.06**
22 Apr 2006	3,313.75	559.80	**3,873.55**	6,382.28	1,171.91	**7,554.19**
22 Oct 2006	3,150.94	514.43	**3,665.37**	6,068.71	1,076.93	**7,145.64**
22 Apr 2007	2,956.93	465.81	**3,422.74**	5,695.06	975.14	**6,670.20**
22 Oct 2007	2,750.90	425.14	**3,176.04**	5,298.23	890.00	**6,188.23**
22 Apr 2008	2,534.73	384.92	**2,919.65**	4,881.90	805.81	**5,687.71**
22 Oct 2008	2,358.20	347.86	**2,706.06**	4,541.89	728.23	**5,270.12**
22 Apr 2009	2,225.62	311.68	**2,537.30**	4,286.54	652.47	**4,939.01**
22 Oct 2009	2,094.70	280.85	**2,375.55**	4,034.40	587.94	**4,622.34**
22 Apr 2010	1,953.28	248.86	**2,202.14**	3,762.02	520.97	**4,282.99**
22 Oct 2010	1,874.53	221.67	**2,096.20**	2,176.52	464.06	**2,640.58**
22 Apr 2011	1,844.85	193.21	**2,038.06**	0.00	427.12	**427.12**
22 Oct 2011	1,686.74	167.30	**1,854.04**	0.00	429.47	**429.47**
22 Apr 2012	9,756.66	142.64	**9,899.30**	27,027.02	429.47	**27,456.49**
	100,000.00	**17,171.94**	**117,171.94**	**100,000.00**	**29,112.84**	**129,112.84**

FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER

(AMOUNTS IN EUR)

CPR = 10%

	Series A Bonds			Series B Bonds		
Payment Date	Principal Repayment	Interest (gross)	Total Flow	Principal Repayment	Interest (gross)	Total Flow
12 May 1999						
22 Oct 1999	7,250.78	1,302.17	**8,552.95**	0.00	1,415.38	**1,415.38**
22 Apr 2000	7,699.80	1,355.94	**9,055.74**	0.00	1,589.04	**1,589.04**
22 Oct 2000	7,221.67	1,243.38	**8,465.05**	0.00	1,589.04	**1,589.04**
22 Apr 2001	6,748.89	1,131.58	**7,880.47**	0.00	1,580.36	**1,580.36**
22 Oct 2001	6,336.07	1,039.13	**7,375.20**	0.00	1,589.04	**1,589.04**
22 Apr 2002	5,893.95	941.33	**6,835.28**	0.00	1,580.36	**1,580.36**
22 Oct 2002	5,514.49	860.34	**6,374.83**	0.00	1,589.04	**1,589.04**
22 Apr 2003	5,125.69	775.46	**5,901.15**	0.00	1,580.36	**1,580.36**
22 Oct 2003	4,204.97	704.78	**4,909.75**	15,248.90	1,589.04	**16,837.94**
22 Apr 2004	4,158.35	643.31	**4,801.66**	8,008.98	1,346.73	**9,355.71**
22 Oct 2004	3,869.44	582.52	**4,451.96**	7,452.53	1,219.46	**8,671.99**
22 Apr 2005	3,581.10	523.07	**4,104.17**	6,897.20	1,095.02	**7,992.22**
22 Oct 2005	3,328.31	473.59	**3,801.90**	6,410.33	991.44	**7,401.77**
22 Apr 2006	3,072.40	422.61	**3,495.01**	5,917.44	884.72	**6,802.16**
22 Oct 2006	2,838.93	380.02	**3,218.95**	5,467.77	795.55	**6,263.32**
22 Apr 2007	2,588.79	336.67	**2,925.46**	4,986.02	704.79	**5,690.81**
22 Oct 2007	2,347.85	300.67	**2,648.52**	4,521.95	629.43	**5,151.38**
22 Apr 2008	2,109.66	266.34	**2,376.00**	4,063.21	557.58	**4,620.79**
22 Oct 2008	1,910.10	235.50	**2,145.60**	3,678.84	493.01	**4,171.85**
22 Apr 2009	1,864.74	206.44	**2,071.18**	319.80	432.18	**751.98**
22 Oct 2009	1,715.64	180.32	**1,895.96**	0.00	429.47	**429.47**
22 Apr 2010	10,618.38	154.39	**10,772.77**	27,027.03	427.12	**27,454.15**
	100,000.00	**14,059.56**	**114,059.56**	**100,000.00**	**24,108.16**	**124,108.16**

FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER

(AMOUNTS IN ESP) (EUR 1 = ESP 166.386)

CPR = 6%

Payment Date	Series A Bonds Principal Repayment	Series A Bonds Interest (gross)	Series A Bonds Total Flow	Series B Bonds Principal Repayment	Series B Bonds Interest (gross)	Series B Bonds Total Flow
12 May 1999						
22 Oct 1999	887,122	216,663	**1,103,785**	0	235,499	**235,499**
22 Apr 2000	973,834	230,278	**1,204,112**	0	264,394	**264,394**
22 Oct 2000	940,009	216,041	**1,156,050**	0	264,394	**264,394**
22 Apr 2001	904,937	201,192	**1,106,129**	0	262,950	**262,950**
22 Oct 2001	873,663	189,069	**1,062,732**	0	264,394	**264,394**
22 Apr 2002	836,561	175,333	**1,011,893**	0	262,950	**262,950**
22 Oct 2002	804,683	164,067	**968,749**	0	264,394	**264,394**
22 Apr 2003	770,336	151,469	**921,805**	0	262,950	**262,950**
22 Oct 2003	740,694	141,040	**881,734**	0	264,394	**264,394**
22 Apr 2004	711,328	130,212	**841,540**	0	264,394	**264,394**
22 Oct 2004	604,349	119,813	**724,162**	2,018,162	264,394	**2,282,556**
22 Apr 2005	605,578	110,370	**715,949**	1,166,346	231,055	**1,397,401**
22 Oct 2005	579,341	102,124	**681,465**	1,115,809	213,791	**1,329,601**
22 Apr 2006	551,362	93,143	**644,504**	1,061,922	194,989	**1,256,911**
22 Oct 2006	524,272	85,594	**609,866**	1,009,748	179,186	**1,188,934**
22 Apr 2007	491,992	77,504	**569,496**	947,578	162,250	**1,109,828**
22 Oct 2007	457,711	70,737	**528,449**	881,551	148,084	**1,029,635**
22 Apr 2008	421,744	64,045	**485,789**	812,280	134,076	**946,355**
22 Oct 2008	392,371	57,879	**450,250**	755,707	121,167	**876,874**
22 Apr 2009	370,312	51,859	**422,171**	713,220	108,562	**821,782**
22 Oct 2009	348,529	46,730	**395,258**	671,268	97,825	**769,093**
22 Apr 2010	324,998	41,407	**366,405**	625,947	86,682	**712,630**
22 Oct 2010	311,896	36,883	**348,778**	362,142	77,213	**439,356**
22 Apr 2011	306,957	32,147	**339,105**	0	71,067	**71,067**
22 Oct 2011	280,650	27,836	**308,486**	0	71,458	**71,458**
22 Apr 2012	1,623,372	23,733	**1,647,105**	4,496,918	71,458	**4,568,376**
	16,638,600	**2,857,170**	**19,495,770**	**16,638,600**	**4,843,969**	**21,482,569**

FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER

(AMOUNTS IN ESP) (EUR 1 = ESP 166.386)

CPR = 10%

	Series A Bonds			Series B Bonds		
Payment Date	Principal Repayment	Interest (gross)	Total Flow	Principal Repayment	Interest (gross)	Total Flow
12 May 1999						
22 Oct 1999	1,206,428	216,663	**1,423,091**	0	235,499	**235,499**
22 Apr 2000	1,281,139	225,609	**1,506,748**	0	264,394	**264,394**
22 Oct 2000	1,201,585	206,881	**1,408,466**	0	264,394	**264,394**
22 Apr 2001	1,122,921	188,279	**1,311,200**	0	262,950	**262,950**
22 Oct 2001	1,054,233	172,897	**1,227,130**	0	264,394	**264,394**
22 Apr 2002	980,671	156,624	**1,137,295**	0	262,950	**262,950**
22 Oct 2002	917,534	143,149	**1,060,682**	0	264,394	**264,394**
22 Apr 2003	852,843	129,026	**981,869**	0	262,950	**262,950**
22 Oct 2003	699,648	117,266	**816,914**	2,537,203	264,394	**2,801,597**
22 Apr 2004	691,891	107,038	**798,929**	1,332,582	224,077	**1,556,659**
22 Oct 2004	643,821	96,923	**740,744**	1,239,997	202,901	**1,442,898**
22 Apr 2005	595,845	87,032	**682,876**	1,147,598	182,196	**1,329,794**
22 Oct 2005	553,784	78,799	**632,583**	1,066,589	164,962	**1,231,551**
22 Apr 2006	511,204	70,316	**581,521**	984,579	147,205	**1,131,784**
22 Oct 2006	472,358	63,230	**535,588**	909,760	132,368	**1,042,129**
22 Apr 2007	430,738	56,017	**486,756**	829,604	117,267	**946,871**
22 Oct 2007	390,649	50,027	**440,677**	752,389	104,728	**857,118**
22 Apr 2008	351,018	44,315	**395,333**	676,061	92,774	**768,835**
22 Oct 2008	317,814	39,184	**356,998**	612,107	82,030	**694,137**
22 Apr 2009	310,267	34,349	**344,615**	53,210	71,909	**125,119**
22 Oct 2009	285,458	30,003	**315,461**	0	71,458	**71,458**
22 Apr 2010	1,766,750	25,688	**1,792,438**	4,496,919	71,067	**4,567,986**

	16,638,600	**2,339,314**	**18,977,914**	**16,638,600**	**4,011,260**	**20,649,860**

b) Example for applying dates and time periods defined in sections II.10 and II.11 of this Offering Circular, for determining and paying Bond interest and principal.

Lastly, in order for the subscriber to more readily understand the definitions and rules for the application of dates and periods described in sections II.10 and II.11 relating to Bond interest and amortisation, an example is given hereinafter, dividing it into characteristics for the first Payment Date (given its atypical nature) and for the second and successive Payment Dates:

1. First Payment Date: October 22, 1999.

(Execution of the Deed of Constitution: May 10, 1999)

a) Interest Rate Fixing Date applicable for the first Interest Accrual Period:
- 11am on the second business day next preceding the Bond Closing Date: May 10, 1999.

b) First Interest Accrual Period:
- From May 12, 1999 (Closing Date), inclusive, until October 22, 1999, exclusive.

c) Determination Date (or when the Management Company makes calculations for distribution and withholding of Available Funds):
- October 17, 1999.

d) Determination Period:
- From May 10, 1999 (Date of execution of the Deed of Constitution), inclusive, until October 17, 1999 (then-current Determination Date), inclusive.

e) Periodic Extraordinary notices (press inserts, as per section III.5.3.c):
- Of the resultant interest rate for the first Interest Accrual Period: May 11, 1999.
- Of all other periodic information: October 21, 1999.

2. Second Payment Date: April 24, 2000.

a) Interest Rate Fixing Date applicable for the second Interest Accrual Period:
- 11am on the second business day preceding the first Payment Date: October 20, 1999.

b) Second Interest Accrual Period:
- From October 22, 1999 (first Payment Date), inclusive, until April 24, 2000, exclusive.

c) Determination Date (or when the Management Company makes calculations for distribution and withholding of Available Funds):
- April 19, 2000.

d) Determination Period:
- From October 17, 1999 (preceding Determination Date), exclusive, until April 19, 2000 (then-current Determination Date), inclusive.

e) Periodic Extraordinary notices (press inserts, as per section III.5.3.a):
   - Of the resultant interest rate for the second Interest Accrual Period: until October 29, 1999, inclusive.
   - Of all other periodic information: April 23, 2000.

II.13 Actual interest forecast for the holder, bearing in mind the characteristics of the issue, specifying the calculation method used and the expected expenses itemised as appropriate to the true nature thereof.

II.13.1 Actual interest for the holder.

In the event that the yearly nominal interest rates applicable to both Series, Series A and Series B, variable yearly, should remain constant throughout the life of the issue, respectively at rates of 2.9159% and 3.1694%, these rates would result in Internal Rates of Return ("IRR") for the holder of 2.937% (Series A) and 3.195% (Series B), as shown in the table contained in section II.12.b) of the Offering Circular, given the effect of six-monthly interest payment, calculated as the internal rate of return without considering the tax effect, and assuming at all events the values and assumptions contained in said section.

IRR has been calculated using the following formula:

$$100.000 = \sum_{i=1}^{N} Ai(1+r)^{-(nd/365)}$$

Where:

r = IRR expressed as an annual rate, per unit.

A_i = Total principal and interest amounts to be received by investors.

(A_l ....A_n)

nd = Number of days comprised between the Closing Date of the issue and April 22 and October 22 of each year, not inclusive.

II.14 Actual interest forecast for the Fund at the time of issue of the securities, considering all the design and placement expenses incurred at its cost, specifying the calculation method.

In the event that the nominal floating interest rate of the Bonds should remain constant throughout the life of the issue at rates of 2.9159% for Series A and 3.1694% for Series B, these rates would be translated to actual rates (IRR) of 2.973% for a 6% CPR and 2.977% for a 10% CPR, calculated and making the assumptions mentioned in section II.12.b) as the liquid amount of the issue, after deducting the issue expenses, at the values updated at the issue date of all interest, principal and cancellation expense payments.

The expected expenses are as follows:

	EUR	ESP
a) Establishment Expenses.	**EUR**	**ESP**
(Expenses of documentation, advertising and fees)		
• CNMV fees (issue and admission)	54,060.73	8,994,948
• AIAF and Servicio de Compensación y Liquidación de Valores fees	35,435.68	5,896,001
• Audit, legal advice and rating	109,331.27	18,191,193
• Other	47,878.07	7,966,240
Subtotal	**246,705.75**	**41,048,382**
b) Issue Expenses		
• Management Company fee	66,110.00	10,999,778
• Management and underwriting fees	600,000.00	99,831,600
• Series A Bonds	577,800.00	96,137,831
• Series B Bonds	22,200.00	3,693,769
Subtotal	**666,110.00**	**110,831,378**
Total expenses	**912,815.75**	**151,879,760**

II.15 Existence or not of special guarantees on the mortgage certificates pooled in or on the securities issued out of the Fund, which may have been given by any of the institutions involved in the securitisation process covered by this Offering Circular.

BANKINTER warranties

BANKINTER shall undertake as follows throughout the term of the Mortgage Certificates:

(1) To replace each and every Participated Mortgage Loan Mortgage Certificate failing to conform on this date to the representations given in section IV.1.a), with other mortgage certificates similarly characterised as to residual term, interest rate, outstanding principal value, and credit quality, as provided for in section IV.1.d) of this Offering Circular. If that is not possible, BANKINTER shall agree to proceed to an early amortisation of the affected Mortgage Certificate, repaying in cash the outstanding capital and interest accrued and not paid and any other amount due to the Fund until that date, in accordance with the provisions of section IV.1.d) of this Offering Circular.

(2) Moreover, subject to the representations given in section IV.1.a), BANKINTER warrants that should any mortgagor have a credit right with respect to BANKINTER and enforce it by offsetting that credit against a Participated Mortgage Loan debt, it shall so advise the Management Company and pay to the Fund, into such bank account as the Management Company shall specify or establish for that purpose, an amount equal to the offset amount which would have been receivable by the Fund.

II.16 Securities circulation law, particularly noting whether there are restrictions on the free conveyance of the securities or mentioning that such exist.

There are no specific restrictions on the free transferability of the Bonds subject of this issue, which may be freely transferred, subject to the statutory provisions applicable thereto and to the provisions of sections II.4.1, II.5 and II.17 of this Chapter.

II.17 Organised secondary markets for which there is an undertaking to apply for admission to trading of the securities and specific deadline by which that application shall be filed and all other documents required for admission to be achieved.

In accordance with article 5.9 of Act 19/1992, the Management Company shall, forthwith upon the Deed of Constitution being executed and upon Bonds having been paid up, apply for this Bond issue to be listed on AIAF Mercado de Renta Fija, which is a qualified official secondary securities market pursuant to Transitional Provision six of Act 37/1998, November 16, amending Act 24/1988. It is expected that definitive admission to trading will be achieved not later than three months after the Closing Date.

In addition, the Management Company shall, for and on behalf of the Fund, apply for the issue to be included in the Servicio de Compensación y Liquidación de Valores, S.A. in order for the Bonds to be cleared and settled in accordance with the operating rules regarding securities listed on the AIAF, in book-entry form, now established or hereafter approved by the Servicio de Compensación y Liquidación de Valores, S.A.

The Management Company expressly represents that it is acquainted with the requirements and terms that must be observed for the securities to be eligible to be listed, remain listed and be excluded from listing on the AIAF, in accordance with the laws in force and the requirements of its governing bodies, and the Fund agrees through its Management Company to observe the same.

In the event that, by the above deadline, the Bonds should not be admitted to trading on the AIAF, the Management Company shall forthwith proceed to notify Bondholders thereof, moreover advising of the reasons for such inobservance, all in accordance with the provisions of section III.5.3 of the Offering Circular.

II.18 Subscription or acquisition requests.

II.18.1 Potential investors to whom the securities are offered, and reasons for electing the same.

Placement of the Bond issue is targeted at institutional investors, both legal persons or estates devoid of legal personality, such as Pension Funds, Collective-Investment Undertakings, Insurers or such institutions as Credit Institutions or Firms of Broker-Dealers, in the business of regularly and professionally investing in transferable securities. In addition to an own analysis as to quality of the securities offered for subscription in this Offering Circular, the potential investor also has the rating assigned by the rating agency Moody's España set forth in section II.3 of this Chapter.

II.18.2 Legal status of the Bonds.

The following legal considerations apply to the Bonds subject of this issue in connection with their subscription by certain investors:

(i) The Series A Bonds have a 50 percent weighting on the solvency ratio that Credit Institutions and Firms of Brokers and Broker-Dealers must observe, in accordance with the provisions respectively of a Ministerial Order dated December 30, 1992 and a Ministerial Order dated December 29, 1992.

On the date of registration of the Offering Circular, the CNMV accorded the Series A Bonds the weighting mentioned in the preceding paragraph, bearing the following in mind: (i) that the Participated Mortgage Loans upon the issue of Mortgage Certificates pooled in the Fund have been granted with senior mortgage security on residential homes located in Spain; (ii) that the Participated Mortgage Loans and the Mortgage Certificates satisfy the requirements of Mortgage Market regulation laws in force for the time being; (iii) that the principal of each Participated Mortgage Loan does not exceed 80 percent of the appraisal value of the relevant home mortgaged as security; (iv) the representations given by BANKINTER contained in Chapter IV of this Offering Circular; and (v) the rating given by Moody’s España, as an assessment of the Bond financial risk, contained in section II.3 of this Chapter.

(ii) The Series B Bonds have no 50 percent weighting on the solvency ratio of the Credit Institutions and Firms of Brokers and Broker-Dealers referred to in the Orders mentioned in the preceding section.

(iii) They must be eligible for investment by insurance companies in observance of their technical provision obligations, pursuant to article 50.5 of the Private Insurance Arrangement and Supervision Regulations approved by Royal Decree 2486/1998, November 20.

(iv) They must be eligible for investment by the Mutual Guarantee Company Provision Fund, in accordance with Act 1/1994, March 11, on the Legal System of Mutual Guarantee Companies, and Royal Decree 2345/1996, November 8, relating to the rules for the administrative authorisation of and solvency requirements for Mutual Guarantee Companies.

(v) They must be eligible for investment by Pension Funds in accordance with the provisions of article 34 of Royal Decree 1307/1988, September 30, approving the Pension Plans and Funds Regulations.

(vi) They must be eligible for investing the Assets of Collective-Investment Undertakings, in accordance with the specific rules established for each of them in articles 4, 10, 18 and 25 of Collective-Investment Undertakings Act 46/1984, December 26, and its subsequent implementing regulations.

II.18.3 Subscription or purchase date or Period.

The subscription period (the "Subscription Period") shall last for five (5) hours, between 12 o'clock noon and 5pm on the same day on which notice of establishment of the Fund and issue of the Bonds is published, in the manner for which provision is made in section III.5.3.b).1 of the Offering Circular, or on the next succeeding Business Day in Madrid, in the event that notice should not be published on a Business Day.

II.18.4 Where and with whom may subscription or purchase be processed?

In order to be taken into account, subscription proposals shall be submitted by any means admitted by Law during the Subscription Period established in the preceding section at the offices of BANKINTER, in its capacity as Bond issue underwriter (hereinafter the "Underwriter").

II.18.5 Payment method and dates.

The investors to whom the Bonds are allocated shall pay the Placement Underwriter by 12 o'clock noon Madrid time on the Business Day after the closing date of the Subscription Period (the "Closing Date"), for same day value, the issue price (100% of the face value) of each Bond allocated for subscription.

II.18.6 Method and deadline for delivering to subscribers copies of the subscription receipts or provisional certificates, specifying whether they may be traded and their maximum term of validity.

The Underwriter shall, within not more than fifteen (15) days from the Closing Date, provide Bond subscribers with a document proving their subscription for the Bonds allocated and the actual amount paid for such subscription.

That supporting document shall not be transferable and shall only be valid to prove subscription for the relevant Bonds until and unless an entry is made in the accounting record as determined in section II.5 of this Offering Circular.

II.19 Placement and allocation of the securities.

The Underwriter shall freely proceed to accept or turn down the subscription proposals received, making sure in any event that there is no discriminatory treatment between similarly characterised proposals. The Underwriter may nevertheless give priority to proposals of those of its customers as it shall deem appropriate.

The Underwriter agrees to subscribe in its own name, at the close of the Subscription Period, for such amount of Bonds as may be necessary to complete the figure of its underwriting commitment as determined in section II.19.1 and V.4.3 of this Offering Circular.

II.19.1 Institutions involved in the placement or marketing, giving their respective roles, describing the same specifically. Overall amount of the fees agreed between the various placement agents and the Management Company.

Placement shall be undertaken by the Underwriter and for the entire Bond issue amount, as follows for each Series:

	Face amount underwritten	
Underwriter	**Series A Bonds**	**Series B Bonds**
• BANKINTER, S.A.	EUR 577,800,000 (ESP 96,137,830,800)	EUR 22,200,000 (ESP 3,693,769,200)

The Bond issue Underwriter shall receive an underwriting fee of 0.075% on the total face amount of the Series A and the Series B Bonds underwritten thereby, under the Management and Placement Underwriting Agreement described in section V.4.3 of this Offering Circular. That fee shall be payable by the Fund.

II.19.2 Lead Manager of the Issue.

BANKINTER shall be involved as Lead Manager of the issue, and a statement is reproduced hereinafter signed by a duly authorised person, containing the representations referred to in CNMV Circular 2/1994, March 16, approving the standard Offering Circular for establishing Mortgage Securitisation Funds:

I Mr Pablo de Diego Portolés, acting for and on behalf of BANKINTER, S.A., with place of business at Paseo de la Castellana 29, Madrid, duly authorised for these presents, and in connection with the establishment of BANKINTER 1 FONDO DE TITULIZACIÓN HIPOTECARIA, for EUR six hundred million (600,000,000), notice of which for verification by and registration at the CNMV was given on March 17, 1999, in pursuance of paragraph 11.19.2 of CNMV Circular 2/1994, March 16, approving the standard Offering Circular for establishing Mortgage Securitisation Funds

HEREBY DECLARE

• *That the necessary checks have been made to verify the quality and completeness of the information contained in the Offering Circular.*

• *That based on those checks, there are no circumstances contradicting or altering that information, nor has the latter omitted any material facts or figures which might be relevant to the investor.*

In witness whereof, to serve and avail as and where appropriate, this statement has been made at Madrid, on twenty-second April nineteen hundred and ninety-nine.

Attached as Appendix V to this Offering Circular is a photocopy of the letter from BANKINTER making that statement.

BANKINTER, as Lead Manager, will receive a fee of 0.025% on the total face amount of the Series A and Series B Bonds. Payment of that fee shall be made out of the Fund.

II.19.3 Institutions underwriting the issue, describing the characteristics of the relationship or Underwriting Agreement, guarantees required of the issuer or offeror, types of risks taken, type of consideration agreed by the underwriter in the event of breach, and other relevant elements.

The Management Company shall, for and on behalf of the Fund, enter into a Bond issue Management and Placement Underwriting Agreement with the Underwriter whereby the Underwriter shall proceed to freely award the entire Bond issue and, upon the Subscription Period being closed, subscribe in its own name for the amount of Bonds yet to be subscribed for under its underwriting commitment.

The Bond issue Underwriter shall take on the obligations contained in the Management and Placement Underwriting Agreement, which are broadly the following: 1) an undertaking to subscribe for the Bonds not taken when the subscription period is closed, up to the set amounts; 2) payment to the Fund by 3pm on the Closing Date, for same day value, of the total amount for subscribing for the issue, deducting the sum of the total management and underwriting fees; 3) an undertaking to pay late-payment interest as covenanted in the Agreement in the event of late payment of the amounts due; 4) providing subscribers with a document proving subscription; and 5) other aspects governing the placement underwriting.

II.19.4 Pro rata placement, method and date, manner of publicising the results and, as the case may be, returning to the requestors the amounts settled in excess of the securities allocated, along with such interest payments as may be appropriate.

Not applicable.

II.20 Term and method for providing subscribers with certificates or documents proving subscription for the securities.

The Bonds, in book-entry form, shall be constituted as such upon being entered in the relevant accounting record, as provided in Royal Decree 116/1992, with the usual timing and procedures of the institution in charge of so doing, to wit the Servicio de Compensación y Liquidación de Valores, S.A.

The Underwriter shall, within not more than fifteen (15) days from the Closing Date, provide Bond subscribers with a document proving their subscription for the Bonds allocated and the actual amount paid for such subscription.

II.21 National laws governing the securities and jurisdiction in the event of litigation.

The establishment of the Fund and the Bond issue are subject to Spanish Law, as prescribed by Investment Trusts and Companies System and Mortgage Securitisation Fund Act 19/1992, July 7, Securities Market Act 24/1988, July 28, as amended by Act 37/1998, November 16, and as prescribed by Royal Decree 291/1992, March 27, on Issues of and Public Offerings for the Sale of Securities, as amended by Royal Decree 2590/1998, December 7, on the amendment of the legal system of securities markets, and the Order dated July 12, 1993 on Offering Circulars and Other Implementations of Royal Decree 291/1992, March 27, and CNMV Circular 2/1994, March 16.

All matters, disagreements, actions and claims deriving from the Management Company's establishment, administration and legal representation of BANKINTER 1 FONDO DE TITULIZACIÓN HIPOTECARIA, and the Bond issue by the same, shall be heard and decided by the competent Courts and Tribunals of the capital city of Madrid, expressly waiving any other competent forum.

The Deed of Constitution shall be governed by and construed in accordance with Spanish laws.

II.22 Personal taxation of income from the securities offered, distinguishing between resident and non-resident subscribers.

A brief account is given hereinafter of the tax system applicable to the investments derived from this offering, in which connection only State laws in force for the time being and general aspects that might affect investors are taken into account; investors must bear in mind both their possible special tax circumstances and the rules applied territorially and contained in the laws in force at the time when the relevant income is obtained and returned.

Because this offering is represented by book entries and an application will be made for the securities to be admitted to trading and be listed on an official Spanish secondary securities market, which circumstances are relevant to determining taxation, the assumption made is that these requirements shall be satisfied. It has moreover been considered that, upon being issued, the Bonds will be considered financial assets with an explicit yield, when this qualification is relevant for tax purposes.

Bond principal, interest or income withholdings, contributions and taxes established now or in the future shall be payable by Bondholders, and their amount, if any, shall be deducted by the Management Company in the manner statutorily prescribed.

During the life of the Bonds, their tax system shall be as derived from the laws in force from time to time.

II.22.1 Natural or legal persons resident in Spain.

Personal Income Tax.

Income obtained by Bondholders who are Personal Income Tax (IRPF) payers, both as Bond interest and upon Bond transfer, repayment or amortisation, shall be considered income obtained from the assignment of own capital to third parties, as defined in article 23.2 of the Personal Income Tax and Other Tax Rules Act 40/1998, December 9.

Interest income received shall be subject to 18% withholding tax on account of the beneficiary's IRPF, as prescribed by Royal Decree 214/1999, February 5, approving the Personal Income Tax Regulations (RIRPF).

There is no Bond transfer or repayment income withholding tax obligation, unless that occurs within the thirty days next preceding coupon maturity to (i) a person or undertaking not resident in Spanish territory, where there is no obligation to withhold on the coupon paid to any such transferees, or (ii) a Corporation Tax obligor.

Corporation Tax.

Both Bond interest income and Bond transfer, repayment or amortisation income obtained by undertakings qualifying as Corporation Tax obligors shall be added to the taxable income as prescribed under Title IV of Corporation Tax Act 43/1995, December 27.

The aforesaid income shall be excluded from withholding tax as provided by article 57.q) of Royal Decree 537/1997, April 14, approving the Corporation Tax Regulations, as worded by Royal Decree 2717/1998, December 18.

II.22.2 Natural or legal persons not resident in Spain.

Both Bond interest income and Bond transfer, repayment or amortisation income obtained by Bondholders who are Non-Resident Income Tax payers shall be considered income obtained in Spain, with or without a permanent establishment, on the terms of article 11 of Act 41/1998, December 9, on Non-Resident Income and Tax Rules.

Income obtained through a permanent establishment.

Bond income obtained by a permanent establishment in Spain shall pay tax in accordance with the rules of Chapter III of the aforesaid Act 41/1998, notwithstanding the provisions of the double-taxation Agreements signed by Spain, which may determine that the relevant income need pay no tax or, as the case may be, that reduced rates apply. The aforesaid income shall be subject to a Non-Resident Income Tax withholding in the same events and on the same terms mentioned for Corporation Tax payers residing in Spain.

Income obtained other than through a permanent establishment.

Bond income obtained by persons or undertakings not resident in Spain acting, in this respect, without a permanent establishment shall pay tax in accordance with the rules of Chapter IV of the aforesaid Act 41/1998, the following elements of the system of that Act being noteworthy, notwithstanding the provisions of the double-taxation Agreements signed by Spain, which may determine that the relevant income need pay no tax or, as the case may be, that reduced rates apply:

- The taxable income shall be quantified as the aggregate amount of the return obtained, calculated with reference to the rules of Act 40/1998, although the reductions of that Act will not apply.

- In the event of transfer, repayment or amortisation, acquisition and disposition expenses shall be taken into account, provided that they are properly supported. Taxation shall be separately effected for each total or partial taxable accrual of income, which may under no circumstances be set off against one another.

- The Tax will be calculated applying a 25 percent general rate to the above taxable income.

- The above-mentioned income shall be subject to a Non-Resident Income Tax withholding, other than where evidence is produced of Tax payment or that an exemption is appropriate.

The withholding amount will be equivalent to the Tax payable based upon the above standards.

Bond issue income obtained by persons or undertakings not resident in Spain acting in this respect without a permanent establishment shall be exempt when the beneficiary is a resident of another European Union Member State.

This exemption shall by no means apply where the income is obtained through countries or territories statutorily qualified as tax havens.

Income derived from the transfer of such securities in official Spanish secondary securities markets obtained by non-resident natural persons or undertakings other than through a permanent establishment in Spanish territory, resident in a State having signed a double-taxation agreement with Spain with an information- exchange clause, will also be exempt.

In connection with the application of the tax exemption or the reduced tax rates established in double-taxation Agreements, non-resident Bondholders shall prove to the Paying Agent or the Management Company before the Payment Date their tax residence by submitting a residence certificate issued by the relevant Tax Authorities, bearing in mind that said certificate is valid for six (6) months. Upon the failure to certify tax residence for these purposes, interest and capital gains obtained on the Bonds by non-resident holders shall be taxable under the general system aforesaid, though they may apply for the excess withholding or taxation to be returned availing of the procedure established in the laws in force for the time being.

II.22.3 Indirect taxation on the transfer of the Bonds.

The transfer of transferable securities is exempt from paying Capital Transfer and Documents Under Seal Tax and Value Added Tax.

II.22.4 Wealth Tax.

Natural persons whose personal obligation it is to pay this Tax and who are Bondholders at December 31 of each year, shall include the Bonds at their face value in the Wealth Tax return and tax will be paid based on the general rules. In this respect, they shall be computed at their average trading value in the fourth quarter of each year.

Non-resident natural persons whose real obligation it is to pay this Tax will also have to pay Wealth Tax, other than as provided in double-taxation Agreements. Nevertheless, residents in other European Union countries shall be exempt in relation to Bonds with income that is exempt for Non-Resident Income Tax purposes, on the terms set forth above.

II.22.5 Inheritance Tax.

Transfer of the Bonds to natural persons by inheritance or as a gift shall be subject to the general rules of Inheritance and Gift Tax. In the event that the beneficiary should be a body corporate, the income obtained would be taxed in accordance with the Corporation Tax rules.

II.23 Purpose of the transaction.

II.23.1 Use of the net issue amount.

The net amount of the Bond issue will be fully allocated to paying the purchase price of the Mortgage Certificates issued by BANKINTER pooled in the assets of the Fund.

II.24 Institutions that have agreed, as the case may be, to be involved in secondary trading, providing liquidity by offering consideration, specifying the extent and manner of their involvement.

No institutions have undertaken to be involved in secondary Bond trading, providing liquidity by offering consideration.

II.25 Natural or legal persons materially involved in structuring or providing advice for establishing the Fund or in connection with any significant item of information contained in the offering circular, including, as the case may be, placement underwriting:

II.25.1 Specification of natural and legal persons.

a) The Fund and the Bond issue were financially structured by Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización.

b) The Fund and the Bond issue have been legally structured by Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización, and Ramón y Cajal, Albella & Palá, as independent legal advisers.

c) BANKINTER is the originator of the participated mortgage loans by issuing the Mortgage Certificates, fully subscribed for by the Fund upon being established, and is involved as Lead Manager.

d) BANKINTER S.A. is involved as Lead Manager and Underwriter of the Bond issue.

II.25.2 Statement by the person responsible for the Offering Circular on behalf of the Management Company, specifying whether he is aware of the existence of any relationship whatsoever (political rights, employment, family, etc.) or economic interest of those experts, advisers, and of other institutions involved, with both the Management Company and the former holders of the assets (Mortgage Certificates) acquired by the Fund.

"I, Mr MARIO MASIÁ VICENTE, for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with place of business at Calle Conde de Aranda, no. 8, Madrid, and in connection with the establishment of the Fund BANKINTER 1 FONDO DE TITULIZACIÓN HIPOTECARIA, for EUR six hundred million (600,000,000) (ESP 99,831,600,000), notice of which for verification by and registration at the CNMV was given on March 17, 1999, in pursuance of paragraph II.25.2. of CNMV Circular 2/94, March 16, approving the standard Offering Circular for establishing Mortgage Securitisation Funds (implementing the Order dated July 12, 1993, in turn implementing Royal Decree 291/92, March 27),

HEREBY DECLARE

That BANKINTER, S.A., issuer of the Mortgage Certificates, has a 1.53% interest in the Management Company's share capital.

And that the experts who were involved in structuring or providing advice for establishing the Fund or certain significant items of information contained in the Offering Circular, have no other *relationship or economic interest whatsoever with or in either the actual Management Company or the issuer of the Mortgage Certificates, BANKINTER, S.A."*

CHAPTER III

GENERAL INFORMATION ON THE MORTGAGE SECURITISATION FUND

III.1 Legal background and purpose of the Fund.

Investment Trusts and Companies System and Mortgage Securitisation Fund Act 19/1992, July 7, covers the establishment of the Fund and the Bond issue by the same.

In accordance with article 5.1 of Act 19/1992, the Fund is a separate closed-end estate, devoid of legal personality, and upon being established its assets comprise the Mortgage Certificates pooled therein, and its liabilities comprise the Bonds, thereby for the net asset value of the Fund to be nil.

Mortgage Market Regulation Act 2/1981, March 25, and Royal Decree 685/1982, March 17, implementing certain aspects of Act 2/1981, govern the Mortgage Certificates issued on the Participated Mortgage Loans making up the Fund's assets.

The Fund is established in order to serve as a vehicle for subscribing for the Mortgage Certificates issued by BANKINTER, pooling the same and issuing the Series A Bonds and the Series B Bonds out of the same.

III.2 Full name of the fund and, as the case may be, short or trade name to identify the fund or its securities on secondary markets.

The name of the Fund is BANKINTER 1 FONDO DE TITULIZACIÓN HIPOTECARIA and the following short names may also be used without distinction to identify the Fund:

- BANKINTER 1 FTH
- BANKINTER 1 F.T.H.

The condition precedent for the Fund to be established and the Bonds to be issued is their verification and registration in the Official Registers of the CNMV, in accordance with the provisions of article 5.3 of Act 19/1992 and articles 26 et seq. of Act 24/1988, July 28.

After the date on which the CNMV verifies and registers this Offering Circular and within twenty (20) business days thereafter, with the Bond Subscription Period not yet open, the Management Company shall, along with BANKINTER, as issuer of the Mortgage Certificates to be subscribed for by the Fund, proceed to execute a public deed recording the establishment of BANKINTER 1 FONDO

DE TITULIZACIÓN HIPOTECARIA, issue of and subscription for the Mortgage Certificates and issue of the Mortgage-Backed Bonds, on the terms for which provision is made in Act 19/1992.

In accordance with Act 19/1992, the Deed of Constitution shall have the effects provided for in article 6 of Act 24/1988 and shall therefore be the deed recording the Bond issue and the deed providing that the Bonds are in book-entry form.

In accordance with article five, paragraph three, of Act 19/1992, the Deed of Constitution will not be entered in the Companies Register.

III.3 Management and representation of the Fund and of the holders of the securities issued out of the same.

III.3.1 Description of the duties and responsibilities taken on by the Management Company in managing and legally representing the Fund and the holders of securities issued out of the same.

In accordance with article five, paragraph two, of Act 19/1992, the Management Company shall manage and be the authorised representative of the Fund, on the terms set in Act 19/1992 and other applicable laws, subject to the provisions of the Deed of Constitution. The incorporation of the Management Company was authorised by the Economy and Finance Ministry on December 17, 1992. It is moreover entered in the special register purposely opened by the CNMV, under number 2. The information on the Management Company is contained in Chapter VI of this Offering Circular.

In accordance with the provisions of paragraph 1 of article six of Act 19/1992, it is the Management Company's duty, as the manager of third-party funds, to represent and enforce Bondholders' interests.

Consequently, the Management Company shall safeguard Bondholders' interests at all times, making its actions conditional on their defence and observing the provisions statutorily prescribed for that purpose. Bondholders shall have no recourse against the Fund Management Company other than for a breach of its duties or failure to observe the provisions of the Deed of Constitution.

The Management Company shall notify Bondholders of any and all circumstances they may be interested in by publishing the appropriate notices on the terms established in sections III.5.2 and III.5.3 of this Chapter.

Actions of the Management Company

The Management Company's actions in performing its duty to manage and be the authorised representative of the Fund are the following, for illustration only, and without prejudice to any other actions provided for in this Offering Circular:

(i) Exercising the rights attaching to the ownership of the Mortgage Certificates subscribed for by the Fund and, in general, carrying out all such acts of administration and disposition as may be required for properly managing and legally representing the Fund.

(ii) Checking that the income amount actually received by the Fund matches the amounts that must be received by the Fund, in accordance with the terms of each Mortgage Certificate and the terms of the various agreements.

(iii) Validating and controlling the Participated Mortgage Loan information received from the Servicer, both as regards collection of ordinary instalments, early redemptions of principal, payments received on unpaid instalments and delinquency status and control.

(iv) Calculating the available funds and the movements of funds that shall have to be made, upon being applied, in accordance with the relevant priority of payments, instructing transfers of funds between the various lending and borrowing accounts, and issuing all relevant payment instructions, including those designed for servicing the Bonds.

(v) Calculating and settling the interest and fee amounts receivable and payable on the various financial borrowing and lending accounts, and the fees payable for the various financial services arranged and the principal repayment and interest payment amounts payable on each Bond Series.

(vi) Ensuring that the Servicer renegotiates the terms of the Participated Mortgage Loans, as the case may be, in accordance with the general or specific instructions communicated by the Management Company.

(vii) Monitoring the actions agreed with the Servicer for recovering defaults, issuing instructions, where appropriate, for an execution to be levied and as to the stand to be taken at real estate auction sales. Bringing a foreclosure action where the concurrent circumstances so require.

(viii) Keeping the Fund's accounts duly separate from the Management Company's own, rendering accounts and satisfying tax and any other statutory obligations of the Fund.

(ix) Providing holders of the Bonds issued by the Fund, the CNMV and the public at large with all such information and notices as are provided for in the laws in force for the time being and, in particular, provided for in this Offering Circular.

(x) In order to allow the Fund to operate on the terms set in the Deed of Constitution, in this Offering Circular and in the laws in force from time to time, extending or amending the agreements entered into on behalf of the Fund, substituting each of the Fund service providers under those agreements and indeed, if necessary, entering into additional agreements, all subject to the laws in force from time to time, to the prior authorisation, if necessary, of the CNMV or competent administrative body, and to notice being served on the rating agency, and provided that such actions are not detrimental to Bondholders' interests.

(xi) Designating and replacing, as the case may be, the auditor who is to audit the Fund's annual accounts.

(xii) Preparing and submitting to the CNMV and the competent bodies all documents and information to be submitted as established in the laws in force for the time being, in the Deed of Constitution and in this Offering Circular, or which may be required of it, and preparing and submitting to the rating agency such information as may reasonably be required of it.

(xiii) Preparing and notifying Bondholders of the information established in this Offering Circular, and all other statutorily required information.

(xiv) Making such decisions as may be appropriate in connection with liquidation of the Fund, including the decision to proceed to an early liquidation, as provided for in this Offering Circular.

In addition to doing the above actions, generically described, the Management Company shall specifically do the following:

(i) Opening on the Fund's behalf a financial account (hereinafter "Treasury Account", described in section V.3.1 of the Offering Circular), initially at BANKINTER, provided that such institution's short-term rating is not downgraded below P-1 by Moody's Investors Service Limited, as described in section II.3 of this Offering Circular.

(ii) In the event that the rating of BANKINTER's short-term debt obligations should, at any time during the life of the Bond issue, be downgraded below P-1 by Moody's Investors Service Limited, the Management Company shall, within not more than thirty (30) Business Days from the time of the occurrence of any such circumstance:

a) Obtain from a credit institution with short-term debt obligations rated at least as high as P-1 a first demand bank guarantee consisting of securing for the Fund, merely upon the Management Company so requesting, prompt payment by BANKINTER of its obligation to repay the amounts deposited in the Treasury Account, during such time as BANKINTER's rating remains downgraded below P-1.

b) If the above is not possible, it shall transfer the Fund's Treasury Account to an institution with short-term debt obligations rated at least as high as P-1, and arrange the highest possible yield for its balances, which may differ from that arranged with BANKINTER under the Guaranteed Interest Rate Deposit Agreement.

c) In this same event and if the Treasury Account cannot be transferred on the above terms, the Management Company may invest the balances for not more than six-monthly periods, in short-term fixed-income assets in euros or pesetas issued by institutions with a short-term rating of P-1, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially with BANKINTER under the Guaranteed Interest Rate Deposit Agreement.

d) In both b) and c), the Management shall subsequently transfer the balances back to BANKINTER under the Guaranteed Interest Rate Deposit Agreement in the event that the rating of its short-term debt obligations should be upgraded back to P-1 as aforementioned, all in accordance with the provisions of section V.3.1 of this Offering Circular.

(iii) Paying into the Treasury Account the Participated Mortgage Loan principal and interest and other amounts howsoever owing to the Fund received from the Servicer.

(iv) Watching that the amounts paid into the Treasury Account, provided that BANKINTER's short-term debt obligations continue to be rated at least as high as P-1 by Moody's Investors Service Limited, return the yield set in the Guaranteed Interest Rate Deposit Agreement, all as described in section V.3.1 of this Offering Circular.

(v) Calculating, on each Interest Rate Fixing Date, and with respect to each Interest Accrual Period thereafter, the nominal interest rate applicable to both Bond Series, resulting from the determination made in accordance with the provisions of section II.10, to be published in the manner provided for in section III.5.3.a).

(vi) Calculating on each Determination Date the principal to be amortised on both Bond Series together with interest accrued in accordance with the provisions of section II.11.3.2, to be published in the manner provided for in section III.5.3.a).

(vii) Allocating the Available Funds described in section V.5.1.B) and any other Treasury Account amount available on each date to meeting the Fund's payment or withholding obligations on the terms and in the order of priority provided for in said section V.5.1.B) of this Offering Circular.

Substitution of the Management Company.

The Management Company shall be substituted in managing and representing the Fund in accordance with the provisions to be statutorily established for that purpose. Failing such regulations, substitution shall be as follows:

(i) The Management Company may voluntarily apply to be substituted, provided that there is a just cause, in a letter to the CNMV, copying the same to BANKINTER, as Servicer of the Participated Mortgage Loans and custodian of the Mortgage Certificates pooled in the Fund. That letter shall enclose a letter from a new duly licensed management company entered as such in the special registers of the CNMV, in which the replacement shall declare that it is willing to accept such appointment and apply for the relevant authorisation. The Management Company's resignation and the appointment of a management company shall be approved by the CNMV. The Management Company may under no circumstances resign its duties until and unless all the requirements and procedures have been satisfied in order for its replacement to fully take over its duties in relation to the Fund.

(ii) If the Management Company should be in any of the events of dissolution provided for in article 260.1 of the Public Limited Companies Act, the process for substituting the Management Company shall be commenced. The occurrence of any such events shall be notified by the Management Company to the CNMV. In that event, the Management Company shall be bound to comply with the provisions of paragraph (i) above before being dissolved.

(iii) In the event that the Management Company should be adjudged a bankrupt or insolvent or have its licence revoked, it shall designate a substitute management company. If four months should have elapsed from the occurrence determining the substitution and neither the Management Company nor the CNMV as the case may be should have designated a new management company, there shall be an early liquidation of the Fund and an amortisation of the Bonds, and the actions provided for in section III.8.1 of this Offering Circular shall therefore be put in place.

(iv) Substitution of the Management Company and appointment of the new company, approved by the CNMV, as provided for in the preceding paragraphs, shall be notified to Moody's España, as provided for in section II.3 of this Offering Circular.

The Management Company agrees to execute such public and private documents as may be necessary for it to be substituted by another management company, in accordance with the system for which provision is made in the preceding paragraphs of this section. The substitute management company shall be substituted in the Management Company's rights and duties under the Deed of Constitution and this Offering Circular. Furthermore, the Management Company shall hand to the substitute Management Company such accounting records and data files as it may have to hand in connection with the Fund.

III.3.2 The Management Company's remuneration for discharging its functions.

In consideration of the functions to be discharged by the Management Company, the Fund will pay it a Management Fee consisting of:

(i) An initial fee amounting to EUR sixty-six thousand one hundred and ten (66,110.00) (ESP 10,999,778). This fee shall be payable on the Closing Date.

(ii) A periodic fee: equal to 0.0235% per annum, accruing on the exact number of days elapsed in each Interest Accrual Period, until the Fund terminates, and payable six-monthly on each Payment Date, calculated on the sum of the Outstanding Principal Balances of both Bond Series on the payment date preceding the then-current payment date. The fee accrued between the date of establishment of the Fund and the first Payment Date shall be prorated to the days elapsed between both dates, calculated on the face amount of the Bonds issued.

The fee payable on a given payment date shall be calculated in accordance with the following formula:

$$C = B \times \frac{0.0235}{100} \times \frac{d}{365}$$

where:

C = *Fee payable on a given Payment Date.*
B = *Sum of the Outstanding Principal Balances of Series A and B Bonds, on the preceding Payment Date.*
d = *Number of days elapsed during the relevant accrual period.*

In any event, the annual amount of this periodic fee may not be less than EUR twenty-one thousand and thirty-five (21,035.00) (ESP 3,499,930), or the proportional equivalent to the exact number of days in each accrual period. In the event that, during the term of the Fund, the National General Retail Price Index published by the Spanish National Institute of Statistics for each calendar year should experience a positive variation, the minimum annual amount would be cumulatively reset in the same proportion, from the year 2001, inclusive, and effective as of January 1 of each year.

If the Fund should not have sufficient liquidity on a Payment Date to settle the above fee, the amount due shall earn interest equal to Series A Bond interest, payable on the next payment date, in the order of priority of payments contained in section V.5.1.B).2 of this Offering Circular.

III.4 Net asset value of the Fund and succinct specification of the assets and liabilities making up that net asset value both at source and upon its operations commencing.

In accordance with article 5.1 of Act 19/1992, the Fund is a separate closed-end estate, devoid of legal personality, and upon being established its assets comprise the Mortgage Certificates and its liabilities comprise the Bonds, the Subordinated Credit and the Loan described in sections V.3.2 and V.3.3 hereof, thereby for the net asset value of the Fund to be nil.

The description, characteristics and issue price of the Mortgage Certificates pooled in the Fund and of the Participated Mortgage Loans are contained in Chapter IV of this Offering Circular.

The information relating to the Bonds issued is set forth in detail in Chapter II of this Offering Circular.

III.4.1 Book Value of the Fund.

Assets

a) At source.

On the date of execution of the Deed of Constitution, the Fund shall have the following main assets:

- The Mortgage Certificates subscribed for and pooled in the Fund, represented by registered unit certificates, relating to a 100% share in the principal and ordinary and late-payment interest of the Participated Mortgage Loans. (See Chapter IV of this Offering Circular).

- The amount receivable upon payment of the underwritten subscription for Series A Bonds and Series B Bonds, deducting the management and underwriting fees.

b) As a result of the Fund's operations.

From the date of execution of the Deed of Constitution, the Fund shall additionally have the following main assets, other than paragraph (iv) which shall be had on the Closing Date:

(i) Mortgage Certificate principal resulting from the amounts accrued upon Participated Mortgage Loan capital repayment.

(ii) Mortgage Certificate ordinary nominal interest which matches Participated Mortgage Loan ordinary nominal interest.

(iii) Mortgage Certificate late-payment nominal interest which matches Participated Mortgage Loan late-payment nominal interest.

(iv) Amounts obtained on the Loan granted by BANKINTER described in section V.3.3 of this Offering Circular.

(v) Any amounts or assets received in the event of judicial or notarial execution of the mortgage securities, or from the sale or utilisation of homes awarded to the Fund upon executing the mortgage securities, or from the administration or interim possession of property (in execution proceedings), purchase for the knock-down price or amount determined by a court decision.

(vi) Amounts owing to the Fund under the insurance contracts assigned by BANKINTER to the Fund in accordance with the Deed of Constitution.

(vii) Amounts drawn on the Subordinated Credit granted by BANKINTER, as described in section V.3.2 of the Offering Circular.

(viii) All other Treasury Account balances. That account shall be credited with all amounts received by the Fund, until and unless they are applied to be distributed to Bondholders and other third parties. The amounts invested in these accounts shall be sourced in the timing differences between Mortgage Certificate collections and payments to

Bondholders and third parties. The balances shall be invested at a Guaranteed Interest Rate (see section V.3.1 of this Offering Circular).

(ix) Homes if any awarded to the Fund upon executing in due course the real estate mortgages securing the Participated Mortgage Loans.

Liabilities

a) At source.

On the date of execution of the Deed of Constitution, the Fund shall have the following main liabilities:

- The amount payable for subscribing for the Mortgage Certificates issued by BANKINTER.

- The Series A Bonds and the Series B Bonds, issued as established in Chapter II of this Offering Circular.

b) As a result of the Fund's operations.

From the Closing Date, the Fund shall have the following main liabilities:

- The Series A Bonds and the Series B Bonds, issued as established in Chapter II of this Offering Circular.

- The Loan granted by BANKINTER, described in section V.3.3 of this Offering Circular.

- Amounts drawn on the Subordinated Credit granted by BANKINTER described in section V.3.2 of the Offering Circular.

- Fees and other expenses established in the various transaction agreements and any others incurred by the Fund.

III.4.2 Fund Income.

The Fund shall have the following income credited to the Treasury Account described in section V.3.1.

The following income may be used to meet the Fund's payment or withholding obligations on a specific Payment Date:

a) Mortgage Certificate principal repayment amounts received from the preceding Determination Date.

b) Mortgage Certificate ordinary and late-payment interest, matching the applicable interest rate of each Participated Mortgage Loan, collected from the preceding Determination Date.

c) The return obtained upon reinvesting the amounts credited to the Treasury Account, as described in section V.3.1 of this Offering Circular.

d) Any other amounts received by the Fund including those resulting from the sale of the properties awarded to the Fund.

e) Drawdowns under the Subordinated Credit described in section V.3.2.

III.4.3 Expenses payable by the Fund.

Establishment expenses.

The estimated expenses of establishing the Fund are itemised in section II.14 of the Offering Circular.

Periodic expenses.

The Management Company shall pay on behalf of the Fund all expenses necessary for the Fund to operate, which shall be settled in the order of priority of payments for each expense provided for in section V.5.1.B).2 of the Offering Circular. For illustration, without limitation, the Management Company shall pay the following initial and periodic expenses:

- Fund establishment expenses and any expenses arising from compulsory verifications, registrations and administrative authorisations.

- Expenses of officially and commercially advertising the offering for Bond subscription.

- Expenses derived from preparing and executing the Deed of Constitution, the Offering Circular and the Agreements referred to in both of them, and fees and expenses provided for therein.

- Rating agency fees for rating and keeping the Bonds rated.

- Bond issue and amortisation expenses.

- Expenses of keeping the Bond accounting record because the Bonds are in book-entry form, of admission to trading on organised secondary markets and of maintaining all of the foregoing.

- Any expenses derived from the sale of the Mortgage Certificates and the Fund's remaining assets in order to liquidate the Fund, including those derived from obtaining a credit facility.

- Expenses required for applying for execution of the Participated Mortgage Loans.
- Expenses derived from servicing the Fund and the Participated Mortgage Loans.
- Fees and expenses payable by the Fund for the service and financial transaction agreements executed.
- Expenses derived from inserts and notices relating to the Fund and/or the Bonds.
- Expenses of audits and legal advice.
- Generally, any other expenses borne by the Fund or the Management Company for and on behalf of the Fund.

Value Added Tax (VAT) if any borne by the Fund shall be a Corporation Tax deductible expense.

III.5 Drawing up, auditing and approving annual accounts and other accounting documents of the fund.

III.5.1 Obligations and deadlines for drawing up, auditing and approving annual accounts and management reports.

The Fund's annual accounts shall be checked and audited every year by auditors.

The Management Company shall submit to the CNMV the Fund's annual accounts, along with an audit report on the accounts, within four (4) months of the close of the Fund's fiscal year, which shall match the calendar year.

The Management Company shall proceed to designate, for periods of not more than three (3) years, the Auditor who is for that period of time to audit the Fund's annual accounts, reporting that appointment to the CNMV.

III.5.2 Obligations and deadlines set to publicise and submit to the CNMV the periodic information on the economic and financial status of the Fund.

As part of its Fund management and administration duty, the Management Company agrees to submit six-monthly to the CNMV, as promptly as possible, the information described hereinafter, with the exception of that contained in paragraph e) which shall be yearly, in relation to both Bond Series, the performance of the Mortgage Certificates, early amortisation, and economic and financial status of the Fund, moreover advising the CNMV of all ordinary periodic or extraordinary notices contained in section III.5.3 of this Offering Circular, and of such additional information as may be required of it.

a) In relation to each Bond Series on each Payment Date:

1. Outstanding Principal Balances and ratio in each case to the initial face amount of each Series.
2. Interest due and paid.
3. Interest due and not paid.
4. Amortisation due and paid.
5. The Amortisation Deficiency amount, if any.
6. Estimated average life of the Bonds in each Series if the Participated Mortgage Loan Prepayment Rate is maintained, as determined in section d) below.

b) In relation to the Mortgage Certificates:

1. Outstanding Balance.
2. Interest due and collected.
3. Amount of the instalments in arrears on the Participated Mortgage Loans on the reporting date.

c) In relation to the economic and financial status of the Fund on each Payment Date:

Report as to the appropriateness and subsequent application of the Available Funds in accordance with the order of priority of payments contained in section V.5.1.B).2 of this Offering Circular.

d) In relation to Participated Mortgage Loan prepayment:

Demonstrative list of the actual Participated Mortgage Loan Average Prepayment Rate.

e) Annually, in relation to the Fund's Annual Accounts:

Balance Sheet, Profit & Loss Account, Management Report and Audit Report within four (4) months of the close of each fiscal year.

III.5.3 Relevant event notification obligations.

In order to duly observe the issue terms, the Management Company agrees to give the following notices, observing the recurrence provided in each case.

a) Ordinary periodic notices:

1. Within the period comprised between the Interest Rate Fixing Date and not more than two (2) Business Days after each Payment Date, it shall proceed to notify Bondholders of the nominal interest rates resulting for both Bond Series, for the next Interest Accrual Period, based on the standards contained in section II.10.1.

2. Six-monthly, at least one (1) calendar day in advance of each Payment Date, the Fund shall, through its Management Company, proceed to notify Bondholders of the interest resulting from the Bonds in both Series, along with their amortisation, as appropriate, and moreover of:

   i) the actual Participated Mortgage Loan prepayment rates as at the Determination Date preceding the Payment Date, and

   ii) the average residual life of the Bonds estimated assuming that such actual prepayment rate shall be maintained as provided in sections II.11.3.3 and III.8.1.(i).

   iii) The Outstanding Balances, after the amortisation to be settled on each Payment Date, of each Bond in each Series, and the ratios of such Outstanding Balances to the initial face amount of each Bond.

   iv) Furthermore, and if appropriate, Bondholders shall be advised of Bond interest and amortisation amounts due and not paid because the Available Funds fall short, in accordance with the priority of payments rules provided for in section V.5.1.B).2 of this Offering Circular.

The foregoing notices shall be made in accordance with the provisions of paragraph c) below and will also be notified to the Servicio de Compensación y Liquidación de Valores, S.A., within not more than two (2) Business Days before each Payment Date.

b) Extraordinary notices:

1. Upon the Fund being established and the Bonds being issued, once the Deed of Constitution has been executed, the Management Company shall, for and on behalf of the Fund, using the procedure set out in paragraph c) below, give notice of the establishment of the Fund and issue of the Bonds, and the nominal interest rates of both Bond Series determined for the first Interest Accrual Period, which shall be comprised between the Closing Date and the first Payment Date, all in accordance with the provisions of section II.10.1 of this Offering Circular, which publication may be made on any calendar day, whether that is a Business Day or not.

2. Other:

   The Fund shall, through its Management Company, inform Bondholders of any relevant event occurring in relation to the Mortgage Certificates, the Bonds, the Fund and the actual Management Company, which may materially influence trading of the Bonds and, in general, any relevant change in the Fund's assets or liabilities. In addition, the Management Company shall inform Bondholders of a decision in due course to proceed to an early amortisation of the Bonds in any of the events provided in this Offering Circular, in which case the CNMV will be sent the Notarial Certificate of Liquidation and the procedure shall be as referred to in sections III.8.1 and II.11.3.3 of this Offering Circular.

c) Procedure:

Notices to Bondholders by the Management Company as provided for above in regard to the Fund shall be given by publication in an extensively circulated business and financial or general newspaper in Spain, and those notices shall be deemed to be given on the date of that publication, any Business or other calendar day (as established in this Offering Circular) being valid for such notices.

d) Information to the CNMV:

The Management Company shall proceed to advise the CNMV of both ordinary periodic and extraordinary publications made in accordance with the provisions of the preceding paragraphs, and of such other information as may be required of it, irrespective of the above.

III.5.4 Transitional period in using the euro as the single currency in the European Union.

During the transitional period in which the peseta and the euro will coexist as units of account and payment means between January 1, 1999 and December 31, 2001, the provisions of Act 46/1998, December 17, on the changeover to the Euro shall apply.

III.6 Tax system of the Fund.

In accordance with the provisions of article 5.10 of Act 19/1992, article 7.1.g) of Corporation Tax Act 43/1995, December 27, and Royal Decree 537/1997, April 14, amended by Royal Decree 2717/1998, December 18, approving the Corporation Tax Regulations, the following are the characteristics peculiar to the tax system of the Fund:

(i) The establishment of the Fund is exempt from the item “corporate transactions” of Capital Transfer and Documents Under Seal Tax.

(ii) The Fund is liable to pay Corporation Tax at the general rate in force from time to time and which currently stands at 35%.

(iii) As for returns on the Mortgage Certificates, loans or other credit rights constituting Fund income, there shall be no withholding tax or prepayment obligation.

(iv) The management of the Fund by the Management Company shall be exempt from Value Added Tax.

(v) Considerations paid to holders of securities issued by the Fund are deemed to be return on investments.

III.7 Exceptional events for amending the Fund deed of constitution.

The contents of the Deed of Constitution shall essentially be the following: (i) it shall identify the Mortgage Certificates, (ii) it shall accurately define the contents of the Bonds to be issued, and (iii) it shall establish the transactions which the Management Company may enter into on the Fund's behalf in order to enhance Bond payment security or frequency and cover the timing differences between the schedule of Mortgage Certificate and Bond principal and interest flows. In this respect, the Deed of Constitution shall provide that the Fund shall, through its Management Company, enter into the agreements detailed in section V.3 of the Offering Circular.

Pursuant to article 5.3 of Act 19/1992, upon execution of the Deed of Constitution, Mortgage Certificate issue and subscription, and Bond issue, it may not be howsoever amended other than in the exceptional events and on the terms established by the laws, although it may be corrected as requested by the CNMV.

III.8 Liquidation and termination of the Fund.

III.8.1 Early liquidation of the Fund.

Following notice served on the CNMV, the Management Company shall be entitled to proceed to an early liquidation of the Fund and thereby an early amortisation, on a Payment Date, of the entire Bond issue, in the following Liquidation Events:

(i) When the amount of the Outstanding Balance of the Mortgage Certificates pending amortisation is less than 10 percent of the initial Outstanding Balance, in accordance with the entitlement for which provision is made in article 5.3 of Act 19/1992.

(ii) When an event or circumstance unrelated to the actual operation of the Fund occurs which results in the financial balance of the Fund required by article 5.6 of Act 19/1992 being materially altered or impaired. This event includes such circumstances as the occurrence of a change in the laws or implementing regulations, the establishment of withholding obligations or other events that might permanently affect the financial balance of the Fund.

The occurrence, as the case may be, of a potential Amortisation Deficiency will not in itself be an early amortisation event of the Bonds and an early liquidation event of the Fund, unless in conjunction with other events or circumstances related to the net asset value of the Fund, the financial balance should be materially or permanently altered.

(iii) In the event that the Management Company should be declared insolvent or bankrupt or have its licence revoked, or the statutory term to do so, or failing that term four months, should elapse without a new management company being designated in accordance with the provisions of section III.3.1 of this Offering Circular.

The following requirements shall be necessary to proceed to that early liquidation of the Fund:

(i) That all payment obligations under the Bonds issued by the Fund may be met and settled or otherwise that, before proceeding to an early liquidation of the Fund, the Management Company calls the Bondholders purely for informative purposes.

Bond payment obligations on the date of early liquidation of the Fund shall at all events be deemed to be the Outstanding Principal Balance on that date plus interest due and not paid since the last Payment Date until the date of early amortisation, deducting withholding tax, if any, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

(ii) That Bondholders are given thirty (30) Business Days' notice, as provided for in section III.5.3 of this Offering Circular, of the Management Company's resolution to proceed to early liquidation of the Fund.

That notice, previously made available to the CNMV, shall contain a description of (i) the event or events prompting early liquidation of the Fund, (ii) the liquidation procedure, as described in the following section, and (iii) how the Bond payment obligations are to be honoured and settled.

In order for the Fund, through its Management Company, to proceed to an early liquidation of the Fund and an early amortisation of the Bond issue in the events and subject to the requirements determined in this section and, specifically, in order for the Fund to have sufficient liquidity to meet payment of the Outstanding Balance of the Bonds plus interest accrued and not paid since the last Payment Date until the amortisation date, the Management Company shall, for and on behalf of the Fund:

(i) Sell the Mortgage Certificates for a price of not less than the sum of the principal value plus interest due and not paid on the Mortgage Certificates then outstanding.

(ii) Terminate such agreements as are not necessary for the Fund liquidation procedure.

(iii) Be entitled to arrange a credit facility, which shall be fully and forthwith allocated to early amortisation of the Bond issue. Repayment of that credit facility shall be secured solely with the interest and principal flows derived from the Mortgage Certificates then outstanding and the proceeds from the sale of the other items remaining on the Fund's assets.

(iv) Finally, both because the preceding actions fall short and there are remaining assets, sell the other items remaining on the Fund's assets. The Management Company shall be authorised to accept such offers as shall, in its view, cover the market value of the assets at issue and be paid in cash and on the spot. Exceptionally, it may accept deferred payment for a period not exceeding two years. In order for the market value to be set, the Management Company may secure such valuation reports as it shall see fit.

In events (i) and (iv) above, BANKINTER shall have a pre-emptive right and shall therefore have priority over third parties to acquire the Mortgage Certificates or other remaining assets of the

Fund. The Management Company shall therefore send BANKINTER a list of the assets and third-party bids received, and the latter may use that right for all the assets offered by the Management Company within thirty days of receiving said notice, and provided that its bid is at least equal to the best of the third-party bids.

Upon providing the reserve referred to in section III.8.2 below, the Management Company shall immediately apply all the proceeds from the sale of the Fund's assets to paying the various items, in such manner, amount and order of priority as shall be appropriate, as determined in section V.5.1.B).2 of this Offering Circular, other than the amounts, if any, drawn under the credit facility arranged, which shall be fully allocated to early amortisation of the Bond issue.

If the Management Company, acting for and on behalf of the Fund, cannot honour payment of the Mortgage Certificates subscribed for with a deferred price due to termination of the Bond Management and Placement Underwriting Agreement, the Fund shall also be liquidated by returning the Mortgage Certificates to the issuer, BANKINTER, settling the relevant establishment and issue expenses and repaying the Loan referred to in section V.3.3 of this Offering Circular.

III.8.2 Termination of the Fund.

The Fund shall terminate both upon the Mortgage Certificates pooled therein being fully amortised and by the early liquidation procedure established in section III.8.1 above.

In the event that there should be any remainder upon the Fund being liquidated and after making all payments by distributing the available funds in the set order of priority of payments, that remainder shall be paid to BANKINTER. In the event that the remainder should not be liquid amounts since corresponding to Mortgage Certificates that are pending the outcome of legal or notarial proceedings commenced upon default by the Participated Mortgage Loan mortgagor, in accordance with the provisions of section IV.2.11 below, both their continuation and the proceeds of their outcome shall be for BANKINTER.

In any event, the Management Company, acting for and on behalf of the Fund, shall not proceed to terminate the Fund and strike it off the relevant administrative registers until the Fund's remaining assets have been liquidated and the Fund's available funds have been distributed, in the order of priority of payments provided for in section V.5.1.B).2 of this Offering Circular, with the exception of the appropriate reserve to meet final termination expenses.

Upon a period of six (6) months elapsing from the liquidation of the Fund's remaining assets and the distribution of the available funds, the Management Company shall execute a Statutory Declaration before a Notary Public declaring (i) that the Fund has terminated, and the events prompting its termination, (ii) how Bondholders and the CNMV were given notice, and (iii) how the Fund's available funds were distributed, in the order of priority of payments provided for in section V.5.1.B).2 of this Offering Circular; notice of this shall be given in a nation-wide newspaper and all other appropriate administrative procedures will be observed. The Management Company will submit that statutory declaration to the CNMV.

CHAPTER IV

INFORMATION ON THE CHARACTERISTICS OF THE ASSETS SECURITISED THROUGH THE FUND

IV.1 Description of the mortgage certificates pooled in the Fund.

BANKINTER shall proceed to issue the Mortgage Certificates as established in Act 2/1981, March 25, Royal Decree 685/1982, March 17, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree's articles, in order for the Management Company to proceed to pool the same in the Fund as established in Act 19/1992 and other applicable laws. Given that the Fund is an institutional investor, the issue of the Mortgage Certificates shall not be subject to a marginal note on each entry of the mortgages in the Land Registry.

The total face value of the issue of Mortgage Certificates shall be at least equal to the aggregate Bond issue amount. Each Mortgage Certificate represents 100 percent of the principal and interest respectively pending amortisation and accrual on each Participated Mortgage Loan to which it is related.

The Participated Mortgage Loans are part of a selection of mortgage loans, and their characteristics are given in section IV.4 of this Chapter. The outstanding balance of the mortgage loans selected at December 24, 1998 amounted as of that date to ESP 120,869,501,748.

a) Identification of the Credit Institutions issuing those certificates:

The issuer of said Mortgage Certificates is BANKINTER, S.A., holder of the Participated Mortgage Loans.

As holder of the Participated Mortgage Loans until the Mortgage Certificates are issued, BANKINTER shall warrant as follows in the Fund Deed of Constitution to the Management Company and the Fund in relation to the Participated Mortgage Loans:

(1) That it is a credit institution duly incorporated in accordance with the laws in force for the time being and entered in the Companies Register, and is authorised to operate in the mortgage market.

(2) That neither at today's date nor at any time since it was incorporated has it been insolvent, under receivership or bankrupt.

(3) That the Mortgage Certificates are issued at arm's length and in accordance with Act 2/1981, Royal Decree 685/1982, Royal Decree 1289/1991, Act 19/1992 and other applicable regulations, and meet all the requirements established therein.

(4) That its corporate bodies have validly passed all resolutions required to issue the Mortgage Certificates and to validly execute the Fund Deed of Constitution, the agreements and additional undertakings made.

(5) That the Participated Mortgage Loans exist and are valid and enforceable in accordance with the applicable laws.

(6) That it holds legal and beneficial title to all the Participated Mortgage Loans and there is no obstacle whatsoever for the Mortgage Certificates to be issued.

(7) That the details of the Mortgage Certificates and the Participated Mortgage Loans given in Schedule 5 to the Deed of Constitution accurately reflect the current status of those Loans and Certificates and are accurate and complete.

(8) That the Participated Mortgage Loans are all secured with a senior real estate mortgage on the legal and beneficial ownership of each and every one of the properties at issue, and the mortgaged properties are not encumbered with any prohibitions on their disposal, conditions subsequent or any other limitation as to title.

(9) That the Participated Mortgage Loans were all originated in a public deed, and the mortgages were all duly established and entered in the relevant Land Registries. The registration of the mortgaged properties is in force and has not been howsoever opposed and is subject to no limitation whatsoever ranking senior to the mortgage, in accordance with the applicable laws.

(10) That the mortgagors are all individuals residing in Spain as of the mortgage origination date.

(11) That the Participated Mortgage Loans were granted to finance with real estate mortgage security the purchase, building or renovation of homes located in Spain.

(12) That the mortgages were granted on properties legally, beneficially and fully owned by the respective mortgagor, and BANKINTER is not aware of the existence of litigation over the ownership of those properties which might detract from the mortgages.

(13) That the mortgaged homes have all been appraised by duly qualified institutions approved by BANKINTER, evidence of which appraisal has been provided in the form of an appropriate certificate. The appraisals made meet all the requirements established in the mortgage market laws.

(14) That the principal of each Participated Mortgage Loan does not exceed 80% of the appraisal value of the mortgaged properties securing the relevant Participated Mortgage Loan.

(15) That to the best of its knowledge there has been no fall in the value of any mortgaged property in excess of 20% of the appraisal value.

(16) That the homes in respect of which mortgage security has been granted all have valid fire and other damage insurance and the insured sum thereunder covers at least the replacement value of the homes upon the property being appraised for the relevant Participated Mortgage Loan to be granted. The information given in relation to the insurance taken out by the mortgagors is accurate and truthful.

(17) That the Participated Mortgage Loans are not perfected in registered, negotiable or bearer securities, other than the Mortgage Certificates hereby issued.

(18) That none of the Participated Mortgage Loans have any overdue payments on the date of issue of the Mortgage Certificates.

(19) That, to the best of its knowledge, no Participated Mortgage Loan obligor holds any credit right against BANKINTER which might entitle that obligor to a set-off.

(20) That the policies contained in the Internal Memorandum attached as Schedule 7 to the Deed of Constitution have been strictly observed in granting each and every one of the Participated Mortgage Loans and in accepting, as the case may be, the substitution of subsequent borrowers in the position of the initial borrower.

(21) That the deeds recording the mortgages granted on the homes to which the Participated Mortgage Loans relate have all been duly filed in records of BANKINTER suitable therefor, and are at the Management Company's disposal, for and on behalf of the Fund, and the Participated Mortgage Loans are all clearly identified both in data files and by means of their deeds.

(22) That the outstanding principal balance of each Participated Mortgage Loan on the issue date is equal to the principal figure of the relevant Mortgage Certificate, and in turn the total value shall be at least equal to the face value of the Bond issue.

(23) That, after being granted, the Participated Mortgage Loans have been serviced and are still being serviced by BANKINTER in accordance with set customary procedures.

(24) That, to the best of its knowledge, there is no litigation whatsoever in relation to the Participated Mortgage Loans which may detract from their validity.

(25) That, to the best of its knowledge, the premiums accrued heretofore on the insurance taken out referred to in paragraph (16) above, have been paid in full.

(26) That BANKINTER has received no notice whatsoever of full Participated Mortgage Loan prepayment on the date of issue.

(27) That, to the best of its knowledge, there are no circumstances whatsoever which might prevent the mortgage security from being enforced.

(28) That the Participated Mortgage Loans are written off the assets of BANKINTER on the date of the Deed of Constitution, in the participated amount, in accordance with the provisions of Bank of Spain Circular 4/91, without prejudice to the effects that partial or full subscription for the Bond issue may have for BANKINTER pursuant to that Circular.

(29) That there is no outstanding issue whatsoever of mortgage debentures or mortgage bonds made by BANKINTER.

(30) That the Mortgage Certificate and Participated Mortgage Loan portfolio information given in the Offering Circular concerning the establishment of the Fund and the Bond issue is accurate and truthful.

(31) That the Participated Mortgage Loans are not earmarked for any issue whatsoever of mortgage bonds or mortgage certificates, other than the issue of the Mortgage Certificates.

b) Number and amount of the Mortgage Certificates pooled in the Fund:

The Mortgage Certificates that BANKINTER will issue to be subscribed for upon the establishment of the Fund will make up an as yet indeterminate number of Mortgage Certificates and their total capital shall amount to a value at least as high as the aggregate amount of this Bond issue.

The issue price of the Mortgage Certificates will be at par. The total price payable by the Fund for subscribing for the Mortgage Certificates shall be an amount equivalent to the sum of (i) the face value of the capital or principal of each Mortgage Certificate, and (ii) ordinary interest due on each Participated Mortgage Loan from the last interest settlement date of each loan until the date of issue of the Mortgage Certificates (the “accrued interest”).

The Mortgage Certificate issue price shall be paid on the Bond Closing Date referred to in section II.18.5 of Chapter II of this Offering Circular. Accrued interest on each Mortgage Loan shall be paid on the Collection Date falling on the first interest settlement date of each Mortgage Loan, after the issue date of the Mortgage Certificates, and will not be subject to the order of priority of payments provided for in section V.5.1.B).2 of the Offering Circular.

c) Description of rights in the underlying loans conferred by the certificates on the holder:

The Mortgage Certificates represent a 100 percent share in the principal, ordinary and late-payment interest of each Participated Mortgage Loan.

In accordance with article 5.8 of Act 19/1992, BANKINTER shall not bear the risk of default on the Mortgage Certificates and shall therefore have no liability whatsoever for default by the mortgagors of principal, interest or any other amount they may owe under the Participated Mortgage Loans. It will not be howsoever liable to directly or indirectly guarantee that the transaction will be properly performed, nor give any guarantees or security, nor indeed agree to repurchase the Mortgage Certificates, other than for the provisions of sections IV.1.d) and IV.1.e) below.

Specifically, the Mortgage Certificates confer the following rights in relation to each Participated Mortgage Loan:

a) to receive all loan capital or principal repayment amounts due;

b) to receive all loan ordinary interest amounts due;

c) to receive all loan late-payment interest amounts due;

d) any other amounts, assets or rights received as payment for Participated Mortgage Loan principal, interest or expenses, consisting of the knock-down price or amount determined by a court decision or notarial procedure in executing the mortgage securities, or from the sale or utilisation of properties awarded or, as a result of the executions, from the administration or interim possession of the properties in execution proceedings;

e) all possible rights or indemnities accruing for BANKINTER, including not only those derived from the insurance contracts attached to the loans which are also assigned by BANKINTER to the Fund, but also those derived from any ancillary loan right, excluding the fees established in each Participated Mortgage Loan, which shall remain for the benefit of BANKINTER.

The above-mentioned rights will all accrue for the Fund from the date of execution of the Deed of Constitution and issue of the Mortgage Certificates, with the exception of ordinary interest, which shall accrue from the last interest settlement date of each Participated Mortgage Loan, on or before the date of issue of the Mortgage Certificates.

The Fund's rights under the Mortgage Certificates are linked to payments by Participated Mortgage Loan obligors and are hence directly affected by their evolution, delays, prepayments or any other incident.

Until the date of execution of the Deed of Constitution, BANKINTER shall be the beneficiary of the damage insurance contracts taken out by the mortgagors in relation to the mortgaged properties securing the Participated Mortgage Loans, up to the insured amount, and each mortgage loan deed shall, in the event of default on the relevant premium by the insurance obligor (policyholder), authorise the mortgagee, BANKINTER, to pay the premium amount for the obligor in order that the premiums are always paid. Under the Fund Deed of Constitution, BANKINTER shall perfect the assignment attached to the issue of the Mortgage Certificates of the rights it has as the beneficiary of those property damage insurance contracts taken out by the mortgagors or any other insurance policy providing equivalent cover. As the holder of the

Mortgage Certificates, the Fund shall be entitled to any such amounts BANKINTER would have received.

Payments to the Fund of both interest and other returns on the Mortgage Certificates shall not be subject to withholding tax as established in Royal Decree 537/1997, April 14, approving the Corporation Tax Regulations.

The Fund shall bear any and all expenses or costs arising for BANKINTER derived from recovery actions in the event of a breach of obligations by the mortgagors, including taking executive action against the same.

d) Set rules for substituting Mortgage Certificates in the event of early amortisation of those initially pooled in the Fund:

a) In the event of early amortisation of the Mortgage Certificates due to loan capital prepayment, there will be no substitution of the Mortgage Certificates affected thereby.

b) In the event that it should be observed throughout the life of the Mortgage Certificates that any of them fails to conform to the conditions and characteristics given in section IV.1.a) of this Offering Circular upon the failure by the relevant Participated Mortgage Loan to so conform, BANKINTER agrees, upon the Management Company's consent, to proceed forthwith to substitute the nonconforming Mortgage Certificate, subject to the following rules:

1. BANKINTER shall advise the Management Company, on behalf of the Fund, of the existence of the nonconforming Mortgage Certificate and, to substitute the same, of the characteristics of mortgage loans proposed to be assigned by means of new mortgage certificates similarly characterised as to residual term, interest rate, outstanding principal value, and credit quality construed as the existing ratio of the outstanding principal of the certificate to the appraisal value of the property securing the participated loan, in order for the financial balance of the Fund, and indeed its rating as set out in section II.3 of this Offering Circular, to be unaffected by the substitution. Once the Management Company has checked that the substitute loan is appropriate and expressly agreed to it, BANKINTER shall proceed to cancel the affected Mortgage Certificate, rubber-stamp the certificate representing the same, and issue another or other certificates taking its stead.

2. Substitution shall be recorded in a Notarial Certificate setting forth all the particulars of both the Mortgage Certificate to be replaced and the Participated Mortgage Loan relevant thereto, and the new mortgage certificate or mortgage certificates issued, along with Participated Mortgage Loan details, and the reason for substituting and the indices determining the homogenous nature of both Mortgage Certificates as described in the paragraph next preceding, a copy of which shall be filed by the Management Company with the CNMV, the institution in charge of the Bond accounting record and the AIAF Governing Body, notifying Moody's Investors Service España, S.A.

c) Secondarily to the obligation undertaken under section b) above, if any Mortgage Certificate needs to be substituted and a new mortgage certificate cannot be issued satisfying the standards of homogeneity and suitability set in rule 1 of that section because the mortgage loans available differ from the affected Mortgage Loan to such a material extent that the financial balance of the Fund and Bondholders' rights and interests may be adversely altered, based on an informed opinion of the Management Company duly notified to BANKINTER, then the latter shall proceed to an early amortisation of the Mortgage Certificate. That early amortisation shall entail a repayment in cash to the Fund of the outstanding principal, interest accrued and not paid, and any other Mortgage Certificate amount owing to the Fund until that date and by rubber-stamping the certificate representing the same.

e) Other terms established in the issue of those certificates and in their subscription by the Fund and the system established, as the case may be, for transferring those Mortgage Certificates:

The issue price and terms for subscribing for and paying up the Mortgage Certificates and the description of the rights conferred thereby have been described above in paragraphs b) and c) of this section.

Pursuant to Mortgage Market Regulation Royal Decree 685/1982, amended by Royal Decree 1289/91, the Mortgage Certificates may be transferred by a written statement on the very certificate and, in general, by any of the means admitted by Law. Transfer of the certificate and the new holder's address shall be notified by the transferee to the issuer.

The transferor shall not be liable for the participated credit issuer's or obligor's creditworthiness, nor indeed for the sufficiency of the mortgage securing the same.

BANKINTER, as the issuer, shall keep a special book to enter the Mortgage Certificates issued on each Participated Mortgage Loan and any transfers thereof notified to it, the mortgage certificates being applied the provisions of article 53 of the above-mentioned Royal Decree in regard to registered certificates. Any changes of address notified to it by the certificate holders shall be entered in the same book.

The book shall moreover include the following particulars:

a) Participated Mortgage Loan commencement and maturity date, initial amount and settlement method.
b) Mortgage registration particulars.

f) Representation of the Mortgage Certificates and custodians or institutions in charge of keeping their accounting record in the case of book entries:

The Mortgage Certificates issued by BANKINTER shall be represented by registered unit certificates which shall contain the minimum data provided in article 64 of Royal Decree 685/1982, March 17, amended by Royal Decree 1289/1991, August 2, and specifically the registration particulars of the properties securing the Participated Mortgage Loans.

The Mortgage Certificates subscribed for by the Fund and represented by means of registered certificates shall be deposited at BANKINTER, and relations between the Fund and BANKINTER shall be governed by the Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement to be entered into between BANKINTER and the Management Company for and on behalf of the Fund. That custody shall be established for the benefit of the Fund in such a way that BANKINTER shall keep the Mortgage Certificates deposited, following the Management Company's instructions.

g) Remuneration of the institution for servicing and custody of the Participated Mortgage Loans as described in section IV.2 below:

In consideration of the servicing of the Participated Mortgage Loans and custody of the Mortgage Certificates, BANKINTER shall be entitled to receive in arrears on each Payment Date during the term of the Servicing Agreement, a subordinated servicing fee equal to 0.01% per annum, exclusive of VAT, which shall accrue on the exact number of days elapsed and on the mean daily Outstanding Balance of the Mortgage Certificates during each Determination Period. If BANKINTER should be replaced in that servicing task, because that may be done if the prevailing laws change and it is appropriate in view of the circumstances of BANKINTER which might prevent or make it difficult for servicing to be properly performed, the Management Company will be entitled to change the above percentage fee for the substitute institution by up to not more than 0.10% per annum.

If due to a shortfall of liquidity in the order of priority of payments provided for in section V.5.1.B).2 of this Offering Circular, the Fund should, through its Management Company, fail on a Payment Date to pay the full fee due, the overdue amounts shall accumulate without any penalty whatsoever on the fee payable on the following Payment Date, whereupon they shall be paid.

In addition, on each Payment Date, BANKINTER shall be entitled to a reimbursement of all Participated Mortgage Loan servicing expenses of an exceptional nature incurred, such as in relation to foreclosure, sale of properties, etc. and after first justifying the same. Those expenses will be paid whenever the Fund has sufficient liquidity and as provided for in section V.5.1.B).2 of this Offering Circular.

IV.2 Succinct and short description of the ordinary Participated Mortgage Loan servicing and custody system and procedures, focusing particularly on the set procedures relating to principal or interest arrears and default, prepayments, foreclosure and amendment or renegotiation, as the case may be, of the loans.

BANKINTER, issuer of the Mortgage Certificates to be subscribed for by the Fund, as established in article 61.3 of Royal Decree 685/1982, agrees to be the Participated Mortgage Loan custodian and servicer, and relations between BANKINTER and the Fund shall be governed by the Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement to be entered into between

BANKINTER (hereinafter the "Servicer" in connection with this Agreement) and the Management Company, for and on behalf of the Fund.

The Servicer shall continue servicing the Participated Mortgage Loans, devoting the same time and paying the same attention to them, and applying the same standard of expertise, care and effort in servicing the same as it would in servicing mortgage loans with respect to which no mortgage certificates shall have been issued, and will in any event exercise a suitable standard of expertise, care and effort in providing the services for which provision is made in said Servicing Agreement.

In any event, the Servicer waives the privileges and authorities conferred on it by law as the manager of collections for the Fund, servicer of the Participated Mortgage Loans and custodian of the relevant Mortgage Certificates, and in particular those for which provision is made in articles 1730 and 1780 of the Civil Code and 276 of the Commercial Code.

The succinct and short description of the ordinary system and procedures (hereinafter the "services") for servicing and managing the Participated Mortgage Loans governed by said Servicing Agreement are as follows:

1. **Term.**

   The services shall be provided by the Servicer until all the obligations undertaken by BANKINTER as issuer of the Participated Mortgage Loans terminate, once all the Mortgage Certificates have been amortised.

2. **Custody of deeds, documents and files.**

   The Servicer shall keep all deeds, documents and data files relating to the Participated Mortgage Loans and damage insurance policies under safe custody and shall not give up their possession, custody or control other than with the Management Company's prior written consent for it to do so, unless a document should be required to institute proceedings to execute a Participated Mortgage Loan.

   The Servicer shall allow the Management Company or the auditors of the Fund duly authorised thereby reasonable access at all times to said deeds, documents and records. Furthermore, whenever it is required to do so by the Management Company, it shall provide within two Business Days of that request and clear of expenses, a copy or photocopy of any of such deeds and documents.

3. **Collection management.**

   The Servicer shall continue managing collection of all amounts payable by the mortgagors under the Participated Mortgage Loans, and any other item including under the insurance contracts assigned to the Fund. The Servicer shall use all reasonable efforts for payments to be made by the borrowers to be collected in accordance with the terms and conditions of those Participated Mortgage Loans.

Provided that those payments are received by the Servicer, the latter shall proceed to pay them fully to the Fund within the deadlines and Collection Dates and in accordance with the set terms and conditions.

4. Fixing the interest rate.

In connection with Participated Mortgage Loans having a floating interest rate, the Servicer shall continue fixing those interest rates in accordance with the provisions of the relevant Participated Mortgage Loans, submitting relevant communications and notices as may be established in the respective agreements.

5. Extended mortgage.

If the Servicer should actually become aware at any time of a fall for any reason in the value of a mortgaged property securing a Participated Mortgage Loan in excess of the ratios permitted by law, it shall, in accordance with the provisions of articles 26 and 29 of Royal Decree 685/1982, request the borrower at issue to the extent legally required to:

i) extend the mortgage to other assets sufficient to cover the required ratio of the value of the asset to the credit secured thereby, or

ii) repay all or such portion of the loan as may be in excess of the amount resulting from applying to the current appraisal the ratio used to initially determine its amount.

If within two months of being requested to extend the mortgagor should fail to do so or repay the portion of the Participated Mortgage Loan referred to in the preceding paragraph, the mortgagor shall be deemed to have chosen to repay the Loan in full, which the Servicer shall forthwith require the mortgagor to do.

6. Mortgaged Property Damage Insurance.

The Servicer shall not do or fail to do anything which may result in cancellation of any property damage insurance policy or reduction of the amount payable in any claim thereunder. The Servicer shall use reasonable efforts and in any event exercise the rights conferred under the insurance policies or the Participated Mortgage Loans in order to keep those policies (or any other policy granting equivalent cover) in force and fully effective in relation to each Participated Mortgage Loan and the respective property subject of the participated mortgage loan.

In the event of a claim, the Servicer shall coordinate actions for collecting compensations derived from the property damage insurance policies on the terms and conditions of the Participated Mortgage Loans and the actual policies, paying the amounts received, if any, to the Fund.

7. Information.

The Servicer shall regularly communicate to the Management Company the information relating to the individual characteristics of each Participated Mortgage Loan, the borrowers' fulfilment of their obligations under the Participated Mortgage Loans, the Servicer's fulfilment of the obligation to pay the Loan amounts received on the terms provided for in the Servicing Agreement, and actions in the event of late payment and auction sale of properties.

The Servicer shall prepare and hand to the Management Company such additional information as the Management Company may reasonably request relating to the Participated Mortgage Loans or the rights attaching thereto.

8. Liabilities.

The Servicer shall be liable to indemnify the Fund or its Management Company against any damage, loss or expense incurred by them due to a breach by the Servicer of its duties to custody, service and report on the Participated Mortgage Loans.

9. Substitution of the Loan obligor.

The Servicer shall be authorised to permit substitutions in the position of the obligor under Participated Mortgage Loan agreements, exclusively where the characteristics of the new mortgagor are similar to those of the former mortgagor and those characteristics observe the policies contained in the Memorandum on Lending Policies described in section IV.3 of this Offering Circular, and further provided that the expenses derived from that change are fully borne by the mortgagors. The Management Company may fully or partially limit this authority of the Servicer or set conditions therefor, in the event that the consequences might be howsoever detrimental to the rating accorded to the Bonds by the Rating Agency.

10. Authorities and actions in relation to Participated Mortgage Loan renegotiation procedures.

The Servicer may not voluntarily cancel the mortgages underlying the Mortgage Certificates for any reason other than payment of the Participated Mortgage Loan, relinquish or settle in regard thereto, forgive the Participated Mortgage Loans in full or in part or extend the same, or in general do anything that may diminish the ranking, legal effectiveness or economic value of the mortgage or the Participated Mortgage Loans, without prejudice to its heeding requests by mortgagors using the same efforts and procedure as if they were not participated loans.

Notwithstanding the above, the Management Company may in exceptional circumstances, to avoid the costs and uncertainties attaching to any foreclosure proceedings and maintain the economic balance of the Fund, and in any event safeguarding Bondholders' interests, as the manager of third-party funds, issue instructions to or previously authorise the Servicer to agree with the obligor, on such terms and as shall be deemed fit, and further bearing in mind

Mortgage Loan Subrogation and Amendment Act 2/1994, a novation(s) modifying the Participated Mortgage Loans at issue.

Renegotiating the interest rate.

The Servicer may under no circumstance entertain on its own account and without being so requested by the obligor, interest rate renegotiations which may result in a decrease in the interest rate applicable to a Participated Mortgage Loan.

Subject to the following provisions, any renegotiation subscribed by the Servicer shall occur exclusively with the prior written consent of the Management Company, on behalf of the Fund, and the Servicer agrees to seek such consent from the Management Company as soon as it is aware that a mortgagor has requested a renegotiation. The Management Company will nevertheless initially authorise the Servicer to accept renegotiations of the interest rate applicable to the Participated Mortgage Loans, requested by the mortgagors, without the Management Company's prior consent being required, subject to a number of requirements determined under the Servicing Agreement relating to each of the Participated Mortgage Loan reference rates or benchmark indices, those indices being described in section IV.4.c) of this Offering Circular.

The Management Company may at any time during the term of the Agreement, on behalf of the Fund, cancel, suspend or change the requirements for the Servicer's authorisation to renegotiate which it may previously have given the Servicer. In any event, whether or not it was generically authorised, any Participated Mortgage Loan interest rate renegotiation shall be taken on and resolved bearing in mind the Fund's interests.

Additionally, in the event of renegotiations of the interest rate applicable to the Participated Mortgage Loans, the Servicer agrees to pay to the Fund, for each Participated Mortgage Loan in respect of which the interest was changed and on each Collection Date, the negative difference between (a) Participated Mortgage Loan interest accrued during the relevant interest settlement period, and (b) Participated Mortgage Loan interest accrued in the same settlement period applying to its principal on the settlement date a yearly nominal interest rate equal to the sum of (i) the Bond Reference Rate, as determined in section II.10.1.c), prevailing at the start of the relevant Interest Accrual Period, plus (ii) a 0.40% spread.

Extending the period of maturity.

The final maturity or final amortisation date of the Participated Mortgage Loans may be extended (hereinafter "extending the term") subject to the following rules and limitations:

(i) The servicer may in no case entertain on its own account, i.e. without it being so requested by the mortgagor, a change in the final maturity date of the Participated Mortgage Loan which may result in an extension of that date. The servicer, without encouraging an extension of the term, shall act in relation to such extension bearing in mind at all times the Fund's interests.

(ii) The aggregate of the initial capital or principal of the Mortgage Certificates with respect to which the maturity date is extended may not exceed 5.00% of the total capital or principal of the issue of Mortgage Certificates.

(iii) The term of a specific Participated Mortgage Loan may be extended provided that the following requirements are met:

a) That the Participated Mortgage Loan capital or principal repayment instalment frequency is at all events maintained or reduced, albeit keeping the same repayment system in place.

b) That the new final maturity or final amortisation date does not extend beyond December 31, 2023.

c) That there was no delay in payment of Participated Mortgage Loan amounts due during the last six (6) months before the effective date of the extension of the term.

(iv) The Management Company may at any time during the term of this agreement, on the Fund's behalf, cancel or suspend the Servicer's authorisation to extend the term.

If there should be any renegotiation of a Participated Mortgage Loan(s) or the due dates, the Servicer shall forthwith notify the Management Company of the terms resulting from each renegotiation. Such notice shall be made through the software or data file provided for the terms of the Participated Mortgage Loans to be updated. Both the public deeds and the private agreements pertaining to novation of the terms of the Participated Mortgage Loans will be kept by BANKINTER, in accordance with the provisions of section IV.2.2 of this Offering Circular.

In the event of a renegotiation of the Participated Mortgage Loans, or their due dates, consented to by the Management Company, for and on behalf of the Fund, the change in the terms shall affect the Fund in accordance with rule fifteen, section 2d), of Bank of Spain Circular 4/91, June 16.

11. Remedies of the holder of the Mortgage Certificates in the event of breach of obligations by the mortgagor.

The Servicer shall use the same efforts and procedure for claiming overdue amounts on the Participated Mortgage Loans as if they were the rest of its portfolio loans. The Servicer shall as a general rule apply for foreclosure if, for a period of six (6) months, a Participated Mortgage Loan obligor in default of payment obligations should not resume payments or the Servicer, with the Management Company's consent, should not obtain a payment undertaking satisfactory to the Fund's interests, and shall in any event forthwith proceed to apply for such foreclosure if the Management Company, on behalf of the Fund, should deem this necessary after analysing the specific circumstances of the case.

In the event of default by any mortgagor, the Management Company, acting for and on behalf of the Fund, shall have the following remedies provided for in article 66 of Royal Decree 685/1982, amended by Royal Decree 1289/1991:

(i) To demand the Servicer to apply for foreclosure.

(ii) To take part on an equal standing with BANKINTER, as issuer of the Mortgage Certificates, in the foreclosure the latter shall have instituted against the obligor, intervening to that end in any foreclosure proceedings commenced by the issuer, and to share in the proceeds of the knock-down pro rata to its percentage in the executed credit and without prejudice to BANKINTER receiving the difference between the agreed Participated Mortgage Loan interest and agreed Mortgage Certificate interest.

(iii) If BANKINTER should fail to take that action within sixty (60) calendar days of a notice served through a Notary demanding payment of the debt, the Management Company, for and on behalf of the Fund, shall be secondarily entitled to bring the foreclosure action on the participated credit in the amount of its percentage share, for both principal and interest.

(iv) In the event that the proceedings instituted by BANKINTER should come to a standstill, the Fund, duly represented by the Management Company, may be substituted in the former's position and continue the foreclosure proceedings, without the above period having to elapse.

In the events provided for in paragraphs (iii) and (iv), the Management Company may, for and on behalf of the Fund, apply to the Judge or Notary with jurisdiction to commence or continue with the respective foreclosure proceedings, attaching to the application the original Mortgage Certificate, the notice served though a Notary Public provided in section (iii) above and an office certificate as to the registration and subsistence of the mortgage.

If this should be required by law, and for the purposes of article 131 of the Mortgage Act, BANKINTER shall confer in the Deed of Constitution an irrevocable and as extensive and sufficient a power of attorney as may be required by Law in order that the Management Company may, for and on behalf of BANKINTER, demand through a Notary Public payment of the debt by the mortgagor under any Participated Mortgage Loan.

The Management Company may also, for and on behalf of the Fund as Mortgage Certificate holder, take part on an equal standing with BANKINTER in the foreclosure proceedings and may in this respect, on the terms for which provision is made in article 131 of the Mortgage Act, request the award of the mortgaged property to pay its credit. The Management Company shall proceed to sell the property awarded within the shortest possible space of time at arm's length.

Additionally, the Servicer will provide the Management Company with all such Participated Mortgage Loan documents as the latter may request and in particular the documents required for the Management Company to take executive legal actions, as the case may be.

12. Executive action against the Servicer.

The Management Company shall, for and on behalf of the Fund, be able to take executive action against the Servicer to claim Mortgage Certificate principal and interest falling due where the breach of the duty to pay those amounts does not result from non-payment by the Participated Mortgage Loan obligors.

Upon the Participated Mortgage Loans terminating, the Fund shall, through its Management Company, retain a right of action against the Servicer until fulfilment of its obligations.

IV.3 Succinct and short description of general mortgage lending policies and origination terms established by the institutions issuing the certificates pooled in the Fund.

IV.3.1 Succinct description of the risk analysis and mortgage lending procedures established by BANKINTER, issuer of the Mortgage Certificates.

Lending criteria: risk analysis.

Transactions are authorised by means of two approval systems:

- Automatic approvals
- Manual approvals

Automatic approvals

The automatic approval system is based on:

1. A search for the borrower's positions with the Bank proper, risk declared at the Bank of Spain's Risk Information Centre (CIRBE) and ASNEF database.

2. The borrower's repayment capacity adjusted in accordance with a number of variables (appraisal value, geographical location, age upon maturity, employment stability, term, repayment system, etc.).

Repayment capacity is analysed calculating the *Income used for loan repayment* (RDDP), defined as:

$$\mathrm{RDDP} = \mathrm{MIN}\left[\mathrm{MAX}\left[0;\, 0.8 \times (\mathrm{RN} - \mathrm{RC})\right]\ ;\ \ \mathrm{RN} \times \left(0.53 - 0.2025 \times \exp\left(\frac{-2 \times \mathrm{RN}}{10{,}000{,}000}\right)\right)\right]$$

where

RN = Net Income

RC = Compromised Income

In turn, Net Income (RN) and Compromised Income are defined as:

RN = Income from third parties + Own income + Other income

RC = [12 × (home payments + car payments + other expenses)] / No. of people

Upon finding the income used for loan repayment, it is multiplied by each of the model variable values and the maximum authorised amount is thus obtained. The value of each variable is calculated analysing past performance of the variable over the last two years, discarding most recent data, and adjusting the same to a function optimising the profitability - delinquency binomial. The normal or expected value of the function for each variable is one, considering that the closer the value of the function to one, the lower the transaction risk, and, conversely, the further the value of the function from one, the higher the transaction risk.

The functions in place are regularly reviewed, incorporating historic data from transactions refused by the automatic system and manually approved, and analysing the results obtained in different simulations based on delinquency and profitability.

Manual approvals

This system consists of authorising transactions through the Branch, Area or Organisation Loan Committees. Risk proposals are drawn up for all transactions not provided for in or refused by the automatic system. Proposals must enclose:

- the Retail Banking risks file;
- the relevant analysis sheet.

Proposals are sent to and discussed at Loan Committees empowered to do so.

In addition to the above, transactions controlled by the Authorisations system require transmission of a risk application file automated through the applications in place for that purpose. Upon the Authorisations system obtaining the relevant authorisation, the transaction is originated, and the file number covering the same is reported.

Loan Committees are empowered to approve transactions outside the automatic systems, at the following levels:

- Branch Loan Committee
- Area/Organisation Loan Committee
- Risks Division Loan Committee
- Executive Committee
- Board of Directors

IV.3.2 Statistical information on the evolution of mortgage loan portfolio amounts and number, outstanding balances, average amount, average interest and average term.

The following table gives the evolution over the last three years of the credit investment of BANKINTER, S.A. granted to finance homes, detailing the number of outstanding loans granted for such purpose, the nominal interest rate as an average percentage weighted by the outstanding principals, and the delinquency on this investment.

Date	Net residential credit investment			Doubtful	Gross	% Rate of	Suspended assets (balance)
	Loans	Balance	% Nominal Interest Rate	Assets (balance)	Credit Investment (balance)	Delinquency	
1	2	3	4	5	6	7	8
31.12.1998	59,014	578,760	4.58	1,295	580,055	0.22	408
31.12.1997	35,826	326,511	5.69	1,608	328,119	0.49	315
31.12.1996	18,834	182,052	7.60	1,902	183,954	1.03	261

Balances in ESP millions
4: Nominal interest rate weighted by the outstanding principal
5: Asset rated doubtful within the meaning of Bank of Spain Circular 4/1991
6: 3+5
7: 5/6*100
8: Suspended asset, struck off the balance sheet, in accordance with Bank of Spain Circular 4/1991

IV.4 Description of portfolios of mortgage loans used for the Mortgage Certificates pooled in the Fund.

a) Mortgage loan number and amount or outstanding balance at present.

The provisional mortgage loan portfolio which shall be the basis for issuing Mortgage Certificates comprises 12,873 mortgage loans, their outstanding principal at December 24, 1998 being ESP 120,869,501,748 (EUR 726,440,336.01).

b) Mortgage loan principal maximum, minimum and average values.

The outstanding principal balance of the mortgage loans at December 24, 1998 ranges between ESP 2,000,000 and ESP 48,855,237.

The following table gives the distribution of the outstanding balance of the mortgage loans by ESP 1,000,000 intervals.

Mortgage loan portfolio at 24.12.1998 Classification by outstanding principal balance				
Principal interval (in ESP)	Loans No.	%	Outstanding Principal (in ESP)	%
2,000,000 - 2,999,999	567	4.40	1,451,992,026	1.20
3,000,000 - 3,999,999	880	6.84	3,128,299,248	2.59
4,000,000 - 4,999,999	1,132	8.79	5,134,879,750	4.25
5,000,000 - 5,999,999	1,297	10.08	7,166,238,601	5.93
6,000,000 - 6,999,999	1,224	9.51	7,965,163,374	6.59
7,000,000 - 7,999,999	1,194	9.28	8,945,055,326	7.40
8,000,000 - 8,999,999	1,017	7.90	8,644,021,830	7.15
9,000,000 - 9,999,999	1,076	8.36	10,209,257,419	8.45
10,000,000 - 10,999,999	774	6.01	8,129,949,575	6.73

Mortgage loan portfolio at 24.12.1998
Classification by outstanding principal balance

Principal interval (in ESP)	Loans No.	Loans %	Outstanding Principal (in ESP)	%
11,000,000 - 11,999,999	665	5.17	7,638,800,871	6.32
12,000,000 - 12,999,999	519	4.03	6,479,338,538	5.36
13,000,000 - 13,999,999	424	3.29	5,719,305,488	4.73
14,000,000 - 14,999,999	426	3.31	6,152,758,163	5.09
15,000,000 - 15,999,999	291	2.26	4,509,516,187	3.73
16,000,000 - 16,999,999	228	1.77	3,758,843,654	3.11
17,000,000 - 17,999,999	206	1.60	3,601,003,876	2.98
18,000,000 - 18,999,999	169	1.31	3,123,697,976	2.58
19,000,000 - 19,999,999	176	1.37	3,418,895,758	2.83
20,000,000 - 20,999,999	76	0.59	1,559,517,067	1.29
21,000,000 - 21,999,999	70	0.54	1,501,546,041	1.24
22,000,000 - 22,999,999	64	0.50	1,436,249,113	1.19
23,000,000 - 23,999,999	64	0.50	1,501,444,861	1.24
24,000,000 - 24,999,999	78	0.61	1,904,628,745	1.58
25,000,000 - 25,999,999	33	0.26	839,534,968	0.69
26,000,000 - 26,999,999	30	0.23	794,227,882	0.66
27,000,000 - 27,999,999	31	0.24	851,469,506	0.70
28,000,000 - 28,999,999	33	0.26	942,505,486	0.78
29,000,000 - 29,999,999	34	0.26	998,120,586	0.83
30,000,000 - 30,999,999	11	0.09	336,495,018	0.28
31,000,000 - 31,999,999	11	0.09	345,297,812	0.29
32,000,000 - 32,999,999	14	0.11	453,900,644	0.38
33,000,000 - 33,999,999	11	0.09	367,763,524	0.30
34,000,000 - 34,999,999	13	0.10	446,534,480	0.37
35,000,000 - 35,999,999	3	0.02	105,532,523	0.09
36,000,000 - 36,999,999	1	0.01	36,371,695	0.03
37,000,000 - 37,999,999	7	0.05	262,882,803	0.22
38,000,000 - 38,999,999	6	0.05	229,577,959	0.19
39,000,000 - 39,999,999	3	0.02	118,164,435	0.10
40,000,000 - 40,999,999	2	0.02	81,278,307	0.07
41,000,000 - 41,999,999	1	0.01	41,061,739	0.03
42,000,000 - 42,999,999	4	0.03	169,963,348	0.14
43,000,000 - 43,999,999	2	0.02	87,317,487	0.07
44,000,000 - 44,999,999	2	0.02	89,064,275	0.07
46,000,000 - 46,999,999	1	0.01	46,531,693	0.04
48,000,000 - 48,999,999	3	0.02	145,502,091	0.12
Total Portfolio	**12,873**	**100.00**	**120,869,501,748**	**100.00**

Average principal: **9,389,381**
Minimum principal: **2,000,000**
Maximum principal: **48,855,237**

c) Actual interest rate applicable at present: mortgage loan maximum, minimum and average rates.

The provisional portfolio mortgage loans all have a floating rate. The nominal interest rates applicable to the mortgage loans at December 24, 1998 range between 3.75% and 9.50% and the average nominal interest rate weighted by the outstanding principal is 4.91%.

The following table gives mortgage loan distribution by 0.50% nominal interest rate intervals.

Mortgage loan portfolio at 24.12.1998 Classification by Nominal Interest Rates					
% Interest Rate Interval	**Loans**	**%**	**Outstanding Principal (in ESP)**	**%**	**%Interest rate***
3.50 - 3.99	16	0.12	162,396,904	0.13	3.826
4.00 - 4.49	1,539	11.96	17,239,280,440	14.26	4.319
4.50 - 4.99	5,612	43.60	54,983,081,710	45.49	4.767
5.00 - 5.49	4,630	35.97	40,322,064,973	33.36	5.191
5.50 - 5.99	982	7.63	7,568,390,163	6.26	5.641
6.00 - 6.49	87	0.68	552,181,924	0.46	6.110
6.50 - 6.99	4	0.03	16,483,664	0.01	6.589
7.50 - 7.99	1	0.01	7,252,147	0.01	7.500
8.00 - 8.49	1	0.01	14,582,189	0.01	8.000
9.50 - 9.99	1	0.01	3,787,634	0.00	9.500
Total Portfolio	**12,873**	**100.00**	**120,869,501,748**	**100.00**	
	Weighted Average:				**4.905**
	Simple Average:				**4.948**
	Minimum:				**3.750**
	Maximum:				**9.500**

* Average nominal interest rate of the interval weighted by the outstanding principal.

d) Set benchmark indices or reference rates for determining the floating nominal interest rate.

All loan interest rates are determined with reference to the following index:

(i) **1-year Mibor**: defined as the simple average of the daily interest rates at which one-year transactions have been crossed in the interbank deposit market during the business days in the relevant legal month. The daily rates are in turn the average rates weighted by the amount of same-term transactions during the day.

The following table gives mortgage loan distribution according to their applicable benchmark index.

Mortgage loan portfolio at 24.12.1998 Classification by Benchmark interest rate index					
Benchmark index	**Loans**	**%**	**Outstanding Principal (in ESP)**	**%**	**%Interest Rate***
1-year Mibor	12,873	100.00	120,869,501,748	100.00	4.905
Total Portfolio	**12,873**	**100.00**	**120,869,501,748**	**100.00**	

* Average nominal interest rate of the interval weighted by the outstanding principal.

e) Mortgage loan origination dates and first and last final maturity dates, specifying the residual life of the mortgage loans as a whole.

Origination date.

The provisional portfolio mortgage loans were originated on dates comprised between November 4, 1994 and March 31, 1998.

The following table gives mortgage loan distribution according to origination date by six-monthly intervals.

Mortgage loan portfolio at 24.12.1998 Classification by loan origination date				
Date interval	**Loans**	**%**	**Outstanding Principal (in ESP)**	**%**
01/07/1994 to 31/12/1994	35	0.27	248,603,101	0.21
01/01/1995 to 30/06/1995	142	1.10	1,191,480,598	0.99
01/07/1995 to 31/12/1995	268	2.08	2,225,634,473	1.84
01/01/1996 to 31/06/1996	956	7.43	8,303,402,675	6.87
01/07/1996 to 31/12/1996	2,104	16.34	18,336,177,668	15.17
01/01/1997 to 30/06/1997	3,297	25.61	29,795,611,030	24.65
01/07/1997 to 31/12/1997	3,846	29.88	37,402,388,640	30.94
01/01/1998 to 30/06/1998	2,225	17.28	23,366,203,563	19.33
Total Portfolio	12,873	100.00	120,869,501,748	100.00

Final Maturity Date and residual life.

The final maturity of provisional portfolio mortgage loans falls on dates comprised between February 26, 2001 and December 31, 2023.

Loans are repaid throughout the term remaining until full repayment, during which period mortgagors must pay monthly instalments comprising capital repayment and interest.

Mortgagors may prepay all or part of the outstanding capital at any time during the loan term, in which case interest will cease to accrue on the part prepaid as of the repayment date.

These extraordinary repayments, together with ordinary repayments, are transferred to Bondholders six-monthly, as provided for in section II.11.3.2, and therefore the average life and the duration of the Bonds shall largely depend on the actual performance of Participated Mortgage Loan portfolio prepayments.

The following table gives mortgage loan distribution according to final maturity date by six-monthly intervals.

Mortgage loan portfolio at 24.12.1998 Classification by Final Maturity Date

Date interval	Loans	%	Outstanding Principal (in ESP)	%	Residual Life* Months	Date
01/01/2001 – 30/06/2001	16	0.12	67,050,877	0.06	29	10/05/2001
01/07/2001 – 31/12/2001	46	0.36	218,405,258	0.18	34	11/10/2001
01/01/2002 – 30/06/2002	55	0.43	217,131,227	0.18	40	14/04/2002
01/07/2002 – 31/12/2002	49	0.38	240,875,054	0.20	45	8/10/2002
01/01/2003 – 30/06/2003	59	0.46	289,132,131	0.24	51	18/03/2003
01/07/2003 – 31/12/2003	56	0.44	241,500,937	0.20	57	26/09/2003
01/01/2004 – 30/06/2004	64	0.50	357,797,516	0.30	63	7/04/2004
01/07/2004 – 31/12/2004	116	0.90	637,703,022	0.53	69	8/10/2004
01/01/2005 – 30/06/2005	117	0.91	674,047,285	0.56	76	10/04/2005
01/07/2005 – 31/12/2005	136	1.06	788,776,121	0.65	81	2/10/2005
01/01/2006 – 30/06/2006	190	1.48	1,197,113,209	0.99	88	19/04/2006
01/07/2006 – 31/12/2006	300	2.33	1,958,363,962	1.62	93	6/10/2006
01/01/2007 – 30/06/2007	446	3.46	2,934,945,081	2.43	100	12/04/2007
01/07/2007 – 31/12/2007	524	4.07	3,621,069,142	3.00	105	2/10/2007
01/01/2008 – 30/06/2008	356	2.77	2,704,546,508	2.24	111	14/03/2008
01/07/2008 – 31/12/2008	202	1.57	1,519,172,370	1.26	117	2/10/2008
01/01/2009 – 30/06/2009	253	1.97	1,974,910,828	1.63	123	30/03/2009
01/07/2009 – 31/12/2009	303	2.35	2,478,856,621	2.05	129	6/10/2009
01/01/2010 – 30/06/2010	283	2.20	2,686,292,153	2.22	135	12/03/2010
01/07/2010 – 31/12/2010	191	1.48	1,767,139,904	1.46	141	27/09/2010
01/01/2011 – 30/06/2011	472	3.67	4,312,756,893	3.57	148	3/05/2011
01/07/2011 – 31/12/2011	833	6.47	7,135,713,568	5.90	153	3/10/2011
01/01/2012 – 30/06/2012	1,153	8.96	10,242,358,811	8.47	159	31/03/2012
01/07/2012 – 31/12/2012	1,252	9.73	11,562,813,347	9.57	165	5/10/2012
01/01/2013 – 30/06/2013	718	5.58	7,136,329,996	5.90	170	19/02/2013
01/07/2013 – 31/12/2013	55	0.43	608,228,893	0.50	177	8/10/2013
01/01/2014 – 30/06/2014	45	0.35	586,373,311	0.49	184	21/04/2014
01/07/2014 – 31/12/2014	46	0.36	529,795,078	0.44	189	3/10/2014
01/01/2015 – 30/06/2015	84	0.65	928,318,081	0.77	195	1/04/2015
01/07/2015 – 31/12/2015	85	0.66	982,593,658	0.81	201	18/09/2015
01/01/2016 – 30/06/2016	240	1.86	2,598,439,836	2.15	208	1/05/2016
01/07/2016 – 31/12/2016	489	3.80	5,042,902,011	4.17	213	7/10/2016
01/01/2017 – 30/06/2017	805	6.25	8,763,281,943	7.25	220	10/04/2017
01/07/2017 – 31/12/2017	940	7.30	10,439,444,368	8.64	226	10/10/2017
01/01/2018 – 30/06/2018	570	4.43	6,906,076,255	5.71	230	19/02/2018
01/07/2018 – 31/12/2018	11	0.09	142,967,671	0.12	237	4/10/2018
01/01/2019 – 30/06/2019	12	0.09	127,061,800	0.11	242	26/02/2019
01/07/2019 – 31/12/2019	19	0.15	234,182,767	0.19	250	9/10/2019
01/01/2020 – 30/06/2020	22	0.17	266,437,984	0.22	255	15/03/2020
01/07/2020 – 31/12/2020	28	0.22	299,124,697	0.25	261	8/10/2020
01/01//2021 – 30/06/2021	43	0.33	509,422,421	0.42	268	25/04/2021
01/07/2021 – 31/12/2021	117	0.91	1,482,830,890	1.23	274	22/10/2021
01/01/2022 – 30/06/2022	289	2.25	3,396,804,296	2.81	280	15/04/2022
01/07/2022 – 31/12/2022	462	3.59	6,019,974,461	4.98	286	15/10/2022
01/01/2023 – 30/06/2023	318	2.47	3,996,441,913	3.31	290	21/02/2023
01/07/2023 – 31/12/2023	3	0.02	43,997,593	0.04	300	16/12/2023
Total portfolio	12,873	100.00	120,869,501,748	100.00		
		Weighted Average:			**183**	**8/04/2014**

Mortgage loan portfolio at 24.12.1998 Classification by Final Maturity Date						
Date interval	Loans		Outstanding Principal (in ESP)		Residual Life*	
		%		%	Months	Date
	Simple Average:				171	2/04/2013
	Minimum:				126	26/02/2001
	Maximum:				300	31/12/2023

* Residual life (months and date) lists averages weighted by the outstanding principal.

f) Specification of the maximum, minimum and average value of the ratio: "current loan-to-value".

The ratio of the outstanding principal amount to the appraisal value of the home securing the provisional portfolio mortgage loans at December 24, 1998 ranged between 3.46% and 79.66%, the average ratio weighted by the outstanding principal of each loan being 57.23%.

The following table gives mortgage loan distribution according to 5.00% intervals of such ratio.

Mortgage loan portfolio at 24.12.1998 Classification by Loan-to-Value Ratio					
Ratio Intervals	Loans		Outstanding Principal (in ESP)		Loan-to-Value
		%		%	Ratio
0.01 - 5.00	2	0.02	5,074,861	0.01	4.27
5.01 - 10.00	64	0.50	214,942,868	0.18	8.46
10.01 - 15.00	180	1.40	726,197,135	0.60	13.01
15.01 - 20.00	311	2.42	1,445,700,250	1.20	17.94
20.01 - 25.00	490	3.81	2,686,437,909	2.22	22.69
25.01 - 30.00	607	4.72	3,682,665,132	3.05	27.56
30.01 - 35.00	724	5.62	4,917,727,853	4.07	32.59
35.01 - 40.00	788	6.12	6,044,988,176	5.00	37.56
40.01 - 45.00	887	6.89	7,408,072,789	6.13	42.48
45.01 - 50.00	1,071	8.32	9,614,589,689	7.95	47.56
50.01 - 55.00	1,139	8.85	10,896,191,538	9.01	52.65
55.01 - 60.00	1,203	9.35	12,309,927,429	10.18	57.53
60.01 - 65.00	1,358	10.55	14,148,739,347	11.71	62.62
65.01 - 70.00	1,338	10.39	14,843,402,817	12.28	67.51
70.01 - 75.00	1,377	10.70	16,221,800,245	13.42	72.52
75.01 - 80.00	1,334	10.36	15,703,043,710	12.99	77.23
Total Portfolio	**12,873**	**100.00**	**120,869,501,748**	**100.00**	
	Weighted Average:				**57.23**
	Simple Average:				**53.23**
	Minimum:				**3.46**
	Maximum:				**79.66**

Mortgage loan portfolio at 24.12.1998 Classification by Loan-to-Value Ratio					
Ratio Intervals	**Loans**	**%**	**Outstanding Principal (in ESP)**	**%**	**Loan-to-Value Ratio**
* Loan-to-Value ratio lists averages weighted by the outstanding principal.					

g) Specification of geographical distribution by provinces of the current mortgage loan amount.

The following table gives the geographical distribution of the mortgage loans, according to the provinces in which the homes securing the same are located.

The table also contains loan number and outstanding principal, the weighted average outstanding loan-to-value ratio for loans with security located in each province.

Mortgage loan portfolio at 24.12.1998 Geographic Classification						
		Loans	**%**	**Outstanding Principal (in ESP)**	**%**	**Loan-to-Value**
04	Almería	72	0.56	498,223,113	0.41	54.82
11	Cádiz	412	3.20	2,944,367,224	2.44	62.35
14	Córdoba	179	1.39	1,441,288,821	1.19	59.47
18	Granada	176	1.37	1,437,723,909	1.19	54.94
21	Huelva	105	0.82	755,867,689	0.63	58.64
23	Jaén	18	0.14	140,125,155	0.12	60.04
29	Málaga	411	3.19	3,013,763,315	2.49	61.70
41	Seville	360	2.80	3,125,924,128	2.59	57.72
	Andalusia	**1,733**	**13.46**	**13,357,283,354**	**11.05**	**59.50**
22	Huesca	29	0.23	191,667,349	0.16	57.67
44	Teruel	7	0.05	70,447,775	0.06	57.59
50	Zaragoza	267	2.07	2,410,964,745	1.99	55.11
	Aragón	**303**	**2.35**	**2,673,079,869**	**2.21**	**55.36**
33	Asturies	419	3.25	3,489,132,078	2.89	58.71
	Asturies	**419**	**3.25**	**3,489,132,078**	**2.89**	**58.71**
07	Balearic Isles	183	1.42	1,630,323,689	1.35	59.54
	Balearic Isles	**183**	**1.42**	**1,630,323,689**	**1.35**	**59.54**
35	Las Palmas	354	2.75	3,123,455,284	2.58	59.91
38	Sta. Cruz Tenerife	315	2.45	2,844,085,308	2.35	57.68
	Canary Islands	**669**	**5.20**	**5,967,540,592**	**4.94**	**58.85**

Mortgage loan portfolio at 24.12.1998 Geographic Classification						
		Loans	%	Outstanding Principal (in ESP)	%	Loan-to-Value
39	Cantabria	366	2.84	3,005,633,920	2.49	56.55
	Cantabria	**366**	**2.84**	**3,005,633,920**	**2.49**	**56.55**
08	Barcelona	1,360	10.56	14,340,037,031	11.86	56.93
17	Gerona	134	1.04	1,226,170,058	1.01	56.76
25	Lérida	5	0.04	49,543,188	0.04	62.21
43	Tarragona	72	0.56	596,071,573	0.49	56.00
	Catalonia	**1,571**	**12.20**	**16,211,821,850**	**13.41**	**56.90**
01	Álava	37	0.29	489,650,819	0.41	60.02
20	Guipúzcoa	481	3.74	4,706,754,179	3.89	55.18
48	Biscay	317	2.46	3,062,366,109	2.53	54.49
	Basque Country	**835**	**6.49**	**8,258,771,107**	**6.83**	**55.21**
06	Badajoz	85	0.66	569,939,550	0.47	56.87
10	Cáceres	24	0.19	253,913,657	0.21	64.92
	Extremadura	**109**	**0.85**	**823,853,207**	**0.68**	**59.35**
15	Corunna	239	1.86	2,222,299,964	1.84	55.99
27	Lugo	34	0.26	268,347,197	0.22	59.25
32	Orense	24	0.19	229,808,747	0.19	55.64
36	Pontevedra	156	1.21	1,417,243,206	1.17	59.73
	Galicia	**453**	**3.52**	**4,137,699,114**	**3.42**	**57.46**
05	Ávila	34	0.26	312,164,072	0.26	61.37
09	Burgos	136	1.06	1,441,368,861	1.19	60.72
24	León	259	2.01	2,160,665,107	1.79	58.86
34	Palencia	38	0.30	343,477,082	0.28	60.16
37	Salamanca	119	0.92	1,028,316,788	0.85	55.69
40	Segovia	71	0.55	664,017,364	0.55	53.68
42	Soria	23	0.18	208,140,460	0.17	57.63
47	Valladolid	153	1.19	1,385,833,516	1.15	54.79
49	Zamora	39	0.30	315,860,340	0.26	56.67
	Castile-León	**872**	**6.77**	**7,859,843,590**	**6.50**	**57.67**
28	Madrid	3,784	29.39	41,908,695,143	34.67	56.03
	Madrid	**3,784**	**29.39**	**41,908,695,143**	**34.67**	**56.03**
02	Albacete	55	0.43	391,440,200	0.32	54.32
13	Ciudad Real	59	0.46	437,019,675	0.36	59.92
16	Cuenca	39	0.30	306,654,264	0.25	58.40
19	Guadalajara	24	0.19	238,379,942	0.20	63.53
45	Toledo	84	0.65	667,481,614	0.55	61.71
	Castile La Mancha	**261**	**2.03**	**2,040,975,695**	**1.69**	**59.63**
30	Murcia	245	1.90	1,766,186,232	1.46	58.13
	Murcia	**245**	**1.90**	**1,766,186,232**	**1.46**	**58.13**
31	Navarre	48	0.37	550,692,947	0.46	54.94
	Navarre	**48**	**0.37**	**550,692,947**	**0.46**	**54.94**
26	La Rioja	92	0.71	809,185,014	0.67	53.78
	La Rioja	**92**	**0.71**	**809,185,014**	**0.67**	**53.78**
03	Alicante	430	3.34	2,807,677,502	2.32	60.51
12	Castellón	122	0.95	838,560,185	0.69	59.60
46	Valencia	378	2.94	2,732,546,660	2.26	61.46
	Valencian Community	**930**	**7.22**	**6,378,784,347**	**5.28**	**60.79**

Mortgage loan portfolio at 24.12.1998 Geographic Classification					
	Loans	%	Outstanding Principal (in ESP)	%	Loan-to-Value
Total Portfolio	**12,873**	**100.00**	**120,869,501,748**	**100.00**	

*Outstanding Loan-to-Value ratio lists averages weighted by the outstanding principal.

h) Specification as to whether there are delays in collecting mortgage loan principal or interest instalments and, if so, current principal amount of loans that are more than 30, 60 and 90 days overdue.

All the provisional portfolio loans were in good standing in respect of payment of loan amounts due at December 24, 1998.

BANKINTER has declared in section IV.1.a) (18) that none of the Participated Mortgage Loans that will finally be used to issue the Mortgage Certificates for establishing the Fund shall have overdue payments on the issue date.

i) Specification of the current amount of mortgage loans considered by the issuer of the Mortgage Certificates to be assets with a 50% weighting, within the meaning of the Order dated December 30, 1992 on Credit Institution solvency rules.

The provisional portfolio mortgage loans are all considered by BANKINTER to be risk assets with a 50% weighting in the solvency ratio Credit Institutions must have for the purposes provided in the Order dated December 30, 1992.

CHAPTER V

INFORMATION ON THE ECONOMIC AND FINANCIAL OPERATION OF THE MORTGAGE SECURITISATION FUND

V.1 Synoptic chart describing the various assumptions and most likely estimated performance of the economic and financial flows of the Fund.

V.1.1 Assumptions made in relation to the main or most likely rates of such factors as early amortisation, late payments, delinquencies and defaults, with respect to the Mortgage Certificates pooled in the Fund.

The tables given in section V.1.3 below refer to one of the possible Fund income and payments scenarios that could arise during the term of the Fund and this Bond issue.

The following assumptions have been made in preparing said Bond servicing and Fund cash flow tables:

a) Participated Mortgage Loans.

(i) Size of the portfolio at December 24, 1998 from which loans will be taken for the Mortgage Certificates to be issued: ESP 120,869,501,748 (EUR 726,440,336.01).

(ii) Interest rate: the weighted average interest rate of the Participated Mortgage Loans at April 20, 1999 was 4.487% per annum, and this has therefore been taken to calculate the Fund income flows.

(iii) CPR: 10% per annum.

(iv) Delinquency rate: 0% per annum.

(v) Defaults: 0%.

b) Mortgage Certificates.

(i) Principal: 100% share.

(ii) Interest: share calculated on the same interest rate applicable to a Participated Mortgage Loan.

c) Bonds.

(i) Size: EUR 577,800,000 (ESP 96,137,830,800) for Series A Bonds and EUR 22,200,000 (ESP 3,693,769,200) for Series B Bonds.

(ii) Interest rate: floating interest rate for the outstanding balances of each Bond Series A and B, assuming that the interest rates in each Series remain constant respectively at 2.9159% and 3.1694%.

(iii) Exercise by the issuer of the Early Amortisation option of the Bonds in all Series when the Outstanding Balance of the Mortgage Certificates is less than 10% of their initial amount.

d) Ancillary agreements.

(i) Guaranteed Interest Rate Deposit Agreement. Treasury Account.

The assumption is that the rating of BANKINTER's short-term debt obligations shall at no time be downgraded below P-1 by Moody's Investors Service Limited and, therefore, that the Treasury Account shall remain at BANKINTER.

Interest rate: 2.6625% for all amounts credited to the Treasury Account.

(ii) Loan Agreement.

- Amount: EUR 918,825 (ESP 152,879,616) which shall be allocated to financing the Fund establishment and Bond Issue expenses (approximately EUR 912,815.75 - ESP 151,879,761), and to partly financing subscription for the Mortgage Certificates.

- Interest rate: 3.626%.

- Repayment: the portion of the Loan designed to finance the Fund establishment and Bond issue expenses shall be repaid six-monthly during the first (1) year from the establishment of the Fund. The remaining loan principal shall be repaid on the first Payment Date.

(iii) Subordinated Credit Agreement.

The assumption is that the rating of BANKINTER's short-term debt obligations shall at no time be downgraded below P-1 by Moody's Investors Service Limited and, therefore, that there shall be no need to draw down the Maximum Credit Amount.

Interest rate: 3.626%.

e) Fees and margin.

(i) Loan Servicing Fee: 0.01% per annum on the mean daily Outstanding Balance of the Mortgage Certificates during each Determination Period for the then-current Payment Date, exclusive of VAT.

(ii) Financial Intermediation Margin: variable amount settled six-monthly on each Payment Date and accruing annually at a sum equal to the positive difference, if any, between the Fund income and expenditure before its official accounts are closed.

f) Current expenses, including:

(i) Management Company Fee: 0.0235% per annum on the sum of the Outstanding Principal Balances of both Bond Series A and B, with a minimum annual amount of EUR 21,035.00 (ESP 3,499,930).

(ii) Expenses of annual Audits of the Fund and publication of notices.

(iii) Bond Paying Agent Fees.

V.1.2 Analysis of and comments on how potential changes in the assumptions described in the preceding point would impact the financial balance of the Fund.

Firstly, in order to cover the potential interest rate risk that would derive from the existing difference between the reference rates applicable to the Mortgage Certificates, on the one hand, and the Bonds, on the other, the Fund has been provided with an excess margin by assigning all the Participated Mortgage Loan interest.

On the other hand, in order to cover the potential risk of a renegotiated downscaling of the nominal interest rate applicable to certain Participated Mortgage Loans, the Management Company may set requirements or limits to such renegotiations, in addition to BANKINTER'S commitment that there will be a minimum return on the Participated Mortgage Loans, as described in section IV.2.10 of this Offering Circular.

Otherwise, the Mortgage Certificate quality and mechanisms in place securing the aforesaid financial balance of the Fund are such that no extreme early amortisation, or delinquency and default rates should reasonably be considered resulting, upon both the early amortisation risk and the risk of delinquency on the loans being properly transferred, in the financial structure of the Fund being imbalanced.

As for how Participated Mortgage Loan prepayment could affect the Bonds, section II.12.b) of this Offering Circular contains a performance table giving the average life and duration of the Bonds for different effective constant annual early amortisation or prepayment rates (CPR).

V.1.3 Number outline of the Fund cash flows.

The number outline given hereinafter refers to collections and payments derived from the application of a cash policy, for an easier understanding by the investor, although in accordance with the provisions of section V.2 of this Offering Circular, the Fund will apportion income and expenditure over time based on the accruals principle.

Said outline is based not only on the assumptions referred to in section V.1.1 above but also on those assumptions remaining constant throughout the life of the Fund, whereas it is well-known that the affected variables, particularly interest rates of the Bonds in both Series, and actual Prepayment Rates of the Participated Mortgage Loans underlying the Mortgage Certificates, are subject to continual changes.

Now, therefore, the value of that number outline is merely illustrative.

FUND CASH FLOWS
(AMOUNTS IN EUR)
COLLECTIONS

12-May-1999 600,000,000.00 Bond Issue (MBS)
912,815.75 Loan

Subordinated Credit Limit (0)	MC Outstanding Balance (1)	Date (2)	MC Principal Repayment (3)	MC Net Interest (4)	Treasury Acc. Investment Interest (5)	Subordinated Credit Drawdown (6)	Total (7)
16,500,000.00	558,104,989.50	22-Oct-1999	41,895,010.50	10,104,833.40	294,401.27	0.00	**52,294,245.17**
16,500,000.00	513,615,570.17	22-Apr-2000	44,489,419.32	12,057,018.93	371,668.93	0.00	**56,918,107.19**
16,500,000.00	471,888,743.79	22-Oct-2000	41,726,826.39	11,089,562.39	347,880.81	0.00	**53,164,269.59**
16,500,000.00	432,893,628.88	22-Apr-2001	38,995,114.91	10,180,999.61	321,157.14	0.00	**49,497,271.65**
16,500,000.00	396,283,830.51	22-Oct-2001	36,609,798.37	9,332,819.58	302,843.67	0.00	**46,245,461.61**
16,500,000.00	362,228,574.74	22-Apr-2002	34,055,255.78	8,537,205.25	278,376.62	0.00	**42,870,837.64**
16,500,000.00	330,365,826.81	22-Oct-2002	31,862,747.92	7,797,648.54	261,542.32	0.00	**39,921,938.78**
16,500,000.00	300,749,605.07	22-Apr-2003	29,616,221.74	7,105,433.88	240,091.98	0.00	**36,961,747.61**
15,018,742.59	273,068,047.07	22-Oct-2003	27,681,558.00	6,462,608.36	225,221.58	0.00	**34,369,387.94**
15,018,742.59	247,263,123.56	22-Apr-2004	25,804,923.51	5,860,823.71	208,482.49	0.00	**31,874,229.70**
12,278,808.30	223,251,060.01	22-Oct-2004	24,012,063.55	5,301,287.44	193,532.10	0.00	**29,506,883.09**
11,056,555.19	201,028,276.17	22-Apr-2005	22,222,783.84	4,780,594.69	176,748.95	0.00	**27,180,127.48**
9,920,580.04	180,374,182.53	22-Oct-2005	20,654,093.64	4,299,175.99	164,889.63	0.00	**25,118,159.27**
8,871,950.81	161,308,196.50	22-Apr-2006	19,065,986.03	3,851,894.09	150,078.33	0.00	**23,067,958.45**
7,903,007.26	143,691,041.03	22-Oct-2006	17,617,155.47	3,439,532.31	139,382.44	0.00	**21,196,070.22**
7,019,435.53	127,626,100.48	22-Apr-2007	16,064,940.55	3,059,799.15	125,538.02	0.00	**19,250,277.71**
6,218,100.82	113,056,378.52	22-Oct-2007	14,569,721.96	2,714,831.32	114,775.86	0.00	**17,399,329.15**
5,498,059.22	99,964,713.13	22-Apr-2008	13,091,665.39	2,402,850.87	102,675.14	0.00	**15,597,191.41**
4,846,131.24	88,111,477.01	22-Oct-2008	11,853,236.12	2,122,674.12	92,520.77	0.00	**14,068,431.01**
4,249,629.22	77,265,985.88	22-Apr-2009	10,845,491.13	1,866,904.83	83,409.39	0.00	**12,795,805.34**
3,704,415.48	67,353,008.75	22-Oct-2009	9,912,977.13	1,633,485.88	76,536.99	0.00	**11,623,000.00**
0.00	0.00	22-Apr-2010	67,353,008.75	1,420,378.80	68,375.76	0.00	**68,841,763.31**
			600,000,000.00	**125,422,363.14**	**4,340,130.20**	**0.00**	**729,762,493.34**

FUND CASH FLOWS

(AMOUNTS IN EUR)

PAYMENTS

600,000,000.00 **Mortgage Certificate (MC) acquisition payment**

912,815.75 **Establishment and Issue Expenses**

Current Expenses (8)	MBS Interest (9)	MBS Principal Repayment (10)	Subordinated Credit & Loan Interest (11)	Subordinated Credit & Loan Repayment (12)	MBS Servicing Fee (13)	Financial Intermediation Margin (14)	Total (15)
65,242.26	7,838,146.17	41,895,010.50	15,170.24	456,407.88	30,324.61	1,993,943.52	**52,294,245.17**
77,570.73	8,187,400.14	44,489,419.32	8,412.59	456,407.88	31,112.69	3,667,783.84	**56,918,107.19**
62,017.70	7,536,989.57	41,726,826.39	0.00	0.00	28,611.50	3,809,824.43	**53,164,269.59**
68,420.87	6,889,114.30	38,995,114.91	0.00	0.00	26,119.36	3,518,502.21	**49,497,271.65**
52,506.89	6,356,879.69	36,609,798.37	0.00	0.00	24,070.40	3,202,206.28	**46,245,461.61**
59,594.80	5,789,852.42	34,055,255.78	0.00	0.00	21,894.37	2,944,240.29	**42,870,837.64**
44,181.00	5,323,795.90	31,862,747.92	0.00	0.00	20,103.67	2,671,110.30	**39,921,938.78**
51,930.73	4,831,433.90	29,616,221.74	0.00	0.00	18,215.24	2,443,946.00	**36,961,747.61**
36,937.43	4,425,007.55	27,681,558.00	0.00	0.00	16,654.38	2,209,230.59	**34,369,387.94**
45,480.57	4,016,016.00	25,804,923.51	0.00	0.00	15,099.48	1,992,710.14	**31,874,229.70**
30,635.55	3,636,502.59	24,012,063.55	0.00	0.00	13,653.95	1,814,027.45	**29,506,883.09**
39,570.26	3,265,414.96	22,222,783.84	0.00	0.00	12,242.05	1,640,116.37	**27,180,127.48**
25,188.07	2,956,525.97	20,654,093.64	0.00	0.00	11,066.08	1,471,285.51	**25,118,159.27**
34,673.24	2,638,269.91	19,065,986.03	0.00	0.00	9,857.14	1,319,172.13	**23,067,958.45**
20,508.17	2,372,362.15	17,617,155.47	0.00	0.00	8,847.03	1,177,197.40	**21,196,070.22**
30,521.05	2,101,718.46	16,064,940.55	0.00	0.00	7,824.79	1,045,272.86	**19,250,277.71**
16,539.68	1,876,999.04	14,569,721.96	0.00	0.00	6,979.07	929,089.40	**17,399,329.15**
27,170.67	1,662,721.91	13,091,665.39	0.00	0.00	6,175.95	809,457.48	**15,597,191.41**
14,071.92	1,470,182.59	11,853,236.12	0.00	0.00	5,454.28	725,486.10	**14,068,431.01**
26,646.14	1,288,775.67	10,845,491.13	0.00	0.00	4,768.33	630,124.07	**12,795,805.34**
14,323.30	1,137,211.58	9,912,977.13	0.00	0.00	4,192.66	554,295.33	**11,623,000.00**
20,864.37	986,867.02	67,353,008.75	0.00	0.00	3,623.59	477,399.59	**68,841,763.31**
864,595.38	**86,588,187.49**	**600,000,000.00**	**23,582.82**	**912,815.75**	**326,890.62**	**41,046,421.28**	**729,762,493.34**

FUND CASH FLOWS
(AMOUNTS IN ESP)
COLLECTIONS

12-May-1999 99,831,600,000 Bond Issue (MBS)
EUR 1 = ESP 166.386 151,879,761 Loan

Subordinated Credit Limit (0)	MC Outstanding Balance (1)	Date (2)	MC Principal Repayment (3)	MC Net Interest (4)	Treasury Acc. Investment Interest (5)	Subordinated Credit Drawdown (6)	Total (7)
2,745,369,000	92,860,856,783	22-Oct-1999	6,970,743,217	1,681,302,810	48,984,250	0	**8,701,030,277**
2,745,369,000	85,458,440,258	22-Apr-2000	7,402,416,523	2,006,119,152	61,840,507	0	**9,470,376,183**
2,745,369,000	78,515,680,524	22-Oct-2000	6,942,759,736	1,845,147,928	57,882,496	0	**8,845,790,160**
2,745,369,000	72,027,439,335	22-Apr-2001	6,488,241,189	1,693,975,801	53,436,052	0	**8,235,653,041**
2,745,369,000	65,936,081,423	22-Oct-2001	6,091,357,912	1,552,850,519	50,388,947	0	**7,694,597,375**
2,745,369,000	60,269,763,637	22-Apr-2002	5,666,317,788	1,420,471,433	46,317,972	0	**7,133,107,192**
2,745,369,000	54,968,248,460	22-Oct-2002	5,301,515,175	1,297,419,550	43,516,980	0	**6,642,451,706**
2,745,369,000	50,040,523,789	22-Apr-2003	4,927,724,670	1,182,244,722	39,947,944	0	**6,149,917,338**
2,498,908,505	45,434,700,080	22-Oct-2003	4,605,823,709	1,075,287,555	37,473,718	0	**5,718,584,982**
2,498,908,505	41,141,122,077	22-Apr-2004	4,293,578,003	975,159,014	34,688,568	0	**5,303,425,583**
2,043,021,798	37,145,850,871	22-Oct-2004	3,995,271,206	882,060,012	32,201,032	0	**4,909,532,250**
1,839,655,992	33,448,290,759	22-Apr-2005	3,697,560,112	795,424,028	29,408,551	0	**4,522,392,691**
1,650,645,631	30,011,738,734	22-Oct-2005	3,436,552,024	715,322,696	27,435,326	0	**4,179,310,048**
1,476,168,407	26,839,425,583	22-Apr-2006	3,172,313,152	640,901,250	24,970,933	0	**3,838,185,335**
1,314,949,766	23,908,177,553	22-Oct-2006	2,931,248,030	572,290,023	23,191,287	0	**3,526,729,340**
1,167,935,800	21,235,196,354	22-Apr-2007	2,672,981,198	509,107,741	20,887,769	0	**3,202,976,707**
1,034,604,923	18,810,998,596	22-Oct-2007	2,424,197,758	451,709,924	19,097,096	0	**2,895,004,780**
914,800,081	16,632,728,759	22-Apr-2008	2,178,269,838	399,800,745	17,083,706	0	**2,595,154,290**
806,328,392	14,660,516,214	22-Oct-2008	1,972,212,545	353,183,256	15,394,161	0	**2,340,789,962**
707,078,807	12,855,978,327	22-Apr-2009	1,804,537,887	310,626,827	13,878,155	0	**2,129,042,867**
616,362,874	11,206,597,714	22-Oct-2009	1,649,380,613	271,789,182	12,734,684	0	**1,933,904,478**
0	0	22-Apr-2010	11,206,597,714	236,331,147	11,376,769	0	**11,454,305,630**
			99,831,600,000	**20,868,525,313**	**722,136,903**	**0**	**121,422,262,217**

FUND CASH FLOWS

(AMOUNTS IN ESP)

PAYMENTS

99,831,600,000 **Mortgage Certificate (MC) acquisition payment**

EUR 1 = ESP 166.386 **151,879,761** **Establishment and Issue Expenses**

Current Expenses (8)	MBS Interest (9)	MBS Principal Repayment (10)	Subordinated Credit & Loan Interest (11)	Subordinated Credit & Loan Repayment (12)	MBS Servicing Fee (13)	Financial Intermediation Margin (14)	Total (15)
10,855,399	1,304,157,789	6,970,743,217	2,524,116	75,939,882	5,045,591	331,764,287	**8,701,030,277**
12,906,683	1,362,268,760	7,402,416,523	1,399,737	75,939,882	5,176,716	610,267,882	**9,470,376,183**
10,318,877	1,254,049,547	6,942,759,736	0	0	4,760,553	633,901,448	**8,845,790,160**
11,384,275	1,146,252,172	6,488,241,189	0	0	4,345,896	585,429,509	**8,235,653,041**
8,736,411	1,057,695,784	6,091,357,912	0	0	4,004,978	532,802,294	**7,694,597,375**
9,915,740	963,350,385	5,666,317,788	0	0	3,642,917	489,880,365	**7,133,107,192**
7,351,100	885,805,105	5,301,515,175	0	0	3,344,969	444,435,358	**6,642,451,706**
8,640,546	803,882,961	4,927,724,670	0	0	3,030,761	406,638,399	**6,149,917,338**
6,145,871	736,259,306	4,605,823,709	0	0	2,771,056	367,585,041	**5,718,584,982**
7,567,330	668,208,838	4,293,578,003	0	0	2,512,342	331,559,069	**5,303,425,583**
5,097,327	605,063,120	3,995,271,206	0	0	2,271,826	301,828,771	**4,909,532,250**
6,583,937	543,319,334	3,697,560,112	0	0	2,036,906	272,892,402	**4,522,392,691**
4,190,942	491,924,530	3,436,552,024	0	0	1,841,241	244,801,311	**4,179,310,048**
5,769,142	438,971,177	3,172,313,152	0	0	1,640,090	219,491,774	**3,838,185,335**
3,412,272	394,727,849	2,931,248,030	0	0	1,472,022	195,869,167	**3,526,729,340**
5,078,275	349,696,528	2,672,981,198	0	0	1,301,936	173,918,770	**3,202,976,707**
2,751,971	312,306,362	2,424,197,758	0	0	1,161,220	154,587,469	**2,895,004,780**
4,520,819	276,653,648	2,178,269,838	0	0	1,027,592	134,682,392	**2,595,154,290**
2,341,370	244,617,800	1,972,212,545	0	0	907,516	120,710,730	**2,340,789,962**
4,433,545	214,434,229	1,804,537,887	0	0	793,383	104,843,824	**2,129,042,867**
2,383,197	189,216,086	1,649,380,613	0	0	697,600	92,226,983	**1,933,904,478**
3,471,539	164,200,856	11,206,597,714	0	0	602,915	79,432,608	**11,454,305,630**
143,856,567	**14,407,062,164**	**99,831,600,000**	**3,923,851**	**151,879,761**	**54,390,023**	**6,829,549,851**	**121,422,262,217**

Key to the number outline.

(0) Subordinated Credit Limit or Maximum Amount.

(1) Outstanding Balance of the portfolio of Mortgage Certificates on each six-monthly payment date, once payment is made.

(2) Six-monthly payment dates for the various transactions and services arranged by the Fund until final maturity.

a) Collections.

(3) Mortgage Certificate portfolio capital amount repaid from the next preceding six-monthly date until the date given.

(4) Net interest collected by the Fund from the next preceding six-monthly date until the date given. This is the Mortgage Certificate interest received.

(5) Return on the Fund's Treasury Account, under the Guaranteed Interest Rate Deposit Agreement.

(6) Subordinated Credit drawdown.

(7) Total income on each payment date, being the sum of amounts (3), (4), (5) and (6).

b) Payments.

(8) Fund current expense amounts.

(9) Interest amount payable to Bondholders.

(10) Bond principal amount repaid.

(11) Subordinated Credit and Loan interest amounts paid.

(12) Periodic Subordinated Credit and Loan principal repayment.

(13) Participated Mortgage Loan servicing fee.

(14) Financial Intermediation Margin varying in relation to the other Fund income and expenditure.

(15) Total payments on each payment date, being the sum of amounts (8), (9), (10), (11), (12), (13) and (14).

V.2 Accounting policies used by the Fund.

Income and expenditure will be booked by the Fund in accordance with the accruals principle, i.e. according to the actual flow of such income and expenditure, irrespective of the time when they are collected and paid.

The Fund establishment and Bond issue expenses described in section II.14 will be subject to straight-line depreciation during the months elapsing until March 31, 2000.

The Fund's fiscal year shall match a calendar year. However, the first fiscal year will exceptionally begin on the date of establishment of the Fund and the last fiscal year will end on the date on which the Fund terminates.

V.3 Description of the purpose or object of the financial transactions arranged by the Management Company on behalf of the Fund, in order to enhance the risk, increase payment regularity, neutralise Mortgage Certificate interest rate differences, or, in general, transform the financial characteristics of all or part of said securities.

In order to consolidate its financial structure and secure as extensive a cover as possible for the risks inherent in the issue, the Management Company shall, for the Fund, upon the execution of the Deed of Constitution, proceed to enter into the agreements referred to hereinafter.

The Management Company may, in order for the Fund to operate on the terms provided for in the Deed of Constitution and in the laws in force from time to time, acting for and on behalf of the Fund, extend or amend the agreements entered into on the Fund's behalf, substitute each of the service providers to the Fund under those agreements and indeed, if necessary, enter into additional agreements, all subject to the laws in force from time to time, to the prior authorisation, if necessary, of the CNMV, or competent administrative body, and to notice thereof being given to the relevant rating agency, provided that those actions do not detract from Bondholders' interests.

V.3.1 Guaranteed Interest Rate Deposit Agreement and Treasury Account.

The Management Company, for and on behalf of the Fund, and BANKINTER shall enter into a Guaranteed Interest Rate Deposit Agreement whereby BANKINTER will guarantee a yield on the amounts paid by the Fund through its Management Company into a financial account. The Guaranteed Interest Rate Deposit Agreement shall specifically determine that all amounts received by the Fund will be paid into a financial account in pesetas, the "Treasury Account", initially opened at BANKINTER by the Management Company in the name of the Fund, which amounts shall mostly consist of the following items:

(i) Mortgage Certificate principal and interest;

(ii) the amount, if any, drawn down on the total amount not drawn down up to the Maximum Credit Amount (as described in section V.3.2) consequent upon the rating of BANKINTER's short-term debt obligations being downgraded below P-1;

(iii) any other amounts, assets or rights received as payment for Participated Mortgage Loan principal, interest or expenses, consisting of the knock-down price or amount determined by a court decision or notarial procedure in executing the mortgage securities, or from the sale or utilisation of properties awarded or, as a result of the executions, from the administration or interim possession of the properties in execution proceedings, and any and all rights or indemnities including not only those derived from damage insurance contracts assigned by BANKINTER to the Fund, but also those derived from any ancillary Participated Mortgage Loan right, and excluding the fees established in each of them, which shall remain for the benefit of BANKINTER;

(iv) the amounts of the returns obtained on the Treasury Account balances proper; and

(v) the interim withholding amounts on the return on investments to be withheld on each relevant Payment Date on Bond interest paid by the Fund, until due for payment to the Tax Administration.

BANKINTER guarantees an annual nominal interest rate, variable six-monthly and settled six-monthly, applicable in each interest accrual period, equal to the Reference Rate determined for the Bonds (six- (6-) month Euribor), translated to an interest rate based on 365-day calendar years (i.e. multiplied by 365 and divided by 360). Accrued interest, which shall be settled on April 21 and October 21 of each year, shall be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty-five (365-) day year.

In the event that the rating of BANKINTER's short-term debt obligations should, at any time during the life of the Bond issue, be downgraded below P-1 by Moody's Investors Service Limited, the Management Company shall:

a) Obtain from a credit institution with a credit rating at least as high as P-1 a first demand bank guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BANKINTER of its obligation to repay the amounts deposited in the Treasury Account, during such time as BANKINTER's rating remains downgraded below P-1.

b) If the above is not possible, transfer the Fund's Treasury Account to an institution with short-term debt obligations rated at least as high as P-1, and arranging the highest possible yield for its balances, which may differ from that arranged with BANKINTER under the Guaranteed Interest Rate Deposit Agreement.

c) In this same event and if the Treasury Account cannot be transferred on the above terms, the Management Company may invest the balances for not more than six-monthly periods, in short-term fixed-income assets in euros or pesetas issued by institutions with a short-term rating of P-1, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially with BANKINTER under the Guaranteed Interest Rate Deposit Agreement.

d) In both b) and c), the Management shall subsequently transfer the balances back to BANKINTER under the Guaranteed Interest Rate Deposit Agreement in the event that the rating of its short-term debt obligations should be upgraded back to P-1 as afore-mentioned, all in accordance with the provisions of section V.3.1 of this Offering Circular.

The Guaranteed Interest Rate Deposit Agreement mitigates the risk of timing difference between the Fund's monthly receipts of Participated Mortgage Loan principal and interest, and six-monthly Bond repayment and interest payment.

V.3.2 Subordinated Credit Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER into a Subordinated Credit Agreement which shall be applied on each Payment Date, along with the other Available Funds, as described in section V.5.1.B).2 to duly fulfil certain payment or withholding obligations of the Fund, in the order of priority of payments provided for therein, if the Available Funds fall short, although granting of that Credit shall be no assurance whatsoever that the Participated Mortgage Loans will be duly repaid.

The Maximum Credit Amount from time to time shall be equal to the lower of the following amounts: (i) EUR sixteen million five hundred thousand (16,500,000) (ESP 2,745,369,000), or (ii) 5.50% of the Outstanding Balance of the Mortgage Certificates.

Notwithstanding the above, the Maximum Credit Amount shall remain at the level established on the preceding Payment Date, regardless of the ensuing reduction in the Outstanding Balance of the Mortgage Certificates, where any of the following events occur on a given Payment Date:

(i) That the amount of the Outstanding Balance of Mortgage Certificates with an arrears equal to or in excess of ninety (90) days on the Determination Date preceding the then-current Payment Date is equal to or in excess of 3% of the Outstanding Balance of the Mortgage Certificates on that same date.

(ii) That the amount of the Outstanding Balance of Mortgage Certificates with an arrears equal to or in excess of twelve (12) months on the Determination Date preceding the then-current Payment Date is equal to or in excess of 0.05% of the total capital or principal of the issue of Mortgage Certificates multiplied by the number of Payment Dates elapsed since the Closing Date.

(iii) That the weighted average interest rate of the Mortgage Certificates on the relevant Payment Date is less than the Bond Reference Rate determined for the new Interest Accrual Period plus a 0.40% spread.

(iv) That there is an Amortisation Deficiency, as defined in section II.11.3.2.5 of the Offering Circular.

The Management Company may, for and on behalf of the Fund, draw on the Credit, limited to the Maximum Credit Amount, provided that the Available Funds on a Payment Date do not allow payment of the Fund's obligations from 1st to 5th place in the order of priority of payments established in section V.5.1.B).2 of this Offering Circular to be met.

In the event of the rating of BANKINTER's short-term debt obligations being downgraded below P-1 by Moody's Investors Service Limited, BANKINTER shall be bound to allow the Management Company, for and on behalf of the Fund, to draw the full amount not drawn up to the Maximum Credit Amount on the date on which this drawdown is made, unless BANKINTER should at its cost provide the Fund with collateral security or a first demand bank guarantee from a credit institution with short-term debt obligations rated at least as high as P-1 securing for the Fund, merely upon the Management Company so requesting, the drawdown amounts requested from BANKINTER up to the Maximum Credit Amount available on the relevant drawing date, all subject to the terms and conditions approved by Moody's in order to maintain the Aaa rating for Series A Bonds and the A2 rating for Series B Bonds.

The Subordinated Credit shall accrue an annual nominal interest, determined six-monthly for each interest accrual period, which shall be the result of adding: (i) the Reference Rate determined for the Bonds (six- (6-) month Euribor), and (ii) a 1.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the order of priority of payments established in section V.5.1.B).2 of this Offering Circular. Accrued interest payable on a given Payment Date shall be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty- (360-) day year.

Interest accrued and not paid on a Payment Date shall be accumulated to the Credit principal and earn additional interest at the same interest rate applicable to the Subordinated Credit for the Interest Accrual Period at issue.

The Fund shall repay any drawdown made under the Credit on any Payment Date on which the Available Funds, excluding the available Credit amounts, allow the Fund's payment obligations on that specific Payment Date numbered from 1st to 7th place in the order of priority of payments described in section V.5.1.B).2 of the Offering Circular to be met.

If the Maximum Credit Amount is fully drawn down as a result of the rating of BANKINTER's short-term debt obligations being downgraded below P-1, repayment of the balance drawn down under the Credit on any Payment Date shall be limited to the amount exceeding the relevant Maximum Credit Amount on the specific Payment Date at issue, and provided that the Fund has sufficient liquidity in the order of priority of payments described in section V.5.1.B).2 of the Offering Circular.

The amounts repaid by the Management Company on account of the Fund may again be drawn by the Fund, limited at all times to the relevant Maximum Credit Amount on the Payment Date on which a drawdown is made.

V.3.3 Loan Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER into a Loan Agreement amounting to EUR nine hundred and eighteen thousand eight hundred and twenty-five (918,825) (ESP 152,879,616) which shall be designed to finance the Fund establishment and Bond issue expenses, and partly finance subscription for the Mortgage Certificates.

The loan will accrue an annual nominal interest, determined six-monthly for each Interest Accrual Period, described in section II.10.1.a), which shall be the result of adding: (i) the Reference Rate (six- (6-) month Euribor) determined for the Bonds, and (ii) a 1.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the order of priority of payments established in section V.5.1.B).2 of this Offering Circular. Accrued interest payable on a given Payment Date shall be calculated based on: (i) the exact number of days in each Interest Accrual Period, and (ii) a three-hundred-and-sixty- (360-) day year.

Interest accrued and not paid on a Payment Date shall be accumulated and earn late-payment interest at the same rate as the loan and will be paid, provided that the Fund has sufficient liquidity, and in the order of priority of payments provided for in section V.5.1.B).2 of this Offering Circular, on the next succeeding Payment Date.

Repayment will take place on each Payment Date. The portion of the loan designed to finance the Fund establishment and Bond issue expenses and the portion designed to partly finance subscription for the Mortgage Certificates not used shall be repaid on the first Payment Date or, if the Fund should not have sufficient liquidity, shall continue to be repaid on the following Payment Dates until fully repaid. The portion of the loan designed to finance the Fund establishment and Bond issue expenses, described in section II.14 of the Offering Circular, shall be repaid six-monthly as those expenses are depreciated monthly until March 31, 2000, in accordance with the Fund's official accounts.

The Management Company recognises that the loan granted by BANKINTER is not a subordinated loan in the sense that payment of amounts due thereunder shall not rank junior to the subordinated Series B Bond payments to be made, as established in the order of priority of payments provided for in section V.5.1.B).2 of this Offering Circular.

V.4 Other agreements.

V.4.1 Servicing of the Participated Mortgage Loans and Custody of the Mortgage Certificates.

BANKINTER, issuer of the Mortgage Certificates to be subscribed for by the Fund, in accordance with the provisions of the Deed of Constitution and in accordance with Royal Decree 685/1982, March 17, regulating certain aspects of the Mortgage Market, amended by Royal Decree

1289/1991, August 2, shall enter with the Management Company, for and on behalf of the Fund, into the Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement (the "Servicing Agreement") whereby BANKINTER shall as attorney for the Fund (i) safe-keep and custody the Mortgage Certificates, (ii) custody and service the Participated Mortgage Loans subject of the Mortgage Certificates; and (iii) manage collection of and receive, on behalf of the Fund, such amounts as may be paid by the mortgagors under the Participated Mortgage Loans subject of the Mortgage Certificates, proceeding to forthwith pay amounts owing to the Fund, as established in section IV.2.3 of the Offering Circular, into the Treasury Account described in section V.3.1 of this Offering Circular.

In consideration of the Participated Mortgage Loan servicing and Mortgage Certificate custody services, the Servicer shall be entitled to receive in arrears on each Payment Date and during the term of the Agreement, a subordinated servicing fee equal to 0.01% per annum, exclusive of VAT, which shall accrue on the exact number of days elapsed and on the average daily Outstanding Balance of the Mortgage Certificates during each Determination Period, provided that the Fund has sufficient liquidity and after meeting the payment obligations in the order of priority of payments of the Fund described in section V.5.1.B).2 of the Offering Circular.

V.4.2 Bond Management and Placement Underwriting Agreement.

The Management Company shall, for and on behalf of the Fund, enter into a Bond issue Management and Placement Underwriting Agreement with the Placement Underwriter whereby that Bank shall proceed to freely award the entire Bond issue and, upon the Subscription Period being closed, subscribe in its own name for the amount of Bonds yet to be subscribed for under its underwriting commitment.

The Bond issue Underwriter, BANKINTER, takes on the obligations contained in the Management and Placement Underwriting Agreement, which are broadly the following: 1) an undertaking to subscribe for the Bonds not taken when the Subscription Period is closed, up to the set amounts; 2) payment to the Fund by 3pm on the Closing Date, for same day value, of the total amount for subscribing for the issue, deducting the sum of the total management and underwriting fee; 3) an undertaking to pay late-payment interest as covenanted in the agreement in the event of late payment of the amounts due; 4) providing subscribers with a document proving subscription; and 5) all other aspects governing placement underwriting.

The Bond issue Underwriter shall receive an underwriting fee of 0.075% on the total face amount of the Series A and B Bonds underwritten thereby.

BANKINTER, as Lead Manager, will receive a fee of 0.025% on the total face amount of the Series A and B Bonds.

Those fees shall be payable out of the Fund.

V.4.3 Bond Paying Agent Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER into a Paying Agent agreement to service the issue of Bonds issued by the Fund.

The obligations contained in the Paying Agent Agreement are summarily as follows:

(i) on each Bond Payment Date, paying Bond interest and repaying Bond principal, after deducting the total interim withholding tax amount on returns on investments to be withheld in accordance with applicable tax laws; and

(ii) on each Interest Rate Fixing Date, notifying the Management Company of the Euribor reference rate determined that is to be used as the basis for calculating the nominal interest rate applicable to each Bond Series.

In consideration of the services to be provided by the Paying Agent, the Fund shall pay it a fee of EUR 1,502.53 (ESP 250,000), inclusive of taxes if any, during the term of the agreement, payable on each Bond Payment Date, provided that the Fund has sufficient liquidity and after meeting all payment obligations, in the order of priority of payments of the Fund described in section V.5.1.B).2 of the Offering Circular.

V.4.4 Financial Intermediation Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER into a Financial Intermediation Agreement designed to remunerate BANKINTER for the financial intermediation process carried out and which has permitted the financial transformation defining the Fund's activity, subscription by the Fund for the Mortgage Certificates and the satisfactory rating assigned to each Bond Series.

The remuneration consists of a variable subordinated amount equal to the difference between the income and expenditure accrued annually based on the Fund's accounts, reduced, as the case may be, by the amount of losses brought forward from previous years, which may be offset to adjust the year's book profit or loss for the purposes of settling the annual Corporation Tax. Any such payments made on each Payment Date, in accordance with the order of priority of payments provided for in section V.5.1.B).2, shall be considered to be payments on account of the annual entitlement.

V.5 Priority rules established in Fund payments.

V.5.1 Ordinary priority rules in payments out of the Fund.

Source and application of funds.

A) On the Bond Closing Date.

The source and application of the amounts available to the Fund on the Bond issue Closing Date shall be as follows:

1. **Source:** the Fund shall have funds described below:
   a) Bond issue payment.
   b) Loan drawn down.

2. **Application:** in turn, the Fund will apply the funds described above to the following payments:
   a) Purchase of the Mortgage Certificates.
   b) Payment of the Fund establishment and Bond issue expenses.

B) From the date of establishment of the Fund and until the Bonds are fully amortised.

1. **Source**: the following shall be the Available Funds for meeting the payment or withholding obligations listed in section 2 below:

   a) Mortgage Certificate principal repayment amounts received during each preceding Determination Date. These amounts shall have been credited to the Treasury Account, in accordance with the provisions of section V.3.1 of this Offering Circular.

   b) Mortgage Certificate ordinary and late-payment interest collected during each preceding Determination Date. These amounts shall have been credited to the Treasury Account, in accordance with the provisions of section V.3.1 of this Offering Circular.

   c) Returns on amounts credited to the Treasury Account. These amounts shall have been credited to the Treasury Account, in accordance with the provisions of section V.3.1 of this Offering Circular.

   d) Subordinated Credit drawdowns, as described in section V.3.2, designed only to meet payment of the Fund's obligations numbered from 1st to 5th place in the order of priority of payments set out in section 2 below.

   e) Any other amounts received by the Fund, including those resulting from the sale or utilisation of properties awarded to the Fund.

2. **Application**: The Available Funds shall be applied to meeting payment or withholding obligations on each Payment Date as follows, irrespective of the time of accrual, other than the application in the 1st place, which may be made at any time:

   1. Payment of the Fund's properly supported ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the same, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to BANKINTER, provided they are all properly supported, shall be made to BANKINTER under the Servicing Agreement in this priority.

2. Payment of Series A Bond interest, as it falls due.

3. Payment of Loan interest due.

4. Payment of Series B Bond interest, as it falls due.

5. Payment of the Principal Amount Due for Amortisation of Series A and B Bonds in accordance with the distribution rules for amortisation of both Series, as established hereinafter.

6. Repayment of Loan principal.

7. Payment of Subordinated Credit interest due.

8. Repayment of Subordinated Credit principal drawn down.

9. Payment to BANKINTER under the Servicing Agreement of the Participated Mortgage Loan servicing fee.

10. Payment of the financial intermediation margin established as variable remuneration under the Financial Intermediation Agreement.

The available funds for paying the Principal Amount Due for Amortisation ("Available Funds for Amortisation"), in accordance with paragraph 5 of the order of priority of payments, shall be allocated to such amortisation, in accordance with the following rules:

1. Until the first Payment Date (inclusive), after October 22, 2000, on which the Outstanding Principal Balance of Series B Bonds is equal to or greater than 7.40% of the Outstanding Principal Balance of Series A Bonds, the Available Funds for Amortisation shall be fully used for amortising Series A Bonds.

2. From the Payment Date after October 22, 2000 and after the date on which the above ratio is equal to or greater than 7.40%, the Available Funds for Amortisation shall be applied to amortising both Series A and B pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series A and B Bonds to be kept at 7.40%, or a higher percentage closest thereto.

3. Upon the Outstanding Principal Balance of Series B Bonds reaching a figure of EUR six million (6,000,000) (ESP 998,316,000), the amortisation of the Bonds in that Series shall cease and the Available Funds for Amortisation shall be fully allocated to repayment of Series A Bonds until fully amortised.

4. And once Series A Bonds have been fully amortised, the amortisation of Series B Bonds shall recommence until fully amortised.

V.5.2 Exceptional rules of priority of payments by the Fund.

a) In connection with the Amortisation of Series B Bonds, and even if all of the requirements set in the above rules are met, there will be no such amortisation if either of the following two circumstances occur on the relevant Determination Date:

(i) That the amount of the sum of the Outstanding Balance, as defined in section II.11.3.2.4, of Mortgage Certificates with a delinquency equal to or greater than ninety (90) days on the Determination Date preceding the then-current Payment Date should be equal to or greater than 6.5% of the Outstanding Balance of the Mortgage Certificates on that same date, in which case the Available Funds for Amortisation will be fully allocated to Series A Bond amortisation.

(ii) That there should be an Amortisation Deficiency, as defined in section II.11.3.2.5, in which case the Available Funds for Amortisation will also be fully allocated to Series A Bond amortisation.

b) In relation to the Participated Mortgage Loan Servicing Fee to BANKINTER contained in 9th place in the order of priority of payments described above, in the event that any other institution should replace BANKINTER as their Servicer, then that fee, which shall accrue for the third party, the new servicer, shall take 5th place in said order of priority, and there will consequently be a change of the numbering of successive payments contained in the following paragraphs.

CHAPTER VI

GENERAL INFORMATION ON THE MORTGAGE SECURITISATION FUND MANAGEMENT COMPANY

In accordance with Investment Trusts and Companies System and Mortgage Securitisation Fund Act 19/1992, July 7, these Funds latter have no own legal personality, and Mortgage Securitisation Fund Management Companies are entrusted with establishing, managing and legally representing those Funds, and representing and enforcing the interests of the holders of the securities issued by the Funds they manage.

Accordingly, this Chapter itemises the information relating to EUROPEA DE TITULIZACIÓN S.A., S.G.F.T., as the Management Company establishing, managing and representing BANKINTER 1 FONDO DE TITULIZACIÓN HIPOTECARIA.

VI.1 In relation to the company, other than its share capital..

VI.1.1 Name and registered office.

- **Company name:** EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- **Registered office:** Madrid, Conde de Aranda, 8
- **VAT REG. No.:** A-80514466
- **Business Activity Code No.:** 0074

VI.1.2 Incorporation and registration in the Companies Register, and information relating to administrative authorisations by and registration at the CNMV.

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before Madrid Notary Public Mr Roberto Blanquer Uberos, his document number 117, with the prior authorisation of the Economy and Finance Ministry, given on December 17, 1992. It is entered in the Companies Register of Madrid (Volume 5,461, Book 0, Folio 49, Section 8, Sheet M-89355), entry one. It is also entered in the special register of the CNMV, under number 2.

The Management Company has perpetual existence, other than in any of the events of dissolution provided by the laws and the articles of association.

VI.1.3 Objects.

As required by law, pursuant to article two of its Articles of Association: "The Company's exclusive objects shall be to establish, administer, manage and represent mortgage securitisation funds and asset securitisation funds resulting from the nuclear moratorium in accordance with the respective special laws. Furthermore, and in accordance with those regulations, the Company shall, as the manager of third party funds, be responsible for representing and enforcing the interests of the holders of securities issued by the fund or funds it administers."

VI.1.4 Place where the documents referred to in the Offering Circular or the existence of which may be inferred from its contents may be found.

The Management Company's Articles of Association, accounting, economic and financial statements and any other document referred to in this Offering Circular, including the latter, or the existence of which may be inferred from its contents, may be found at the Management Company's registered office at Calle Conde de Aranda number 8, Madrid.

This Offering Circular was verified and entered in the Official Registers of the CNMV on May 4, 1999. It is publicly available, free of charge, at the Management Company's and at the Underwriter's registered offices. It may also be found at the CNMV in Madrid, Paseo de la Castellana, 19, and at the AIAF governing body, of Madrid, Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, planta 43.

Once the Deed of Constitution has been executed and before the Bond Subscription Period begins, the Management Company shall deliver a certified copy of the Deed of Constitution to the CNMV. Furthermore, the Management Company, the Servicio de Compensación y Liquidación de Valores, S.A., or the affiliated undertaking to which the latter delegates its functions, and the AIAF governing body shall at all times make copies of the Deed of Constitution available to Bondholders and the public at issue in order that they may be examined.

VI.2 In relation to the share capital.

VI.2.1 Face amount subscribed for and paid up.

The wholly subscribed for, paid up share capital amounts to ESP 300,000,000, and it is represented by 1,250 registered shares in series A, having a unit face value of ESP 45,950, and 1,250 registered shares in series B, having a unit face value of ESP 194,050.

VI.2.2 Classes of shares.

The shares are all in the same class and confer identical political and economic rights.

VI.2.3 Evolution of the share capital over the last three years.

The evolution of the share capital during the last three years is given in the following table:

	Subscribed	Shares	
	Share Capital	**Number**	**Face Amount**
Balance as of 31.12.1995	**125,000,000**	**1,250**	**100,000**
• Decrease (Series A)	-67,562,500	1,250	-54,050
• Increase (Series B)	242,562,500	1,250	194,050
Balance as of 31.12.1996	**300,000,000**	**2,500**	
• Series A		1,250	45,950
• Series B		1,250	194,050
Balance as of 31.12.1997	**300,000,000**	**2,500**	
• Series A		1,250	45,950
• Series B		1,250	194,050

VI.3 Information relating to shareholdings.

VI.3.1 Existence or not of shareholdings in other companies.

There are no shareholdings in any other company.

VI.3.2 Group of companies for which the company is affiliated.

For the purposes of article 42 of the Commercial Code, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN is affiliated to Argentaria Group.

VI.3.3 Significant shareholders.

The Management Company's share ownership is distributed among the companies listed below, giving each of their percentage holding:

Name of shareholder company	Holding (%)
Argentaria, Caja Postal y Banco Hipotecario, S.A.	82.97
J.P. Morgan España, S.A.	4.00
Abbey National Bank, S.A.E.	1.54
Bankinter, S.A	1.53
Barclays Bank, S.A.	1.53
Citibank España, S.A.	1.53
Deutsche Bank Credit, S.A.	0.77
Deutsche Bank, S.A.E.	0.77
Banco Atlántico, S.A.	0.77
Banco Cooperativo Español, S.A.	0.77
Banco Pastor, S.A.	0.77
Banco de la Pequeña y Mediana Empresa, S.A.	0.77
Banco Urquijo, S.A.	0.77

Name of shareholder company	Holding (%)
BNP España, S.A.	0.77
Banca Jover, S.A.	0.38
Credit Lyonnais España, S.A.	0.38
	100.0000

VI.4 Corporate bodies.

In pursuance of the Articles of Association, the General Shareholders' Meeting and the Board of Directors are entrusted with governing and administering the Management Company. Their duties and authorities are as prescribed for those bodies in the Public Limited Companies Act and in Act 19/1992, July 7, in relation to the objects.

Among the other bodies for which provision is made in the Articles of Association, an Executive Committee has been set up with delegated authorities of the Board. There is also a General Manager vested with extensive authorities within the organisation and vis-à-vis third parties.

VI.4.1 Officers.

Board of Directors

The Board of Directors has the following membership:

Chairman: Mr José Antonio Álvarez Álvarez

Vice-Chairman: Mr Francisco Fernández de Trocóniz

Directors:
Mr Beatriz Aldama Secades
Mr Oscar Cabrera Izquierdo
Juan Cavallé Miranda
on behalf of Banco de la Pequeña y Mediana Empresa. S.A.
Mr Antonio Cocero de Corvera
Ms Ana Fernández Manrique
Mr David Richard Ernest Saer,
on behalf of Abbey National Bank, S.A.E.
Mr Luis González Bravo
Mr Emilio de las Heras Muela
Mr Luis Lombana Larrea
Mr Manuel Ontañón Carrera ♦
Mr David Pérez Renovales
on behalf of Bankinter, S.A.
Mr José Miguel Raboso Díaz
on behalf of Citibank España, S.A.
Mr Jorge Sáenz de Miera,
on behalf of Deutsche Bank Credit, S.A.
Mr Xavier Tintoré Belil,
on behalf of J. P. Morgan España. S.A.

♦ Secretary to the Board of Directors

VI.4.2 General Manager.

The Management Company's General Manager is Mr Mario Masiá Vicente.

VI.5 Aggregate interests in the Management Company of the persons referred to in paragraph VI.4.

The persons referred to in section VI.4.1 above are not the direct or indirect holders or representatives of any share or obligation, other than the persons specifically referred to as representing a shareholder company, and only as such.

VI.6 Lenders of the management company in excess of 10 percent.

The Management Company has received no loan or credit from any person or institution whatsoever.

VI.7 Specification as to whether or not the management company has any bankruptcy proceedings under way and the possible existence of significant lawsuits and matters which might affect its economic and financial position or, in the future, its ability to discharge the management and administration duties for which provision is made in this offering circular.

There are none.

CHAPTER VII

RECENT EVOLUTION AND PROSPECTS OF THE MORTGAGE MARKET IN GENERAL AND OF THE MORTGAGE LOAN MARKET IN PARTICULAR WHICH COULD AFFECT THE FINANCIAL PROSPECTS OF THE MORTGAGE SECURITISATION FUND

VII.1 Most recent significant trends of the Mortgage Market in general and of the mortgage loan market in particular in relation to its legal framework, with the development of interest rates, and prepayment and delinquency rates:

The Spanish mortgage market has in recent years undergone a major transformation in regard to both its laws and the prevailing interest Credit Institutions have developed in the market.

The object of most recent regulations has been to provide mortgagors with a greater power to negotiate the terms of loans, and reduce certain costs attached to loan renegotiation. In this sense, in addition to Mortgage Loan Subrogation and Amendment Act 2/94, March 30 (making provision for the possibility of substituting and renegotiating the economic terms of the loans, reducing both tax and fee costs, and reducing floating-rate loan prepayment charges), two measures were taken designed to cheapen transaction costs in mortgage loan subrogation and amendment and novation transactions: on the one hand, the agreement entered into between the Economy Ministry and banks and savings banks, lowering charges; and on the other the approval of Royal Decree 2616/1996, December 20, modifying both notarial and registration fees in mortgage loan subrogation and novation transactions under that Act 2/94.

Moreover, the substantial drop of interest rates in the last three years along with an enhanced competitiveness among Credit Institutions in this segment of financing given its strategic character with a view to fidelising customers, has fostered a considerable increase in mortgage loan prepayment rates remaining with interest rates in excess of those prevailing in the mortgage market from time to time, upon the failure by the lenders to renegotiate the financial terms.

In any event, it should therefore be borne in mind that mortgage loan prepayment shall take place irrespective of such Mortgage Loan Subrogation and Amendment Act, for the possibility or advisability of so doing shall be prompted not only by the facilities given in that connection but by such more determinant factors as mainly seniority and higher interest rate of the loans in relation to those offered from time to time.

VII.2 Implications that might derive from the trends remarked in the preceding point Vll.1 (prepayment rate, default rate, etcetera);

The Participated Mortgage Loans underlying the Mortgage Certificates subscribed for by the Fund have a floating interest rate and are adjusted from time to time to market interest rate variations. Because of this, a high Participated Mortgage Loan prepayment rate is not to be expected. The provisions established for renegotiation in regard to determining the interest rate of loans that might be in upper ranges in relation to the market as a whole from time to time should also be borne in mind.

As for the creditworthiness of the mortgagors, as contained in section IV.4.g), the provisional portfolio mortgage loans which shall be used as the basis for issuing the Mortgage Certificates, were all in good standing at December 24, 1998 in respect of payment of amounts due for each of them, which situation was checked, as explained in section III.12 of the audit report attached as Schedule IV to this Offering Circular. The Participated Mortgage Loans that will finally be used for issuing Mortgage Certificates for the Fund to be established shall have no overdue amounts on the date of issue.

Signature: MARIO MASIÁ VICENTE
General Manager
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.

APPENDIX I

TRANSCRIPTS OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF BANKINTER, S.A.

APPENDIX II

TRANSCRIPT OF THE RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

APPENDIX III

LETTER NOTIFYING THE RATING GIVEN TO THE BOND ISSUE BY MOODY'S INVESTORS SERVICE

APPENDIX IV

AUDIT REPORT ON CERTAIN CHARACTERISTICS OF THE PROVISIONAL MORTGAGE LOAN PORTFOLIO

APPENDIX V

LETTER FROM THE LEAD MANAGER OF THE UNDERWRITING AND PLACEMENT OF THE BOND ISSUE