

**BANKINTER 5**  
**FONDO DE TITULIZACIÓN HIPOTECARIA**

**MORTGAGE-BACKED BONDS**  
**EUR 710,000,000**

<b>Series A</b>	<b>EUR 684,100,000</b>	<b>Aaa/AAA</b>	<b>3-M Euribor + 0.24%</b>
<b>Series B</b>	<b>EUR 14,900,000</b>	<b>A2/A+</b>	<b>3-M Euribor + 0.45%</b>
<b>Series C</b>	<b>EUR 11,000,000</b>	<b>Baa3/BBB+</b>	<b>3-M Euribor + 1.25%</b>

*Backed by mortgage certificates issued by*



**BANKINTER**

*Lead Manager, Underwriter and Placement Agent*

**Bankinter**

*Paying Agent*

**Bankinter**

*Fund structured, constituted and managed by*



**Material Event concerning**

**BANKINTER 5 Fondo de Titulización Hipotecaria**

As provided for in the Prospectus for **BANKINTER 5 Fondo de Titulización Hipotecaria** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- On July 30, 2015, this Management Company notified a Material Event informing about the actual transfer of the Fund’s Treasury Account to SOCIÉTÉ GÉNÉRALE, Sucursal en España (“**SGSE**”), upon the signature of a new Guaranteed Interest Rate Account (Treasury Account) Agreement (the “**Treasury Account Agreement**”) by the Management Company, for and on behalf of the Fund, SGSE and BANKINTER, S.A., summing up the main terms of the aforementioned Treasury Account Agreement.
- On July 20, 2016, the parties to the Treasury Account Agreement have entered into an agreement amending but not terminating the Treasury Account Agreement in order, inter alia, to amend the yield terms of the Treasury Account effective from July 30, 2016.
- As a result of the aforementioned amendment agreement, the following section of the Fund Prospectus shall read as follows from July 30, 2016:

Section	Description
<p><b>V.3.1 Paragraph 2 (Treasury Account Agreement)</b></p>	<p>Positive balances, if any, on the Treasury Account will accrue daily interest at an annual nominal interest rate to be calculated based on the daily EONIA interest rate published by the Bank of Spain at its official site (the “<b>EONIA</b>”).</p> <p>If the difference between (i) the EONIA and (ii) a 0.05% margin, should be positive, interest shall be deemed to have accrued for the Fund, and the applicable interest rate shall be the interest resulting from subtracting a 0.05% (5 b.p.) margin per annum from the EONIA.</p> <p>If the EONIA should be above or equal to -0.06% and below or equal to 0.05%, no interest shall accrue for either Party.</p> <p>If the EONIA should be below -0.06%, interest shall be deemed to have accrued for the Treasury Account Provider and the applicable interest rate shall be the absolute value resulting from adding a 0.06% (6 b.p.) margin per annum to the EONIA.</p> <p>Interest shall be settled monthly and be calculated by SGSE based on a 365-day calendar year, and will be credited or charged to the actual Treasury Account on the first Business Day of the month after being settled. The calculation formula for obtaining the daily interest shall be as follows: daily balance on the Treasury Account multiplied by the relevant annual nominal interest rate, divided by 36,500.</p> <p>The yield provided for above may be reset by SGSE on July 30 of each year starting from July 30, 2017 (the “Reset Date”). The reset shall be notified by SGSE to the Management Company 60 days in advance of each Reset Date. The Management Company may decide to terminate the Treasury Account Agreement if it disagrees with the reset notified, effective as of the Reset Date, and SGSE shall transfer the amount credited to the Treasury Account</p>

Section	Description
	(together with interest, if any, accrued until the termination date) to the new treasury account opened in the name of the Fund specified by the Management Company.

Madrid, July 21, 2016

José Luis Casillas González  
Attorney-in-fact

Paula Torres Esperante  
Attorney-in-fact

**Material Event concerning**

**BANKINTER 5 Fondo de Titulización Hipotecaria**

As provided for in the Offering Circular or Prospectus for **BANKINTER 5 Fondo de Titulización Hipotecaria** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- On June 16, 2015, this Management Company notified a material event reporting that the Rating Agency Standard & Poor’s (“**S&P**”) had on June 9, 2015 downgraded the credit rating assigned to BARCLAYS BANK PLC, which circumstance was reported because BARCLAYS BANK PLC, Sucursal en España is the Fund’s counterparty under the Guaranteed Interest Rate Account (Treasury Account) Agreement and the Paying Agent Agreement.
- The Fund’s Treasury Account has been transferred, effective from today’s date, July 30, 2015, to SOCIÉTÉ GÉNÉRALE Sucursal en España (“**SGSE**”) following the signature, on July 24, 2015, of a new Guaranteed Interest Rate Account (Treasury Account) Agreement by the Management Company, for and on behalf of the Fund, SGSE and BANKINTER, S.A. and after duly notifying BARCLAYS BANK, PLC Sucursal en España as the former provider of the Fund’s Treasury Account. On the same effective date, SGSE has been designated Bond Paying Agent following the signature, on July 24, 2015, of a new Paying Agent Agreement by the Management Company, for and on behalf of the Fund, SGSE and BANKINTER, S.A. and after duly notifying BARCLAYS BANK, PLC Sucursal en España, as the former Paying Agent.

The ratings for SOCIÉTÉ GÉNÉRALE’s short- and long-term unsecured and unsubordinated debt obligations assigned by the Rating Agencies are currently as follows:

	<b>S&amp;P</b>	<b>Moody’s</b>
<b>Short-term</b>	A-1	P-1
<b>Long-term</b>	A	A2

- As a result of the new Agreements referred to above, the following sections of the Fund Prospectus shall henceforth read as follows:

<b>Section</b>	<b>Description</b>
<b>V.3.1 Paragraph 2 (Treasury Account Agreement)</b>	SGSE shall pay to the Fund, through its Management Company, and in relation to the amounts credited to the Treasury Account, an annual nominal interest rate, floating daily and settled quarterly, other than for the first interest accrual period the duration of and interest settlement for which shall be based on the duration of that period, applicable for each Interest Accrual Period to the positive daily balances if any on the Treasury Account, equal to the higher of: (a) zero percent (0%); and (b) the interest rate resulting from decreasing (i) daily EONIA, (ii) by a 0.05% margin, transformed to an interest rate based on calendar years (i.e., multiplied by 365 or, if a leap year, by 366 and divided by 360). That interest rate will be in force until July 30, 2016. Accrued interest, which shall be settled on February 12, May 12, August 12 and November 12 or, if any of those dates is not a Business Day, on the following Business Day, 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. The first Treasury Account interest settlement date at SGSE shall be August 12, 2015.

Section	Description
	<p>In this connection, the EONIA (Euro Overnight Index Average) reference rate shall mean the effective overnight interest rate calculated as the weighted average of all overnight unsecured lending transactions in the interbank market, carried out within the European Union and in European Free Trade Association (EFTA) countries. The calculation is made by the European Central Bank and is set between 6:45 PM and 7:00 PM (CET), and is reported with two decimals. The EONIA reference rate used for these purposes shall be the rate posted at the EMMI (European Money Markets Institute) website, or other screens supplying the same information.</p>
<p><b>V.3.7 Paragraph 3 (Paying Agent Agreement)</b></p>	<p>In consideration of the services to be provided by the Paying Agent, the Fund shall pay it, during the term of the Agreement on each Bond Payment Date, a fee of EUR one thousand five hundred (1,500.00), inclusive of taxes if any, which shall fall due on each Payment Date and be paid on the same Payment Date provided that the Fund has sufficient liquidity and in the Fund's Priority of Payments, or, in the event, in the Liquidation Priority of Payments. Additionally, for each refund of withholding tax on the Management Company's instructions, the Paying Agent will receive from the Fund a EUR fifty (€50) fee, plus the amount of applicable taxes, if any. The withholding refund amount shall be billed, as the case may be, on a monthly basis by SGSE to the Fund.</p>

Madrid, July 30, 2015

Mario Masiá Vicente  
General Manager



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**CHAPTER 0**

**SUMMARY OF THE OFFERING CIRCULAR**

**0.1 Summary of the characteristics of the issued or offered securities covered by this full circular and of the procedure for their placement and allocation among investors.**

The following are the main terms and conditions of this Bond Issue:

**Class of security:** Mortgage-Backed Bonds (the “**Bonds**”) represented by means of book entries.

**Issuer:** **BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA** (the “**Fund**”).

Upon being constituted, the Fund’s assets shall consist of the Mortgage Certificates issued by BANKINTER, S.A., to be pooled therein.

**Issue Amount:** Face value of EUR 710,000,000 consisting of three Bond Series distributed as follows:

	<b>Face Amount per Bond (EUR)</b>	<b>Number of Bonds</b>	<b>Series Total Face Value (EUR)</b>
<b>Series A</b>	100,000.00	6,841	684,100,000
<b>Series B</b>	100,000.00	149	14,900,000
<b>Series C</b>	100,000.00	110	11,000,000

Payment of interest and repayment of principal on the Series B Bonds is deferred with respect to the Series A Bonds, as provided in the Fund Priority of Payments.

Payment of interest and repayment of principal on the Series C Bonds is deferred with respect to the Series A and B Bonds, as provided in the Fund Priority of Payments.

**Issue Price:** 100 percent of the face value of each Bond, clear of taxes and subscription costs for the subscriber through the Fund.

**Ratings:** Provisional ratings have been assigned by the Rating Agencies Moody’s Investors Service España, S.A. (“**Moody’s**”) and Standard & Poor’s España, S.A. (“**S&P**”) for each of the Bond Series issued by the Fund, as follows.

<b>Bond Series</b>	<b>Moody’s Rating</b>	<b>S&amp;P Rating</b>
Series A	Aaa	AAA
Series B	A2	A+
Series C	Baa3	BBB+

The Rating Agencies expect to confirm those provisional ratings as final by the start of the Bond Subscription Period. Failure to do so would result in the Fund not

being constituted, the Bond Issue not being made and the Mortgage Certificates not being issued and subscribed for.

The Rating Agencies may revise, suspend or withdraw the final ratings at any time, which would not constitute an early amortisation event of the Fund.

**Secondary Bond-Trading Market:** AIAF FIXED-INCOME MARKET (*AIAF MERCADO DE RENTA FIJA*) (“**AIAF**”).

The Management Company agrees that final listing of the Bonds in that market shall take place no later than one month after the Closing Date.

**Institution in charge of the Bond accounting record:** SERVICIO DE COMPENSACIÓN Y LIQUIDACIÓN DE VALORES S.A. (“**SCLV**”)

Bondholders shall be identified as such when entered in the accounting record kept by the Clearing Members of the SCLV or any institution taking its stead.

#### **0.1.1 Interest rate:**

The Bonds in each Series will accrue an annual nominal interest, variable quarterly and payable quarterly in arrears on each Payment Date, being the result of applying to the Bonds in each Series the corresponding nominal interest rate to the Outstanding Principal Balance on each Bond.

#### **Accrual of Interest:**

Interest will accrue in respect of Interest Accrual Periods. Every Interest Accrual Period will comprise the exact number of days elapsed between each Payment Date (February 12, May 12, August 12 and November 12 in every year), including the beginning Payment Date, but not including the ending Payment Date. The duration of the first Interest Accrual Period shall be equivalent to the days elapsed between the Closing Date, inclusive, and the first Payment Date, to wit May 12, 2003, exclusive.

The nominal interest rate shall be accrued on the exact number of days elapsed in each Interest Accrual Period for which it was determined, calculated on the basis of a 360-day year.

#### **Nominal interest rate.**

The nominal interest rate shall be the result of adding: (i) the Reference Rate or the substitute Reference Rate and (ii) the following margins for each of the Series, all of which shall be rounded up to the nearest thousandth of a percentage point.

- **Series A:** 0.24% margin.
- **Series B:** 0.45% margin.
- **Series C:** 1.25% margin.

The Reference Rate for determining the nominal interest rate applicable to each of the Bond Series, other than for the first Interest Accrual Period, is three- (3-) month Euribor rate, fixed at 11am (CET time) on the Interest Rate Fixing Date.

The nominal interest rate for each Series shall be set on the second Business Day preceding each Payment Date (the “**Interest Rate Fixing Date**”) and shall apply for the following Interest Accrual Period.

Exceptionally, the nominal interest rate for the Bonds in each Series for the first Interest Accrual Period shall be determined based on the Reference Rate (straight-line interpolation between the three- (3-) month and the six- (6-) month Euribor rate) and shall be set on the Business Day immediately preceding the Closing Date and shall be notified in writing by the Management Company by the start of the Subscription Period to the Lead Manager and Underwriter and Placement Agent, to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) (the “**CNMV**”), the Paying Agent, the AIAF and the SCLV.

**Payment of interest and repayment of principal.**

Payment of interest and repayment of principal on the Bonds in each Series shall be made quarterly in arrears on each of the Payment Dates, which shall fall on February 12, May 12, August 12 and November 12 in each year or the following Business Day, as the case may be. The first Payment Date shall be May 12, 2003.

In this Bond issue, Business Day shall mean any day other than a Saturday, Sunday, public holiday in Madrid or non-business day in the TARGET calendar.

Payment of amounts due on each Series shall be made on each Payment Date provided that the Fund has sufficient liquidity to do so in the Priority of Payments described hereinafter.

**0.1.2 Amortisation of the Bonds.**

**Redemption Price:** 100 percent of the face value of each Bond.

**Final amortisation of the Bonds:**

Final amortisation shall take place on November 12, 2039, Final Maturity Date of the Bonds, notwithstanding the partial amortisations of the Bonds in each Series and the possibility of an Early Amortisation of the Bond Issue, on the terms and conditions established in the Offering Circular.

**Partial amortisation of the Bonds:**

Irrespective of the Final Maturity Date, partial amortisations of the Bonds in each Series shall be made on the terms described below.

**1. Series A Bonds.**

Series A Bonds shall be amortised by partial amortisation on each of the Payment Dates until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A, distributed pro rata between the Bonds in the actual Series A by reducing the face value of each Bond. The first partial amortisation of the Series A Bonds shall occur on the first Payment Date (May 12, 2003).

**2. Series B Bonds.**

Series B Bonds shall be amortised by partial amortisation on each of the Payment Dates until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied

on each Payment Date to amortising Series B, distributed pro rata between the Bonds in Series B proper by reducing the face value of each Bond.

The first partial amortisation of Series B Bonds shall occur on the Payment Date after the Payment Date on which the Outstanding Principal Balance of the Series B Bonds is equal to or greater than 4.20% of the Outstanding Principal Balance of the Bond Issue. After that Payment Date, the Available Funds for Amortisation shall be applied to the amortisation of Series A, B and C and distributed pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series B and the Bond Issue to be kept at 4.20%, or a higher percentage closest thereto. The amortisation of Series B Bonds may however be stopped in certain circumstances for which provision is made in the rules for distributing the Available Funds for Amortisation among the Bonds in each Series in the Fund Priority of Payments.

### **3. Series C Bonds.**

Series C Bonds shall be amortised by partial amortisation on each of the Payment Dates until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series C, distributed pro rata between the Bonds in Series C proper by reducing the face value of each Bond.

The first partial amortisation of Series C Bonds shall occur on the Payment Date after the Payment Date on which the Outstanding Principal Balance of Series C is equal to or greater than 3.10% of the Outstanding Principal Balance of the Bond Issue. After that Payment Date, the Available Funds for Amortisation shall be applied to the amortisation of Series A, B and C and distributed pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series C and of the Bond Issue to be kept at 3.10%, or a higher percentage closest thereto. The amortisation of Series C Bonds may however be stopped in certain circumstances for which provision is made in the rules for distributing the Available Funds for Amortisation among the Bonds in each Series in the Fund Priority of Payments.

### **Early Amortisation of the Bonds.**

Without prejudice to the Fund's obligation to amortise the Bonds on the Final Maturity Date or the partial amortisations on each Payment Date, as established in the preceding paragraphs, the Management Company shall be authorised, after notifying the CNMV, to proceed to an Early Liquidation of the Fund and hence 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.

#### **0.1.3 Bond subscription and placement procedure.**

**Lead Manager and Underwriter and Placement Agent:** BANKINTER, S.A.

#### **Investors to whom the Bonds are offered.**

The placement of the Bond Issue is targeted at institutional investors.

#### **Subscription Period.**

The Subscription Period shall commence at 11:30am (CET time) on December 17, 2002, and end at 12:00 o'clock noon (CET time) on the same day.

### **Payment method and date.**

The investors to whom the Bonds are allocated shall pay the Underwriter and Placement Agent by 1pm (CET time) on December 17, 2002 (“**Closing Date**”), for same day value, the relevant issue price for each Bond allocated for subscription.

The Underwriter and Placement Agent intends to subscribe in its own name for the entire Bond Issue

### **0.1.4 National laws governing the securities and jurisdiction in the event of litigation.**

The constitution of the Fund and Bond issue are subject to Spanish Law, as prescribed by Investment Trusts and Companies System and Mortgage Securitisation Funds 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 National Securities Market Commission Circular 2/1994, March 16.

The constitution of the Fund, the Bond issue and the agreements for transactions hedging financial risks and the rendering of services to be entered into by the Management Company on behalf of the Fund are subject to Spanish Law. In any event, the Deed of Constitution shall be governed by and construed in accordance with Spanish Laws.

All matters, disagreements, actions and claims deriving from the Management Company’s constitution, administration and legal representation of BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA, and the Bond issue by the same, shall be heard and decided by the competent Spanish Courts and Tribunals.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against Obligors of the Participated Mortgage Loans who may have defaulted on their payment obligations thereunder. Any such action shall lie with the Management Company, representing the Fund holding the Mortgage Certificates.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against the Fund or against the Management Company in the event of default of amounts due by the Fund resulting from a default of the Participated Mortgage Loans by the relevant Obligors or breach by the other parties to the transactions arranged for and on behalf of the Fund. The Bondholders and the remaining creditors of the Fund shall have no actions against the Fund Management Company other than as derived from a breach of its duties. Those actions shall be heard in the relevant ordinary declaratory proceedings depending on the amount claimed.

## **0.2 Considerations regarding activities, financial position and most relevant circumstances of the Fund.**

### **0.2.1 Nature of the Fund**

The Bonds subject of this Issue are issued by BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA, constituted in accordance with Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7.

In accordance with this Act, the Fund is a separate closed-end estate, devoid of legal personality. Its assets comprise the Mortgage Certificates pooled therein upon being constituted and the Cash Reserve credited to

the Treasury Account, and its liabilities comprise the Bonds issued, the Start-Up Loan and the Subordinated Loan, and the net worth of the Fund is nil. Additionally, the Interest Swap shall be reported in memorandum accounts. Pursuant to Act 19/1992, the Management Company that set up the Fund shall be legally responsible for managing and representing the Fund.

The Fund shall be in existence until no later than November 12, 2039, the Final Maturity Date of the Bond issue.

### **0.2.2 The Management Company.**

The Management Company that has constituted and therefore whose duty it is to manage and represent the Fund, and defend the interests of Bondholders, is EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

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

The Management Company shall notify the Bondholders of all and any circumstances that may be relevant to them, by publishing appropriate notices on the terms established in sections III.5.2 and III.5.3 of the Offering Circular.

The Management Company may be substituted on the terms and in the events provided in the Offering Circular.

### **0.2.3 The Mortgage Certificates pooled in the Fund.**

The Fund shall pool Mortgage Certificates wholly issued by BANKINTER, S.A. upon being constituted. The Mortgage Certificates shall be issued as established in Mortgage Market Regulation Act 2/1981, March 25, Royal Decree 685/1982, March 17, implementing certain aspects of Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree's articles.

The Mortgage Certificates refer to a 100 percent share in the principal, ordinary and late-payment interest on each Participated Mortgage Loan, and in all and any other amounts, assets or rights originating in the Participated Mortgage Loans, excluding the fees established in each of the Participated Mortgage Loans which shall remain for the benefit of BANKINTER.

The issue price of the Mortgage Certificates is equal to the face value of the capital or principal of the Participated Mortgage Loan.

The total face value of the issue of Mortgage Certificates shall be at least equal to the aggregate amount of the Bond Issue.

The Participated Mortgage Loans are part of a selection of mortgage loans whose characteristics are described in the Offering Circular. The outstanding principal on the 9,031 mortgage loans selected as of November 12, 2002 amounted as at that date to EUR 729,713,801.77. The following are the most significant characteristics of the 9,031 mortgage loans selected as of that date:

- Outstanding principal: EUR 80,801.00 (average)  
EUR 12,136.60 (minimum)  
EUR 299,054.53 (maximum)
- Seniority (by loan origination date): 23.34 months (weighted average\*)  
7.53 months - 28.03.2002 (minimum)  
67.79 months - 21.03.1997 (maximum)
- Type of interest rate: Floating interest throughout
- Benchmark indices and margin over weighted average index: 79.13% 1-year Euribor (+0.64 weighted average margin \*)  
4.32% 1-year Mibor (+0.78 weighted average margin \*)
- Nominal interest rate: 4.21% (weighted average\*)  
2.50% (minimum)  
6.64% (maximum)
- Final maturity date: 27.03.2037 (maximum)  
18.12.2003 (minimum)  
267.21 months (weighted average final maturity \*)
- Ratio outstanding principal/appraisal value: 63.96% (weighted average\*)  
4.24% (minimum)  
79.98% (maximum)
- Geographical distribution by Autonomous Communities: 31.51% Madrid  
14.32% Catalonia  
9.55% Basque Country  
8.90% Andalusia  
7.56% Valencian Community  
28.16% 13 Communities (below 5%)

The Fund's rights resulting from the Mortgage Certificates will all be linked to the payments made by the Obligors of the Participated Mortgage Loans and shall therefore be directly affected by their progress, delays, prepayments or any other incident related thereto.

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 Obligors of principal, interest or any other amount owing by the Obligors under the Participated Mortgage Loans. It will moreover 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 replace or repurchase the Mortgage Certificates, other than where any of the Mortgage Certificates fail to conform to the representations set down in section IV.1.a) of this Circular and the specific characteristics BANKINTER may have communicated to the Management Company, due to a failure by the Participated Mortgage Loan underlying that Mortgage Certificate to so conform.

#### **0.2.4 Risk hedging and service transactions arranged for on behalf of the Fund.**

In order to consolidate the financial structure of the Fund, enhance the safety of or regularity in payment of the Bonds, cover the timing differences between the scheduled principal and interest flows on the Mortgage Certificates and the Bonds, or, generally, transform the financial characteristics of the Bonds issued, and supplement management of the Fund, the Management Company shall, on behalf of the Fund, upon executing the Deed of Constitution, proceed to formally enter into the agreements established hereinafter:

- (i) Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (ii) Subordinated Loan Agreement.
- (iii) Start-Up Loan Agreement.
- (iv) Interest Swap Agreement.
- (v) Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement.
- (vi) Bond Issue Management, Underwriting and Placement Agreement.
- (vii) Bond Paying Agent Agreement.
- (viii) Financial Intermediation Agreement.

The Management Company may, in order for the Fund to operate on the terms provided in the Deed of Constitution, in this Circular 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, including new credit facility agreements, and, in exceptional events and where that is legally possible, amend the Deed of Constitution, provided that the Management Company first notifies the CNMV or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the ratings assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution or of the agreements shall be given by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.

#### **0.2.5 Ordinary priority rules in payments by the Fund.**

*Applicable from the first Payment Date until the last Payment Date or liquidation of the Fund, inclusive.*

The Available Funds shall be applied on each Payment Date to meeting payment or withholding obligations falling due on each Payment Date in the following priority of payments (the "**Priority of Payments**"), irrespective of the time of accrual, other than item number 1, which may be made at any time as and when due:

1. Payment of the Fund's properly supported taxes and 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 the Servicer, provided they are all properly supported, shall be made to the Servicer under the Servicing Agreement in this priority.
2. Payment of the Swap Agreement amount and, in the event of termination of that Agreement following a breach by the Fund, payment of the amount payable by the Fund comprising the settlement payment.
3. Payment of interest due on the Series A Bonds.



4. Amortising Series A Bond principal.

This application will only occur in the event that the Mortgage Certificate principal repayment income amount received, included in the Available Funds on the ongoing Payment Date, which should be used for satisfying Series B and Series C Bond interest payment respectively in items 5 and 6 below, is greater than the amount of the sum of (i) the Principal Balance Outstanding of Series B and Series C, and (ii) the Cash Reserve amount.

The Series A Bond principal amount to be amortised shall be calculated in the manner established in item 8 below for calculating the Available Funds for Amortisation of the Series A, B and C Bond principal.

5. Payment of interest due on the Series B Bonds.

6. Payment of interest due on the Series C Bonds.

7. Withholding of an amount sufficient for the Required Cash Reserve to be maintained.

This application shall not occur on the last Payment Date or date of liquidation of the Fund.

8. Amortising Series A, B and C Bond principal in an amount equivalent to the positive difference, if any, between (i) the Outstanding Principal Balance of the Bond Issue on the day preceding the ongoing Payment Date and (ii) the Outstanding Balance of the Mortgage Certificates on the ongoing Payment Date in good standing in payments of amounts due or, if delinquent, with an arrears of less than eighteen (18) months.

Depending on the liquidity existing on that Payment Date, the amount actually applied in this priority to amortising the Series A, B and C Bond principal shall make up the Available Funds for Amortisation which shall be applied to each of the Series in accordance with the distribution rules established hereinafter in this same section.

9. Payment of the amount payable by the Fund making up the settlement payment under the Swap Agreement in the event of that Agreement being terminated for a breach by BANKINTER.

10. Payment of interest due on the Start-Up Loan.

11. Repayment of Start-Up Loan principal.

12. Payment of interest due on the Subordinated Loan.

13. Repayment of Subordinated Loan principal in the amount of the reduction, if any, of the Required Cash Reserve.

14. Payment to the Servicer under the Servicing Agreement of the fee for servicing the Participated Mortgage Loans.

In the event that BANKINTER should be replaced by any other institution as Servicer of the Participated Mortgage Loans, payment of the servicing fee accrued by the other institution, to wit the new servicer,

may, as agreed, be included in any of the preceding items and indeed take the place of paragraph 1 above along with the other payments included in that priority.

15. Payment of the variable remuneration established under the Financial Intermediation Agreement.

When accounts for different items exist in a same priority of payments and the remaining Available Funds are not sufficient to settle the amounts due under all of them, the remaining Available Funds shall be pro rated among the amounts payable under each such item, and the amount applied to each item shall be applied in the priority in which the accounts payable fall due.

***Distribution of the Available Funds for Amortisation among each Series.***

On each Payment Date, the Available Funds for Bond Amortisation shall be distributed among the three Series to be amortised in accordance with the following rules:

1. Until the first Payment Date (inclusive) on which the Outstanding Principal Balance of the Series B Bonds and the Outstanding Principal Balance of the Series C Bonds is respectively equal to or greater than 4.20% and 3.10% of the Outstanding Principal Balance of the Bond Issue, the Available Funds for Amortisation shall be fully used for amortising the Series A Bonds.
2. From the Payment Date after the date on which the above ratios are respectively equal to or greater than said 4.20% and 3.10%, the Available Funds for Amortisation shall be applied to amortising Series A, B and C, proportionally among the same, thereby for the above ratios of the Outstanding Principal Balances of Series B and the Outstanding Principal Balances of Series C to the Outstanding Principal Balance of the Bond Issue and to be respectively kept at 4.20% and 3.10%, or a higher percentages closest thereto.

The Available Funds for Amortisation will however not be applied on the Payment Date to amortising Series B or Series C if any of the following circumstances should occur:

- a) That on the Determination Date for the ongoing Payment Date, the sum of the Outstanding Balance of the Mortgage Certificates with an arrears in excess of ninety (90) days in payment of amounts due in relation to the Outstanding Balance of the Mortgage Certificates on that same date is in excess of 2.50% in order not to proceed to amortise Series B or is in excess of 2.00% in order not to proceed to amortise Series C.
  - b) That the amount with which the Cash Reserve is provisioned is less than the Required Cash Reserve.
  - c) That there is an Amortisation Deficiency.
3. On the Payment Dates after the first Payment Date on which the amount of the Outstanding Balance of the Mortgage Certificates yet to be amortised is less than 10 percent of the initial Outstanding Balance, the Available Funds for Amortisation shall be exclusively applied to amortising Series A until it is fully amortised. Once the Series A Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series B until it is fully amortised, and once the Series B Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series C until it is fully amortised.

## **0.2.6 Liquidation and termination of the Fund.**

### **Termination of the Fund.**

The Fund shall terminate in any of the following events:

Upon the Mortgage Certificates pooled therein being fully amortised.

By the Early Liquidation procedure established in section III.8.1.

At all events, on the Final Maturity Date established for final Bond amortisation.

### **Early Liquidation of the Fund.**

Following notice served on the CNMV, the Management Company shall be entitled to proceed to an early liquidation (“**Early Liquidation**”) of the Fund and thereby an early amortisation, on a Payment Date, of the entire Bond Issue (“**Early Amortisation**”), when the Outstanding Balance of the Mortgage Certificates pending amortisation is less than 10 percent of the initial Outstanding Balance, in accordance with the authorisation established in article 5 of Act 19/1992, in addition to the other Early Liquidation Events contained in section III.8.1, and subject to the same requirements and procedures contained in said section.

In order to proceed to that Early Liquidation of the Fund, it shall be necessary for all the payment obligations derived from the Bonds issued by the Fund to be met and settled fully or otherwise that, before proceeding to an Early Liquidation of the Fund, the Management Company call 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 of the Bonds on that date plus interest accrued and not paid until the early amortisation date, deducting the withholding tax, if any, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

## **0.3 Risks inherent in the Bonds.**

### **(i) Risk of default on the Mortgage Certificates.**

The holders of Bonds issued by the Fund shall bear the risk of default on the Mortgage Certificates pooled therein.

Under article 5.8 of Act 19/1992, BANKINTER does not bear the risk of default on the Mortgage Certificates and shall not therefore be howsoever liable for default by the Obligors of principal, interest or any other amount owing by the Obligors under the Participated Mortgage Loans.

### **(ii) Early-amortisation risk of the Mortgage Certificates.**

There will be an early amortisation of the Mortgage Certificates pooled in the Fund when the borrowers of the Participated Mortgage Loans prepay the portion of principal pending repayment, on the terms set in each of the loan documents. 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 any other financial institution licensed to do so.

The risk of that early amortisation shall pass quarterly on each Payment Date to the holders of the Bonds upon their partial amortisation.

**(iii) Limited Hedging.**

An investment in the Bonds may be affected, among other circumstances, by a downturn in general economic conditions adversely affecting payments of the Participated Mortgage Loans backing the Bond Issue of the Fund. A high level of delinquency might reduce or indeed eliminate the hedging against loan portfolio losses that the Bonds have as a result of the existence of the credit enhancement transactions described in the Offering Circular. Moreover, the degree of subordination in payment of interest and repayment of Series C Bond principal with respect to the Series A and B Bonds and of the Series B Bonds with respect to the Series A Bonds derived from their position in the Fund Priority of Payments, is a mechanism for distinctly hedging the different Series.

**(iv) Limited Liability.**

The Bonds issued by the Fund neither represent nor stand as an obligation of the Management Company or of BANKINTER. The cash flow generated by the Mortgage Certificates used to meet the obligations deriving from the Bonds is assured or guaranteed only in the specific events and up to the limits referred to in the Offering Circular. No guarantees other than these are given by any public or private institution, including among them BANKINTER, the Management Company and any of their affiliated or subsidiary companies.

**(v) Limited Liquidity.**

There is no assurance that the Bonds will be traded on the market with a minimum frequency or volume.

There is no undertaking that any institution will be involved in secondary trading, giving the Bonds liquidity by offering consideration.

**(vi) Yield.**

Prepayment of the Participated Mortgage Loans is influenced by a number of geographic, economic and social factors such as Obligor's age, seasonality, market interest rates and unemployment, preventing their predictability. The calculation of the internal rate of return, average life and duration of the Bonds given in the Offering Circular is based, inter alia, on assumed prepayment rates that may not be fulfilled.

**(vii) Late-Payment Interest.**

The late payment of interest or repayment of principal to the Bondholders shall under no circumstances result in late-payment interest accruing to their favour.

**(viii) No right of action.**

Neither the Fund nor the Bondholders shall have any right of action respectively against the originator issuing the Mortgage Certificates or against the Management Company other than as derived from breaches of their respective duties and hence at no event as a result of the existence of default or early amortisation.

## CHAPTER I

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

#### **L1 Persons taking responsibility for the contents of the Circular.**

##### **L1.1 Full name, Spanish identity or personal identification document number and position or powers of the individual(s) taking responsibility for the contents of the Circular on behalf of the Management Company.**

Mr MARIO MASIÁ VICENTE, of full age, who holds Spanish Tax Identification 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 meetings held on January 19, 1993 and January 28, 2000, and by the Board's Executive Committee at its meeting held on December 3, 2002, takes responsibility for the contents of this Circular.

EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with registered office at Madrid, Calle Lagasca, 120, having VAT Reg. no. A-80514466, sponsors BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA (the "Fund"), and shall be responsible for managing and legally representing the same.

##### **L1.2 Specification that the above-mentioned individual(s) believe(s) that the information contained in the Circular is truthful and that no fact has been omitted that might alter its scope.**

Mr MARIO MASIÁ VICENTE confirms that the facts and figures contained in the Circular are truthful and that no relevant detail has been omitted nor has misleading information been included.

#### **L2 Supervisory Bodies.**

The constitution of the Fund and issue of the Mortgage-Backed Bonds (hereinafter also the "Bonds") are subject to the condition precedent of their verification and registration in the Official Registers of the CNMV.

This full Offering Circular regarding the constitution of the Fund and issue of the Bonds has been verified and entered in the Official Registers of the CNMV on December 16, 2002.

Registration of the Circular by the CNMV does not imply recommending subscription for or purchase of the securities referred to therein, nor indeed any statement whatsoever as to the solvency of the issuer or yield of the issued or offered securities.

#### **L3 Name, address and qualifications of the auditors who have verified the number, amount and characteristics or features of the assets securitised through the Fund.**

Appendix V 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 to be assigned by issuing the Mortgage Certificates. That Report was drawn up by the firm PRICEWATERHOUSECOOPERS AUDITORES, S.L., entered in the Official Register of Auditors (ROAC) under number S0242 and having its registered office in Madrid, Paseo de la Castellana, 43.

In addition to other matters, that report deals with verifying fulfilment of the terms required by Act 2/1981, March 25, for issuing Mortgage Certificates. BANKINTER shall not include the loans with errors detected upon verifying the sample for issuing the Mortgage Certificates.

That audit was made using sampling techniques consisting of analysing a number of loans fewer (sample) than the full selection of loans (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative features regarding the sample loans and specifically regarding: purpose of the loan, identification of the borrower, address of the mortgaged property, date of origination, date of maturity, initial amount, current balance, interest rate applied, benchmark interest rate or index, margin or spread, appraisal value, ratio current loan balance/appraisal value, arrears in payments, damage insurance and mortgage security.

BANKINTER, S.A. agrees in accordance with the provisions of section IV.1.d) of this Circular that, if in spite of its own enquiries and those of the above-mentioned auditor, the existence of any Participated Mortgage Loan not fully observing the representations contained in section IV.1.a) of this Circular and the specific characteristics of the Participated Mortgage Loans BANKINTER shall have communicated to the Management Company should be detected, then BANKINTER will forthwith replace the relevant Mortgage Certificate or proceed to an early amortisation thereof, as the case may be, in accordance with the provisions of section IV.1.d).

## INFORMATION REGARDING THE SECURITIES ISSUED BY THE MORTGAGE SECURITISATION FUND

**II.1 Information on prerequisites and resolutions necessary for the Fund to be constituted and on the securities issued by the Fund, and also on the terms for the Fund to acquire the assets (Participated Mortgage Loans with underlying Mortgage Certificates) subject of the securitisation process.**

**II.1.1 Issue resolutions and statutory requirements.**

**a) Corporate resolutions.**

*Resolution to issue the Mortgage Certificates:*

The Board of Directors of BANKINTER, S.A. (“**BANKINTER**”), at its meeting held on October 23, 2002, resolved to authorise the issue of mortgage certificates (the “**Mortgage Certificates**”) based on resolution seven of the General Shareholders’ Meeting of BANKINTER dated March 20, 2002, and to be subscribed for by a Mortgage Securitisation Fund forthwith upon being constituted. The characteristics of the issue of Mortgage Certificates pooled in the Fund are described in Chapter IV.1. Attached as Appendix II to this Circular is a photocopy of the Transcript of the resolutions of the Board of Directors of BANKINTER.

*Resolution to set up the Fund:*

At its meeting dated December 3, 2002, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the “**Management Company**”) resolved that BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA be constituted in accordance with the legal system provided by Act 19/1992, to subscribe for the Mortgage Certificates issued by BANKINTER and that the Bonds be issued by the Fund. Attached as Appendix III 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 by December 17, 2002, without the Bond Subscription Period having yet begun, the Management Company along with BANKINTER, issuing the Mortgage Certificates to be subscribed for by the Fund, shall proceed to execute a public deed whereby BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA will be constituted, the Mortgage Certificates will be issued and subscribed for and the Mortgage-Backed Bonds will be issued the “**Deed of Constitution**”), on the terms provided in Act 19/1992.

The following will summarise the contents of the Deed of Constitution: (i) the Mortgage Certificates pooled in the Fund and the rules for replacement in the event of early amortisation thereof will be specified, (ii) the contents of the Bonds to be issued will be precisely defined, (iii) the rules to be observed by the Fund will be set and the operations that the Management Company may carry out on behalf of the Fund will be established in order to enhance the safety of or regularity in payment of the Bonds and cover timing differences between the scheduled flows of principal and interest on the Mortgage Certificates and

on the Bonds. In this sense, the Deed of Constitution shall provide that the Fund may, through its Management Company, enter into the agreements specified in section V.3 of the Circular.

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

**II.1.2 Information on prerequisites and resolutions for listing on the Stock Exchange or on an organised secondary market.**

In accordance with 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 the Securities Market Act. The Management Company shall, for and on behalf of the Fund, forthwith upon the execution of the Deed of Constitution, apply for the issue to be included in the Servicio de Compensación y Liquidación de Valores, S.A. (“**SCLV**”) or any other institution hereafter taking its stead, and, once the Bonds have been paid up, for this Bond issue to be included in AIAF Fixed-Income Market (“**AIAF**”), which is a recognised official secondary securities market, in order for the Bonds to be traded, cleared and settled in accordance with the operating rules which may be established to that end or henceforth approved by the SCLV and AIAF, or any other institution taking their stead. It is expected that definitive AIAF listing will be achieved not later than one month after the Closing Date.

**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.**

No prior administrative authorisation other than prior verification and registration by the CNMV is required.

The CNMV has made no warning or consideration concerning the constitution 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.**

The Management Company has entrusted the assessment of the credit risk of the Bonds to Moody’s Investors Service España, S.A. (“**Moody’s**”) and Standard & Poor’s España, S.A. (“**S&P**”), which rating agencies (jointly the “**Rating Agencies**”) are recognised by the CNMV, for the purposes of the provisions of article 5.8 of Act 19/1992.

On December 11, 2002, Moody’s assigned the following provisional ratings to each of the Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period.

<b>Bond Series</b>	<b>Moody’s Rating</b>
Series A	Aaa
Series B	A2
Series C	Baa3



On December 11, 2002, S&P assigned the following provisional ratings to each of the Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period.

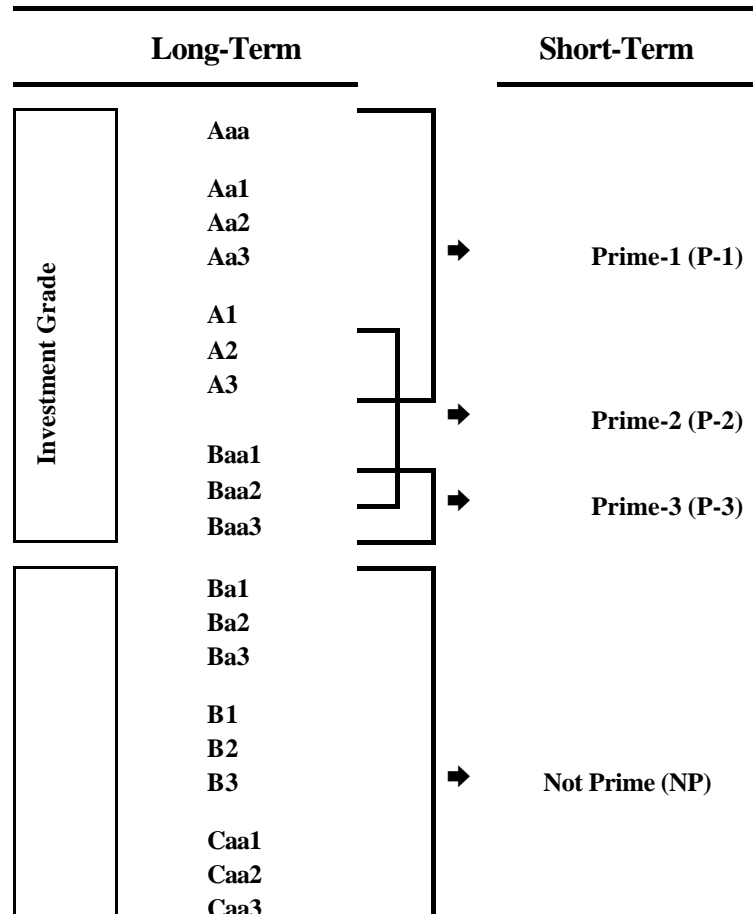
Bond Series	S&P Rating
Series A	AAA
Series B	A+
Series C	BBB+

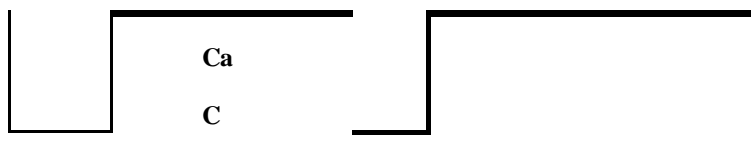
If the Rating Agencies should not confirm the assigned provisional ratings as final by the start of the Subscription Period, this circumstance would forthwith be notified to the CNMV and be publicised in the manner for which provision is made in section III.5.3.c). Furthermore, this circumstance would result in the Fund constitution, issue of and subscription for the Mortgage Certificates and Bond issue being terminated.

Appendix IV to this Circular contains a copy of the letters notifying the provisional ratings assigned by Moody's and S&P.

*Ratings given by Moody's.*

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





The following is the meaning ascribed by Moody's to the long- and short-term ratings used in this Offering Circular.

#### Long-Term

- Aaa** Bonds which are rated "Aaa" are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edged". Interest payments are protected by a large margin or by an exceptionally stable margin and the principal is secure.
- Aa** Bonds which are rated "Aa" are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than the Aaa securities.
- A** Bonds which are rated "A" possess many favourable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest payments are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.
- Baa** Bonds which are rated "Baa" are considered as medium-grade obligations. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

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

#### Short-Term

- P-1** Superior ability to repay short-term debt obligations.

#### *Ratings given by S&P.*

The following are S&P's rating scales for long- and short-term debt issues:

Long-Term	Short-Term
AAA	
AA+	
AA	
AA-	A - 1
A+	
A	
A-	A - 2

	<b>BBB+</b>	
	<b>BBB</b>	<b>A - 3</b>
	<b>BBB-</b>	
	<b>Long-Term</b>	<b>Short-Term</b>
<b>Speculative Grade</b>	<b>BB+</b>	
	<b>BB</b>	<b>B</b>
	<b>BB-</b>	
	<b>B+</b>	
	<b>B</b>	
	<b>B-</b>	<b>C</b>
	<b>CCC+</b>	
	<b>CCC</b>	
	<b>CCC-</b>	
	<b>CC</b>	
	<b>C</b>	<b>D</b>
	<b>D</b>	

The following is the meaning ascribed by S&P to the long- and short-term ratings used in this Offering Circular.

**Long-Term:**

- AAA** An obligor rated “AAA” has extremely strong capacity to meet its financial commitments. “AAA” is the highest rating assigned by S&P.
- AA** An obligor rated “AA” has very strong capacity to meet its financial commitments. It differs from the highest rated obligors only in small degree.
- A** An obligor rated “A” has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors with higher-rated categories.
- BBB** An obligor rated “BBB” has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Ratings from “AA” to “CCC” may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

**Short-Term:**

- A-1** An obligor rated “A-1” has strong capacity to meet its financial commitments. It is rated in the highest category by S&P. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor’s capacity to meet its financial commitments is extremely strong.

**Rating considerations.**

The ratings assigned to each of the Bond Series is the Rating Agencies' opinion about the level of credit risk, the Fund's ability to meet payments of interest as they fall due on each set Payment Date and of the principal of the issue throughout the life of the transaction and, at all events, before the Final Maturity Date. The rating takes into account the structure of the Bond Issue, the legal aspects thereof and of the issuing Fund, the characteristics of the mortgage loans selected for issuing the Mortgage Certificates and the regularity and continuity of the operating flows.

The Rating Agencies' ratings are not an assessment of the likelihood of Obligors 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.

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

- (i) are assigned by the Rating Agencies based on manifold information received with respect to which they can give no assurance, nor even as to their accuracy or wholeness, wherefore the Rating Agencies 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.

The Rating Agencies may revise, suspend or withdraw the final ratings assigned at any time, based on any information that may come to their notice. Those events, which shall not constitute early liquidation events of the Fund, shall forthwith be notified to both the CNMV and the Bondholders, in accordance with the provisions of section III.5.3.

In carrying on the rating and monitoring process, the Rating Agencies rely on the accuracy and wholeness of the information provided by BANKINTER, the Management Company, the auditors, the lawyers and other experts.

#### **Undertakings by the Management Company.**

The Management Company, on behalf of the Fund, agrees to report regularly to the Rating Agencies 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, in the agreements entered into by the Fund through its Management Company or in the parties concerned.

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

The amount of the issue of mortgage-backed bonds (the "**Bond Issue**" and the "**Bonds**") totals a face value of EUR seven hundred and ten million (710,000,000) and consists of 7,100 Bonds pooled in three Series (Series A, Series B and Series C), as detailed in section II.6 hereinafter.

#### **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 of the series of securities issued by the Fund of 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 constitution of the Fund and the Bond Issue by the same are carried out pursuant to Act 19/1992.

The Bonds legally qualify as marketable fixed-income securities with an explicit yield and are subject to the system prescribed in the Securities Market Act.

As provided in section II.5 of this chapter, the Bonds shall be represented by means of book entries. The Bondholders will be identified as such when entered in the accounting record kept by the SCLV or any other organisation taking its stead, and the relevant clearing member may issue certificates of title when so requested by the Bondholder and at the Bondholder's expense; the provisions of Title I, Chapter I, section four of the Book Entries and Stock Exchange Transaction Clearing and Settlement Royal Decree 116/1992, February 14, will apply in this connection (“**Royal Decree 116/1992**”).

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 in the accounting record shall be the same as handing over the certificates and the transfer shall thereupon be enforceable on third parties. In this sense, no claim may be lodged against a third party acquiring the Bonds represented by book entries for valuable consideration from whoever has capacity to transfer the same, according to the book entries, unless he acted in bad faith or with gross negligence at the time of the acquisition.

The Bondholders are bound in respect of Bond interest payment and principal repayment by the Fund Priority of Payments.

In order to cover timing differences between the scheduled flows of repayment of principal and interest on the Mortgage Certificates and on the Bonds issued by the Fund, the Management Company, on behalf of the Fund, shall enter into a Guaranteed Interest Rate Account (Treasury Account) Agreement with BANKINTER whereby the amounts received by the Fund from the Mortgage Certificates, both as repayment of principal and interest, as well as the amounts referred to in section V.3.1 of the Circular, will be invested until the next Bond Payment Date, on which the principal repayment and interest payment on the Bonds shall fall due. Additionally, the Fund has other financial hedging transactions covering up to a limit the risk of shortfall of the Fund's resources to service the Bonds and which have been deemed sufficient by the Rating Agencies to assign each Bond Series the rating referred to in section II.3 of this Circular.

#### **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, BANKINTER shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Participated Mortgage Loans. BANKINTER will moreover 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 where any of the relevant Mortgage Certificates or Participated Mortgage Loans fail to conform to the representations contained in section IV.1.a) of this Circular and the specific characteristics of the Participated Mortgage Loans notified by BANKINTER to the Management Company.

Consequently, the Bondholders shall bear the risk of default on the Mortgage Certificates pooled therein.

**b) Early-amortisation risk of the Mortgage Certificates:**

There will be an early amortisation of the Mortgage Certificates pooled in the Fund when the borrowers of the Participated Mortgage Loans prepay the portion of principal pending repayment, on the terms set in each of the loan documents. 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 quarterly on each Payment Date to the Bondholders upon the partial amortisation of the Bonds, in accordance with the provisions of section II.11.3.4 of this Circular.

**c) Limited Hedging.**

An investment in the Bonds may be affected, among other circumstances, by a downturn in general economic conditions adversely affecting payments of the Participated Mortgage Loans backing the Bond Issue of the Fund. A high level of delinquency might reduce or indeed eliminate the hedging against loan portfolio losses that the Bonds have as a result of the existence of the credit enhancement transactions described in section V.3 of this Circular. Moreover, the degree of subordination in payment of interest and repayment of Series C Bond principal with respect to the Series A and B Bonds and of the Series B Bonds with respect to the Series A Bonds derived from their position in the Fund Priority of Payments, is a mechanism for distinctly hedging the different Series.

**d) Limited Liability.**

The Bonds issued by the Fund neither represent nor stand as an obligation of the Management Company or of BANKINTER. The cash flow generated by the Mortgage Certificates used to meet the obligations deriving from the Bonds is assured or guaranteed only in the specific events and up to the limits referred to in this Circular. No guarantees other than these are given by any public or private institution, including among them BANKINTER, the Management Company and any of their affiliated or subsidiary companies.

In the Deed of Constitution, BANKINTER will make a number of representations and warranties as to the characteristics of the Participated Mortgage Loans and the Mortgage Certificates, as to the existence of the Participated Mortgage Loans and the mortgage securities related thereto, and the absence of any obstacle whatsoever for issuing the Mortgage Certificates and that they conform to the characteristics of the Participated Mortgage Loans defined therein. In any event, BANKINTER does not guarantee the solvency of the Participated Mortgage Loan Obligors. Furthermore, these guarantees do not allow the Bondholders to enforce against BANKINTER any right whatsoever they may have against the Fund, the Management Company being the only institution authorised to represent the Bondholders in relations with third parties or in any legal action related to the Fund.

**e) Limited Liquidity.**

There is no assurance that the Bonds will be traded on the market with a minimum frequency or volume.

There is no undertaking that any institution will be involved in secondary trading, giving the Bonds liquidity by offering consideration.

Furthermore, the Fund may at no event repurchase the Bonds from their holders, though they may be fully subject to early amortisation in the event of Early Liquidation of the Fund when the Outstanding Balance

of the Mortgage Certificates pending amortisation is less than 10% of the initial Outstanding Balance on the terms established in section III.8.1 of this Circular.

**f) Yield.**

Prepayment of the Participated Mortgage Loans is influenced by a number of geographic, economic and social factors such as Obligor's age, seasonality, market interest rates and unemployment, preventing their predictability.

The calculation of the internal rate of return, average life and duration of the Bonds is based, inter alia, on assumed prepayment rates of the Participated Mortgage Loans that may not be fulfilled, and on future market interest rates, given the floating nature of the nominal interest rate of each Series.

**g) Late-Payment Interest.**

The late payment of interest or repayment of principal to the Bondholders shall under no circumstances result in late-payment interest accruing to their favour.

**h) No right of action.**

Neither the Fund nor the Bondholders shall have any right of action respectively against the originator issuing the Mortgage Certificates or against the Management Company other than as derived from breaches of their respective duties and hence at no event as a result of the existence of default or early amortisation.

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

The Bonds issued by 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 the Securities Market Act.

The SCLV 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 listed on the AIAF, and represented by book entries, now established or approved in the future by the SCLV or any other replacement institution. Such designation shall be entered in the Official Registers of the CNMV. Bondholders shall be identified as such when entered in the accounting record kept by the clearing members of the SCLV or any other replacement institution.

The SCLV has its place of business at calle Orense, no. 34, Madrid.

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

The amount of the Bond Issue totals a face value of EUR seven hundred and ten million (710,000,000) and consists of 7,100 Bonds pooled in three Bond Series distributed as follows:

- i) Series A having a total face amount of EUR six hundred and eight-four million one hundred thousand (684,100,000) comprising six thousand eight hundred and forty-one (6,841) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (the “**Series A Bonds**”).
- ii) Series B having a total face amount of EUR fourteen million nine hundred thousand (14,900,000) comprising one hundred and forty-nine (149) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (the “**Series B Bonds**”).
- iii) Series C having a total face amount of EUR eleven million (11,000,000) comprising one hundred and ten (110) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (the “**Series C Bonds**”).

Payment of interest and repayment of principal on the Series B and C Bonds is deferred with respect to the Series A Bonds, as provided in the Fund Priority of Payments.

Payment of interest and repayment of principal on the Series C Bonds is deferred with respect to the Series A and B Bonds, as provided in the Fund Priority of Payments.

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 the issue premium, if any, expressed in proportion to the face value and in monetary units per security. Currency in which each of the Series of securities issued by the Fund is denominated.**

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

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 the investors upon subscribing for the securities issued by the Fund.**

The Fund, as Bond issuer, shall neither shift to nor charge the investor any expense item whatsoever for subscribing for the Bonds.

**II.9 Specification, as appropriate, of the existence, as the case may be, of fees to be borne by the holders of the securities issued by the Fund, mandatorily represented as book entries, for entering and maintaining a balance.**

The expenses of including the Bond Issue in the accounting record of the SCLV shall be borne by the Fund and may not be shifted to the 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 the SCLV may nevertheless establish such fees and expenses to be charged to the Bondholder, for managing securities, 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 each Series shall accrue a yearly nominal interest, variable and payable quarterly, which shall be the result of applying the policies established hereinafter.

Said resultant yearly nominal interest rate (hereinafter “nominal interest rate”) shall be payable quarterly in arrears on each Payment Date on the Outstanding Principal Balance of the Bonds in each Series, provided that the Fund has sufficient liquidity in the Priority of Payments.

The withholdings, contributions and taxes established or to be established in the future on the principal, interest or return of the Bonds, shall be borne exclusively by the Bondholders, and their amount shall be deducted, as the case may be, 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 (“**Interest Accrual Periods**”) comprising the exact number of days elapsed between each Payment Date, 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 equivalent to the days elapsed between the Closing Date, inclusive, and the first Payment Date, to wit May 12, 2003, exclusive.

The nominal interest rate shall be accrued on the exact number of days elapsed in each Interest Accrual Period for which it was determined, calculated on the basis of a 360-day year.

#### **b) Nominal interest rate.**

The nominal interest rate applicable to each of the Series determined for each Interest Accrual Period shall be the result of adding: (i) the Reference Rate, as established in section c) below, and (ii) the following margins for each Series, all of which shall be rounded up to the nearest thousandth of a percentage point.

- **Series A:** 0.24% margin.
- **Series B:** 0.45% margin.
- **Series C:** 1.25% margin.

#### **c) Reference Rate and determining the same.**

The reference rate (the “**Reference Rate**”) for determining the nominal interest rate applicable to each of the Bond Series is as follows:

- i) Euribor, “Euro Interbank Offered Rate”, calculated and distributed by the BRIDGE financial information system under an FBE (“Federation Bancaire de l’Union Europeene”) mandate, with a three- (3-) month maturity, other than for the first Interest Accrual Period, fixed at 11am (CET time “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.

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the result of a straight-line interpolation between the three- (3-) month and the six- (6-) month Euribor rates bearing in mind the number of days in the first Interest Accrual Period. The Reference Rate for the first Interest Accrual Period shall be calculated in accordance with the following formula:

$$IR = [(D-90)/90] \times E6 + [1 - ((D-90)/90)] \times E3$$

Where:

IR = Reference Rate for the first Interest Accrual Period.

D = Number of days in the first Interest Accrual Period.

E3 = Three- (3-) month Euribor rate.

E6 = Six- (6-) month Euribor rate.

Said 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 deposit transactions in euros with a three- (3-) month maturity, on the Interest Rate Fixing Date, declared by the banks listed below, following a simultaneous request to each of them:

- Banco Bilbao Vizcaya Argentaria, S.A. (Madrid).
- Banco Popular Español, S.A. (Madrid).
- Banco Santander Central Hispano, S.A. (Madrid).
- Barclays Bank Plc. (London).
- BNP Paribas (Paris).
- Deutsche Bank AG (Frankfurt).

In the event that it should be impossible to apply the above substitute Reference Rate, due to the failure by any or several of said banks to provide a statement of 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.

On each of the Interest Rate Fixing Dates, the Paying Agent shall notify the Management Company of the Reference Rate determined in accordance with paragraphs i) and ii) above.

**d) Interest Rate Fixing Date.**

The nominal interest rate applicable to each of the Bond Series for every Interest Accrual Period shall be determined by the Management Company, for and on behalf of the Fund, as provided in sections b) and c) above, based upon the Reference Rate or its substitute, on the second Business Day before each Payment Date (the “**Interest Rate Fixing Date**”) and will apply for the following Interest Accrual Period.

Exceptionally, the nominal interest rate of the Bonds in each of the Series for the first Interest Accrual Period shall be determined as provided in sections b) and c) above, based upon the Reference Rate (straight-line interpolation of three- (3-) and six- (6-) month Euribor rate), albeit referred to the Business Day preceding the Closing Date, and shall be notified in writing by the Management Company by the start of the Subscription Period to the Lead Manager and Underwriter and Placement Agent in order to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV, the Paying Agent, the AIAF and the SCLV.

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

**e) Formula for calculating the interest.**

Interest settlement for each of the Series, 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, rounded up to the nearest euro cent.*

*P = Outstanding Principal Balance of the Bonds in the Series at the beginning of the Interest Accrual Period falling on that Payment Date.*

*R = Nominal interest rate of the Series expressed as a yearly percentage.*

*d = Number of days actually corresponding to each Interest Accrual Period.*

**f) Example for fixing the nominal interest rate.**

As established in this section and for an easier understanding by the subscriber of the system for fixing the nominal interest rate and the amount of the interest to be received for each Bond in each Series on the first Payment Date, the manner of calculating the same for the following event is shown below:

(Amounts in EUR)	Series A Bonds	Series B Bonds	Series C Bonds
<b>1</b> Outstanding Principal Balance per Bond	100,000.00	100,000.00	100,000.00
<b>2</b> Interest Accrual Period Days	146	146	146
<b>3</b> 3- to 6- month* interpolated Euribor Rate	2.90791	2.90791	2.90791
<b>4</b> Margin	0.24	0.45	1.25
<b>5</b> Nominal interest rate: rounded to the nearest ten thousandth of a percentage point	3.148	3.358	4.158
<b>6</b> Calculation of the interest accrued per Bond (1)x(2)x(5)/36000	1,276.689	1,361.856	1,686.300
<b>7</b> Amount of interest payable per Bond: rounded up to the nearest euro cent	1,276.69	1,361.86	1,686.30

\* 6-month Euribor: 2.903% and 3-month Euribor: 2.916% as of 9.12.2002.

**g) Informative table on the evolution of the reference rate to be used.**

For merely illustrative purposes, below are details of the three- (3-) month Euribor rates published on certain dates, which would match the Payment Dates, over the last two years on the EURIBOR01 electronic page supplied by Reuters, and the nominal interest rates that would result if applied to each of the Bond Series, other than on the first Payment Date:

<b>Dates</b>	<b>3-Month Euribor</b>	<b>Series A Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
December 09, 2002	2916	3.156	3.366	4.166
November 08, 2002	3.209	3.449	3.659	4.459
October 10, 2002	3.226	3.466	3.676	4.476
September 10, 2002	3.317	3.557	3.767	4.567
August 08, 2002	3.336	3.576	3.786	4.586
July 10, 2002	3.424	3.664	3.874	4.674
June 10, 2002	3.469	3.709	3.919	4.719
May 09, 2002	3.428	3.668	3.878	4.678
April 10, 2002	3.413	3.653	3.863	4.663
March 08, 2002	3.374	3.614	3.824	4.624
February 08, 2002	3.353	3.593	3.803	4.603
January 10, 2002	3.338	3.578	3.788	4.588
December 10, 2001	3.360	3.600	3.810	4.610
November 08, 2001	3.324	3.564	3.774	4.574
October 10, 2001	3.624	3.864	4.074	4.874
September 10, 2001	4.242	4.482	4.692	5.492
August 09, 2001	4.410	4.650	4.860	5.660
July 10, 2001	4.499	4.739	4.949	5.749
June 08, 2001	4.451	4.691	4.901	5.701
May 10, 2001	4.766	5.006	5.216	6.016
April 10, 2001	4.554	4.794	5.004	5.804
March 08, 2001	4.778	5.018	5.228	6.028
February 08, 2001	4.731	4.971	5.181	5.981
January 10, 2001	4.775	5.015	5.225	6.025

**II.10.2 Simple confirmation of the priority of the interest payment of the securities issued by the Fund in the Fund priority of payments, and specification of the section and pages of this circular in which the rules of priority established in the Fund's payments are described, and specifically those affecting interest payments on those securities.**

Payment of interest accrued by the Series A Bonds is third (3<sup>rd</sup>) in the Priority of Payments established in section V.4.2.2, page 119 of this Circular.

Payment of interest accrued by the Series B Bonds is fifth (5<sup>th</sup>) in the Priority of Payments established in said section, page 119 of this Circular.

Furthermore, payment of interest accrued by the Series C Bonds is sixth (6<sup>th</sup>) in the Priority of Payments established in said section, page 119 of this Circular.

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

The interest on the Bonds in each of the Series will be paid in arrears on February 12, May 12, August 12 and November 12 of each year until they are fully amortised (each of those dates, a “**Payment Date**”), on the terms established in section II.10.1 of this Circular.

In the event that any of the dates established in the preceding paragraph should not be a Business Day, the Payment Date shall be the following Business Day, and interest for the ongoing Interest Accrual Period will accrue until said first Business Day, not inclusive.

The first interest Payment Date for the Bonds in each of the Series shall be May 12, 2003, and interest will accrue at the relevant nominal interest rate between the Closing Date, inclusive, and May 12, 2003, exclusive.

For the purposes of this Bond Issue, Business Days shall be deemed to be all days other than a:

- Saturday,
- Sunday,
- public holiday in Madrid, or
- non-business day in the TARGET calendar (Trans European Automated Real-Time Gross Settlement Express Transfer System).

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

The interest accrued on the Bonds shall be paid on each Payment Date provided that the Fund has sufficient liquidity to do so in the Priority of Payments.

In the event that on a Payment Date the Fund should be unable to make full or partial payment of the interest accrued by the Bonds in any of the Series, in the relevant Priority of Payments, the amounts that the Bondholders should not have received shall be accumulated on the next Payment Date to the interest on the actual Series that, as the case may be, should be paid on that same Payment Date, and will be paid in the Priority of Payments and applied by order of maturity if it should be impossible once again not to pay the same fully due to a shortage of Available Funds.

Deferred interest amounts shall accrue for the holders an interest equivalent to that applied to the Bonds in their respective Series for 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 Bond interest payment beyond November 12, 2039, the Final Maturity Date, or the next Business Day if that date 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.

## **II.11 Amortisation of the 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 each of Series A, B and C shall be EUR one hundred thousand (100,000) per Bond, equivalent to 100 percent of their face value, payable as established in section II.11.3 of this Chapter.

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.

Amortisation of the Bonds in each Series shall be made pro rata among the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, on each Payment Date, in an amount equal to the Available Funds for Amortisation distributed for the Series in accordance with the rules established in section II.11.3 of this Chapter.

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

Repayment of Series A, B and C Bond principal is eighth (8<sup>th</sup>) in the Priority of Payments established in section V.4.2.2 page 119 of this Circular.

In the event that the portion of the Mortgage Certificate principal repayment amounts received, included in the Available Funds on the ongoing Payment Date, which should be used for satisfying Series B and Series C Bond interest payment respectively in items 5 and 6 in the Priority of Payments, is greater than the amount of the sum of (i) the Principal Balance Outstanding of Series B and Series C, and (ii) the Cash Reserve amount available once the application in item 3 in the Priority of Payments is made, Series A Bond principal amortisation shall be fourth (4<sup>th</sup>) in the Priority of Payments established in section V.4.2.2, page 119 of this Circular.

### **II.11.3 Amortisation modes specifying dates, place, institutions, procedure and advertising for the same.**

#### **II.11.3.1 Amortisation of Series A Bonds.**

Series A Bonds shall be amortised by partial amortisation on each of the Payment Dates until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A, distributed pro rata between the Bonds in the actual Series A by reducing the face value of each Bond. The first partial amortisation of the Series A Bonds shall occur on the first Payment Date (May 12, 2003).

The final amortisation of the Series A Bonds shall occur on the Final Maturity Date (November 12, 2039), notwithstanding the partial amortisations for which provision is made in section II.11.3.4 and the fact that the Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.6, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **II.11.3.2 Amortisation of Series B Bonds.**

Series B Bonds shall be amortised by partial amortisation on each of the Payment Dates until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series B, distributed pro rata between the Bonds in Series B proper by reducing the face value of each Bond.

The first partial amortisation of Series B Bonds shall occur on the Payment Date after the Payment Date on which the Outstanding Principal Balance of the Series B Bonds is equal to or greater than 4.20% of the Outstanding Principal Balance of the Bond Issue. After that Payment Date, the Available Funds for Amortisation shall be applied to the amortisation of Series A, B and C and distributed pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series B and the Bond Issue to be kept at 4.20%, or a higher percentage closest thereto. The amortisation of Series B Bonds may however be stopped in certain circumstances for which provision is made in the rules for distributing the Available Funds for Amortisation among the Bonds in each Series in the Fund Priority of Payments.

The final amortisation of the Series B Bonds shall occur on the Final Maturity Date (November 12, 2039), notwithstanding the partial amortisations for which provision is made in section II.11.3.4 and the fact that the Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.6, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

Payment of interest and repayment of principal on the Series B Bonds is deferred with respect to the Series A Bonds, as provided in the Fund Priority of Payments.

#### **II.11.3.3 Amortisation of Series C Bonds.**

Series C Bonds shall be amortised by partial amortisation on each of the Payment Dates until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series C, distributed pro rata between the Bonds in Series C proper by reducing the face value of each Bond.

The first partial amortisation of Series C Bonds shall occur on the Payment Date after the Payment Date on which the Outstanding Principal Balance of Series C is equal to or greater than 3.10% of the Outstanding Principal Balance of the Bond Issue. After that Payment Date, the Available Funds for Amortisation shall be applied to the amortisation of Series A, B and C and distributed pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series C and of the Bond Issue to be kept at 3.10%, or a higher percentage closest thereto. The amortisation of Series C Bonds may however be stopped in certain circumstances for which provision is made in the rules for distributing the Available Funds for Amortisation among the Bonds in each Series in the Fund Priority of Payments.

The final amortisation of the Series C Bonds shall occur on the Final Maturity Date (November 12, 2039), notwithstanding the partial amortisations for which provision is made in section II.11.3.4 and the fact that the

Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.6, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

Payment of interest and repayment of principal on the Series C Bonds is deferred with respect to the Series A and B Bonds, as provided in the Fund Priority of Payments.

#### **II.11.3.4 Partial amortisation.**

Irrespective of the Final Maturity Date and without prejudice to the Early Amortisation of the Bond Issue in the event of Early Liquidation of the Fund, the Fund shall, through its Management Company, proceed to make partial amortisations of the Bonds in each Series on the Payment Dates and on the terms described hereinafter in this section.

##### **II.11.3.4.1 Determination Dates.**

These will be the dates falling on the third Business Day preceding each of the Payment Dates on which the Management Company on behalf of the Fund will make all necessary calculations to distribute or withhold the Available Funds which the Fund shall dispose of on the relevant Payment Date, in the Priority of Payments.

##### **II.11.3.4.2 Outstanding Principal Balance of the Bonds.**

The Outstanding Principal Balance of a Series shall be the sum of the outstanding principal balances pending amortisation of the Bonds in that Series, such balances to include the principal amounts that should have been repaid, as the case may be, and were not paid due to a shortage of Available Funds for Amortisation, in the Fund Priority of Payments.

Moreover, the Outstanding Principal Balance of the Bond Issue shall be the sum of the Outstanding Principal Balance of the Bonds in each of the Series.

##### **II.11.3.4.3 Outstanding Balance of the Mortgage Certificates.**

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

##### **II.11.3.4.4 Available Funds for Amortisation on each Payment Date and Amortisation Deficiency.**

The amount to be allocated to amortising the Bonds (“**Available Funds for Amortisation**”) on each Payment Date shall be the lower of the following amounts:

- a) The positive difference, if any, between (i) the Outstanding Principal Balance of the Bond Issue on the day preceding the ongoing Payment Date, and (ii) the Outstanding Balance of the Mortgage Certificates on the ongoing Payment Date, in good standing in payments of amounts due or, if delinquent, with an arrears of less than eighteen (18) months.
- b) Depending on the liquidity existing on that Payment Date, the Available Funds remaining after deducting the amounts applied to items 1 to 7 in the Priority of Payments.

The Amortisation Deficiency on a Payment Date shall be the positive difference, if any, between the sum of item a), as established in the preceding paragraph, and the Available Funds for Amortisation.



#### **II.11.3.4.5 Distribution of the Available Funds for Amortisation among the Bonds in each Series.**

Those Available Funds for Bond Amortisation shall be distributed among the three Series to be amortised in accordance with the following rules:

1. Until the first Payment Date (inclusive) on which the Outstanding Principal Balance of the Series B Bonds and the Outstanding Principal Balance of the Series C Bonds is respectively equal to or greater than 4.20% and 3.10% of the Outstanding Principal Balance of the Bond Issue, the Available Funds for Amortisation shall be fully used for amortising the Series A Bonds.
2. From the Payment Date after the date on which the above ratios are respectively equal to or greater than said 4.20% and 3.10%, the Available Funds for Amortisation shall be applied to amortising Series A, B and C, proportionally among the same, thereby for the above ratios of the Outstanding Principal Balances of Series B and the Outstanding Principal Balances of Series C to the Outstanding Principal Balance of the Bond Issue and to be respectively kept at 4.20% and 3.10%, or a higher percentages closest thereto.

The Available Funds for Amortisation will however not be applied on the Payment Date to amortising Series B or Series C if any of the following circumstances should occur:

- a) That on the Determination Date for the ongoing Payment Date, the sum of the Outstanding Balance of the Mortgage Certificates with an arrears in excess of ninety (90) days in payment of amounts due in relation to the Outstanding Balance of the Mortgage Certificates on that same date is in excess of 2.50% in order not to proceed to amortise Series B or is in excess of 2.00% in order not to proceed to amortise Series C.
  - b) That the amount with which the Cash Reserve is provisioned is less than the Required Cash Reserve.
  - c) That there is an Amortisation Deficiency.
3. On the Payment Dates after the first Payment Date on which the amount of the Outstanding Balance of the Mortgage Certificates yet to be amortised is less than 10 percent of the initial Outstanding Balance, the Available Funds for Amortisation shall be exclusively applied to amortising Series A until it is fully amortised. Once the Series A Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series B until it is fully amortised, and once the Series B Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series C until it is fully amortised.

Notwithstanding the above, in the event that on a Payment Date, in consequence of the Priority of Payments, the Fund should not have sufficient liquidity to proceed to the relevant amortisation of Bonds, the difference shall not entitle to any additional interest or late-payment interest whatsoever since it will in any event be part of the Outstanding Principal Balance of the Bonds in the relevant Series, on which interest settlement shall be calculated as provided in section II.10.3 above, since amortisation of the Bonds was not made for that amount.

The Management Company shall proceed to notify the Bondholders as provided in section III.5.3 of the amortisation amount resulting for the Bonds in each Series, the Outstanding Principal Balance of each Series, and the actual prepayment rates on the Participated Mortgage Loans and the average residual life estimated for the Bonds in each Series.

### **II.11.3.5 Final amortisation.**

The Final Maturity Date and consequently the final amortisation of the Bonds is November 12, 2039 or the next Business Day if that date is not a Business Day, without prejudice to the Management Company, for and on behalf of the Fund, and in accordance with the provisions of sections II.11.3.4 and II.11.3.6, proceeding to an earlier amortisation of this Bond Issue.

### **II.11.3.6 Early Amortisation.**

Without prejudice to the Fund's obligation, through its Management Company, to amortise the Bonds in each Series on the Final Maturity Date or on the partial amortisations on each Payment Date, as established in the preceding paragraphs, the Management Company shall be authorised, after notifying the CNMV, to proceed to an Early Liquidation of the Fund and hence an early amortisation ("**Early Amortisation**"), on a Payment Date, of the entire Bond Issue in the Early Liquidation Events and subject to the requirements established in section III.8.1 of this Circular.

## **II.12 Loan servicing table, including both interest payments and principal amortisation, for each of the Series of Mortgage-Backed Bonds to be issued by the Fund.**

The issue will be serviced through BANKINTER as the Paying Agent. Payment of interest and amortisations shall be notified to the Bondholders in the events and in such advance as may be provided for each case in section III.5.3. Interest and amortisations shall be paid to the lawful Bondholders by the relevant clearing members and to the latter in turn by the SCLV, the institution responsible for the accounting record.

### **a) Loan servicing tables.**

The main characteristic of the Mortgage-Backed Bonds is that their periodic amortisation and hence their average life and duration depend mainly on the pace at which Obligor decide to repay the Participated Mortgage Loans.

In this sense, the prepayments resolved by the Obligor, subject to continual changes, and estimated in this Circular by using several performance assumptions of the future effective constant annual early amortisation or prepayment rate (hereinafter "**CPR**"), shall directly affect the pace at which the Participated Mortgage Loans are repaid, and therefore the average life and duration of the Bonds.

There are also 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:

- interest rate of the Mortgage Certificate portfolio: 4.21% (average weighted % interest rate as of November 12, 2002 of the portfolio of selected loans);
- Mortgage Certificate portfolio delinquency: 0% per annum;
- Mortgage Certificate portfolio defaults rated as bad debts: 0%;
- that the prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is December 17, 2002;
- and that there is no Amortisation Deficiency.

Finally, the true adjusted duration of the Bonds will also depend on their floating interest rate, which is assumed to be constant for the First Interest Accrual Period in all the tables contained in this section, as follows for each Series:

	<b>Series A Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
<b>Nominal interest rate</b>	3.148%	3.358%	4.158%

For successive Interest Accrual Periods the floating interest rate of the Bonds is assumed to be constant as follows for each Series:

	<b>Series A Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
<b>Nominal interest rate</b>	3.156%	3.366%	4.166%

Assuming that the Management Company shall exercise the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option provided in section III.8.1, paragraph one, of this Circular, 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, based on the historic performance of mortgage loans granted to individuals and securitised by BANKINTER in recent years, shall be as follows:

<b>% CPR:</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>
	<b>Series A Bonds</b>				
<b>Average life (years)</b>	7.7	6.6	5.8	5.2	4.6
<b>IRR</b>	3.237%	3.237%	3.237%	3.237%	3.237%
<b>Duration</b>	6.3	5.5	4.9	4.4	4.0
<b>Final maturity</b>	12 08 2020	13 08 2018	13 02 2017	12 08 2015	12 05 2014
<b>(in years)</b>	17.7	15.7	14.2	12.7	11.4

<b>% CPR:</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>
	<b>Series B Bonds</b>				
<b>Average life (years)</b>	12.5	10.9	9.7	8.6	7.7
<b>IRR</b>	3.456%	3.456%	3.456%	3.456%	3.456%
<b>Duration</b>	9.7	8.7	7.9	7.1	6.5
<b>Final maturity</b>	12 08 2020	13 08 2018	13 02 2017	12 08 2015	12 05 2014
<b>(in years)</b>	17.7	15.7	14.2	12.7	11.4

	<b>Series C Bonds</b>				
<b>Average life (years)</b>	12.5	10.9	9.7	8.6	7.7
<b>IRR</b>	4.290%	4.290%	4.290%	4.290%	4.290%
<b>Duration</b>	9.2	8.3	7.5	6.8	6.2
<b>Final maturity</b>	12 08 2020	13 08 2018	13 02 2017	12 08 2015	12 05 2014
<b>(in years)</b>	17.7	15.7	14.2	12.7	11.4

These figures have been calculated using the following formula:

**Average life of the Bonds:** for each of the Series, average of the time periods between the Closing Date and each of the Payment Dates, using for weighting purposes the weights the principal to be repaid on each Payment Date has on the total face amount of the Series, in accordance with the following expression:

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

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 sections II.11.3.4 and II.11.3.6 of this 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.

**Internal rate of return (IRR):** for each of the Series, interest rate equalling the restatement at present value of the total amortisation and interest amounts received on each Payment Date with the face value of the Bond.

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

Where:

- N = face value of the Bond in each Series.
- r = IRR expressed as an annual rate, per unit.
- A<sub>j</sub> = (A<sub>1</sub>.....A<sub>n</sub>). Total amortisation and interest amounts to be received by the investors.
- nd = Number of days comprised between the Closing Date of the issue and each of the n Payment Dates, not inclusive, during the life of the Bond.

**Duration of the Bonds (adjusted Macaulay formula):** for each of the Series, measure of Bond price sensitivity with respect to changes in yield.

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

Where:

- D = Duration in each Bond Series expressed in years.
- a<sub>j</sub> = Time elapsed (in years) between the Closing Date and each of the n Payment Dates at issue.
- VA<sub>j</sub>= Present value of each of the amounts comprising principal and gross interest, payable on each of the n Payment Dates discounted at the actual interest rate (IRR) in every Series.
- PE= Issue price in every Bond Series.
- i = Actual interest rate (IRR) in every Series, per unit.

***Final Maturity:** for each of the Series, date on which the Bonds are expected to be finally amortised, assuming that the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option will be exercised when the Outstanding Balance of the Mortgage Certificates is less than 10% of the initial Outstanding Balance.*

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

- The CPRs are assumed to be constant respectively at 6% and 10% throughout the life of the loan and, as noted, actual prepayment rates change continually.
- The Outstanding Principal Payment Balance of the Bonds on each Payment Date and hence the interest payable on each such dates shall depend on the actual prepayment rate of the Mortgage Certificate portfolio.
- The Bond interest rates are assumed to be constant for each Series, from the second Interest Accrual Period, whereas the interest rate of all the Series is known to be variable.
- The assumed values referred to at the beginning of this section are at all events taken for granted.
- It is assumed that the Management Company will exercise the Early Liquidation of the Fund and thereby the Early Amortisation of the Bond Issue option when the Outstanding Balance of the Mortgage Loans is less than 10% of their initial amount, as provided in section III.8.1 of this Circular.

**FLows FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER**

(AMOUNTS IN EUR)

**CPR = 6%**

Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal Repaymen t	Interest (gross)	Total Flow	Principal Repaymen t	Interest (gross)	Total Flow	Principal Repaymen t	Interest (gross)	Total Flow
17 Dec 2002									
12 May 2003	3,625.79	1,276.69	4,902.48	0.00	1,361.86	1,361.86	0.00	1,686.30	1,686.30
12 Aug 2003	2,392.13	777.29	3,169.42	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 Nov 2003	2,350.80	758.00	3,108.80	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 Feb 2004	2,309.97	739.04	3,049.01	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 May 2004	2,238.37	704.75	2,943.12	0.00	841.50	841.50	0.00	1,041.50	1,041.50
12 Aug 2004	2,230.04	702.35	2,932.39	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 Nov 2004	2,190.68	684.37	2,875.05	0.00	860.20	860.20	0.00	1,064.64	1,064.64
14 Feb 2005	2,152.36	681.19	2,833.55	0.00	878.90	878.90	0.00	1,087.79	1,087.79
12 May 2005	2,072.43	614.05	2,686.48	0.00	813.45	813.45	0.00	1,006.78	1,006.78
12 Aug 2005	2,078.00	632.62	2,710.62	0.00	860.20	860.20	0.00	1,064.64	1,064.64
14 Nov 2005	2,041.30	629.25	2,670.55	0.00	878.90	878.90	0.00	1,087.79	1,087.79
13 Feb 2006	2,004.49	592.89	2,597.38	0.00	850.85	850.85	0.00	1,053.07	1,053.07
12 May 2006	1,930.82	557.88	2,488.70	0.00	822.80	822.80	0.00	1,018.36	1,018.36
14 Aug 2006	1,933.56	580.00	2,513.56	0.00	878.90	878.90	0.00	1,087.79	1,087.79
13 Nov 2006	1,898.39	546.07	2,444.46	0.00	850.85	850.85	0.00	1,053.07	1,053.07
12 Feb 2007	1,863.63	530.92	2,394.55	0.00	850.85	850.85	0.00	1,053.07	1,053.07
14 May 2007	1,794.33	516.05	2,310.38	0.00	850.85	850.85	0.00	1,053.07	1,053.07
13 Aug 2007	1,795.03	501.74	2,296.77	0.00	850.85	850.85	0.00	1,053.07	1,053.07
12 Nov 2007	1,761.13	487.42	2,248.55	0.00	850.85	850.85	0.00	1,053.07	1,053.07
12 Feb 2008	1,729.18	478.57	2,207.75	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 May 2008	1,676.28	454.52	2,130.80	0.00	841.50	841.50	0.00	1,041.50	1,041.50
12 Aug 2008	1,665.82	451.10	2,116.92	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 Nov 2008	1,635.00	437.67	2,072.67	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 Feb 2009	1,603.31	424.48	2,027.79	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 May 2009	1,544.29	398.13	1,942.42	0.00	832.15	832.15	0.00	1,029.93	1,029.93
12 Aug 2009	1,542.01	399.10	1,941.11	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 Nov 2009	1,390.82	386.66	1,777.48	3,167.14	860.20	4,027.34	3,188.10	1,064.64	4,252.74
12 Feb 2010	1,372.90	375.44	1,748.34	2,855.89	832.96	3,688.85	2,855.27	1,030.70	3,885.97
12 May 2010	1,322.05	352.49	1,674.54	2,750.11	782.03	3,532.14	2,749.51	967.69	3,717.20
12 Aug 2010	1,318.04	353.71	1,671.75	2,741.78	784.73	3,526.51	2,741.19	971.03	3,712.22
12 Nov 2010	1,291.68	343.08	1,634.76	2,686.93	761.15	3,448.08	2,686.35	941.85	3,628.20
14 Feb 2011	1,264.35	339.89	1,604.24	2,630.08	754.08	3,384.16	2,629.51	933.10	3,562.61
12 May 2011	1,217.16	304.94	1,522.10	2,531.91	676.53	3,208.44	2,531.37	837.14	3,368.51
12 Aug 2011	1,210.73	312.64	1,523.37	2,518.56	693.63	3,212.19	2,518.01	858.30	3,376.31
14 Nov 2011	1,181.36	309.46	1,490.82	2,457.45	686.58	3,144.03	2,456.92	849.57	3,306.49
13 Feb 2012	1,150.81	290.16	1,440.97	2,393.91	643.75	3,037.66	2,393.39	796.58	3,189.97
14 May 2012	1,108.18	280.98	1,389.16	2,305.22	623.39	2,928.61	2,304.72	771.38	3,076.10
13 Aug 2012	1,094.12	272.14	1,366.26	2,275.98	603.77	2,879.75	2,275.49	747.11	3,022.60
12 Nov 2012	1,070.93	263.41	1,334.34	2,227.75	584.41	2,812.16	2,227.26	723.15	2,950.41
12 Feb 2013	1,048.63	257.67	1,306.30	2,181.35	571.67	2,753.02	2,180.88	707.38	2,888.26
13 May 2013	1,010.98	243.79	1,254.77	2,103.02	540.88	2,643.90	2,102.57	669.29	2,771.86
12 Aug 2013	1,003.23	238.44	1,241.67	2,086.91	529.00	2,615.91	2,086.46	654.58	2,741.04
12 Nov 2013	979.79	232.97	1,212.76	2,038.14	516.86	2,555.00	2,037.70	639.56	2,677.26
12 Feb 2014	956.91	225.06	1,181.97	1,990.55	499.33	2,489.88	1,990.12	617.87	2,607.99

12 May 2014	920.01	210.26	1,130.27	1,913.80	466.48	2,380.28	1,913.39	577.23	2,490.62
12 Aug 2014	913.05	209.93	1,122.98	1,899.32	465.74	2,365.06	1,898.91	576.31	2,475.22
12 Nov 2014	892.32	202.56	1,094.88	1,856.20	449.40	2,305.60	1,855.80	556.09	2,411.89
12 Feb 2015	872.79	195.36	1,068.15	1,815.57	433.44	2,249.01	1,815.18	536.34	2,351.52
12 May 2015	842.00	182.18	1,024.18	1,751.52	404.20	2,155.72	1,751.15	500.15	2,251.30
12 Aug 2015	834.09	181.53	1,015.62	1,735.06	402.75	2,137.81	1,734.68	498.37	2,233.05
12 Nov 2015	814.12	174.81	988.93	1,693.53	387.83	2,081.36	1,693.16	479.90	2,173.06
12 Feb 2016	792.17	168.24	960.41	1,647.87	373.26	2,021.13	1,647.51	461.87	2,109.38

Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	Repaymen t	(gross)	Flow	Repaymen t	(gross)	Flow	Repaymen t	(gross)	Flow
12 May 2016	764.12	158.33	922.45	1,589.51	351.28	1,940.79	1,589.17	434.67	2,023.84
12 Aug 2016	748.94	155.69	904.63	1,557.93	345.41	1,903.34	1,557.59	427.41	1,985.00
14 Nov 2016	723.11	152.90	876.01	1,504.20	339.23	1,843.43	1,503.87	419.76	1,923.63
13 Feb 2017	696.96	142.25	839.21	1,449.81	315.60	1,765.41	1,449.50	390.53	1,840.03
12 May 2017	661.14	132.19	793.33	1,375.30	293.27	1,668.57	1,375.00	362.89	1,737.89
14 Aug 2017	649.97	135.75	785.72	1,352.05	301.18	1,653.23	1,351.76	372.68	1,724.44
13 Nov 2017	634.71	126.23	760.94	1,320.32	280.06	1,600.38	1,320.04	346.55	1,666.59
12 Feb 2018	619.54	121.17	740.71	1,288.75	268.83	1,557.58	1,288.48	332.65	1,621.13
14 May 2018	597.89	116.23	714.12	1,243.72	257.86	1,501.58	1,243.45	319.08	1,562.53
13 Aug 2018	590.76	111.46	702.22	1,228.90	247.28	1,476.18	1,228.63	305.99	1,534.62
12 Nov 2018	575.82	106.75	682.57	1,197.81	236.83	1,434.64	1,197.55	293.05	1,490.60
12 Feb 2019	561.22	103.27	664.49	1,167.45	229.12	1,396.57	1,167.20	283.52	1,450.72
13 May 2019	540.37	96.60	636.97	1,124.07	214.32	1,338.39	1,123.83	265.20	1,389.03
12 Aug 2019	530.88	93.36	624.24	1,104.33	207.14	1,311.47	1,104.09	256.31	1,360.40
12 Nov 2019	515.31	90.11	605.42	1,071.94	199.91	1,271.85	1,071.71	247.37	1,319.08
12 Feb 2020	499.34	85.95	585.29	1,038.71	190.69	1,229.40	1,038.49	235.96	1,274.45
12 May 2020	481.23	80.14	561.37	1,001.05	177.81	1,178.86	1,000.84	220.02	1,220.86
12 Aug 2020	9,676.33	78.04	9,754.37	20,128.60	173.15	20,301.75	20,124.20	214.25	20,338.45
	<b>100,000.00</b>	<b>24,550.36</b>	<b>124,550.36</b>	<b>100,000.00</b>	<b>42,674.28</b>	<b>142,674.28</b>	<b>100,000.00</b>	<b>52,812.27</b>	<b>152,812.27</b>



**FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER**

(AMOUNTS IN EUR)

**CPR = 10%**

Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal Repaymen t	Interest (gross)	Total Flow	Principal Repaymen t	Interest (gross)	Total Flow	Principal Repaymen t	Interest (gross)	Total Flow
17 Dec 2002									
12 May 2003	5,228.05	1,276.69	6,504.74	0.00	1,361.86	1,361.86	0.00	1,686.30	1,686.30
12 Aug 2003	3,405.55	764.37	4,169.92	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 Nov 2003	3,303.14	736.90	4,040.04	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 Feb 2004	3,203.47	710.26	3,913.73	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 May 2004	3,056.58	669.54	3,726.12	0.00	841.50	841.50	0.00	1,041.50	1,041.50
12 Aug 2004	3,013.36	659.77	3,673.13	0.00	860.20	860.20	0.00	1,064.64	1,064.64
12 Nov 2004	2,921.48	635.47	3,556.95	0.00	860.20	860.20	0.00	1,064.64	1,064.64
14 Feb 2005	2,832.59	625.21	3,457.80	0.00	878.90	878.90	0.00	1,087.79	1,087.79
12 May 2005	2,681.59	557.04	3,238.63	0.00	813.45	813.45	0.00	1,006.78	1,006.78
12 Aug 2005	2,664.10	567.43	3,231.53	0.00	860.20	860.20	0.00	1,064.64	1,064.64
14 Nov 2005	2,582.37	557.81	3,140.18	0.00	878.90	878.90	0.00	1,087.79	1,087.79
13 Feb 2006	2,502.37	519.41	3,021.78	0.00	850.85	850.85	0.00	1,053.07	1,053.07
12 May 2006	2,369.39	482.98	2,852.37	0.00	822.80	822.80	0.00	1,018.36	1,018.36
14 Aug 2006	2,351.18	496.38	2,847.56	0.00	878.90	878.90	0.00	1,087.79	1,087.79
13 Nov 2006	2,277.74	461.79	2,739.53	0.00	850.85	850.85	0.00	1,053.07	1,053.07
12 Feb 2007	2,206.30	443.61	2,649.91	0.00	850.85	850.85	0.00	1,053.07	1,053.07
14 May 2007	2,088.17	426.01	2,514.18	0.00	850.85	850.85	0.00	1,053.07	1,053.07
13 Aug 2007	2,070.01	409.35	2,479.36	0.00	850.85	850.85	0.00	1,053.07	1,053.07
12 Nov 2007	2,003.94	392.84	2,396.78	0.00	850.85	850.85	0.00	1,053.07	1,053.07
12 Feb 2008	1,738.04	381.00	2,119.04	5,350.20	860.20	6,210.40	5,370.69	1,064.64	6,435.33
12 May 2008	1,716.31	359.00	2,075.31	3,570.26	796.48	4,366.74	3,569.48	985.56	4,555.04
12 Aug 2008	1,687.29	353.13	2,040.42	3,509.89	783.47	4,293.36	3,509.13	969.46	4,478.59
12 Nov 2008	1,633.54	339.53	1,973.07	3,398.07	753.27	4,151.34	3,397.34	932.10	4,329.44
12 Feb 2009	1,580.37	326.35	1,906.72	3,287.48	724.04	4,011.52	3,286.77	895.93	4,182.70
12 May 2009	1,495.82	303.38	1,799.20	3,111.60	673.08	3,784.68	3,110.92	832.87	3,943.79
12 Aug 2009	1,479.84	301.54	1,781.38	3,078.35	669.00	3,747.35	3,077.69	827.82	3,905.51
12 Nov 2009	1,430.70	289.60	1,720.30	2,976.13	642.52	3,618.65	2,975.48	795.05	3,770.53
12 Feb 2010	1,383.30	278.07	1,661.37	2,877.52	616.92	3,494.44	2,876.90	763.38	3,640.28
12 May 2010	1,308.91	258.21	1,567.12	2,722.78	572.86	3,295.64	2,722.19	708.85	3,431.04
12 Aug 2010	1,293.00	256.35	1,549.35	2,689.68	568.74	3,258.42	2,689.10	703.77	3,392.87
12 Nov 2010	1,249.82	245.92	1,495.74	2,599.87	545.61	3,145.48	2,599.31	675.14	3,274.45
14 Feb 2011	1,206.97	240.97	1,447.94	2,510.72	534.62	3,045.34	2,510.17	661.54	3,171.71
12 May 2011	1,141.67	213.82	1,355.49	2,374.88	474.38	2,849.26	2,374.37	587.00	2,961.37
12 Aug 2011	1,125.49	216.90	1,342.39	2,341.23	481.22	2,822.45	2,340.73	595.46	2,936.19
14 Nov 2011	1,084.14	212.34	1,296.48	2,255.21	471.10	2,726.31	2,254.72	582.94	2,837.66
13 Feb 2012	1,042.98	196.92	1,239.90	2,169.60	436.88	2,606.48	2,169.13	540.59	2,709.72
14 May 2012	989.37	188.60	1,177.97	2,058.07	418.42	2,476.49	2,057.62	517.75	2,575.37
13 Aug 2012	966.85	180.70	1,147.55	2,011.23	400.91	2,412.14	2,010.80	496.08	2,506.88
12 Nov 2012	933.34	172.99	1,106.33	1,941.53	383.79	2,325.32	1,941.11	474.91	2,416.02
12 Feb 2013	901.18	167.36	1,068.54	1,874.63	371.31	2,245.94	1,874.23	459.46	2,333.69
13 May 2013	853.19	156.61	1,009.80	1,774.80	347.46	2,122.26	1,774.41	429.95	2,204.36
12 Aug 2013	839.00	151.55	990.55	1,745.28	336.22	2,081.50	1,744.90	416.04	2,160.94
12 Nov 2013	808.33	146.45	954.78	1,681.48	324.91	2,006.39	1,681.12	402.04	2,083.16
12 Feb 2014	778.74	139.93	918.67	1,619.92	310.44	1,930.36	1,619.57	384.14	2,003.71

12 May 2014	735.63	129.29	864.92	1,530.24	286.84	1,817.08	1,529.91	354.94	1,884.85
12 Aug 2014	723.15	127.71	850.86	1,504.28	283.34	1,787.62	1,503.96	350.61	1,854.57
12 Nov 2014	696.87	121.88	818.75	1,449.62	270.40	1,720.02	1,449.31	334.60	1,783.91
12 Feb 2015	671.93	116.26	788.19	1,397.73	257.93	1,655.66	1,397.43	319.17	1,716.60
12 May 2015	636.30	107.23	743.53	1,323.62	237.89	1,561.51	1,323.33	294.37	1,617.70
12 Aug 2015	624.29	105.71	730.00	1,298.64	234.53	1,533.17	1,298.35	290.20	1,588.55
12 Nov 2015	600.81	100.67	701.48	1,249.79	223.35	1,473.14	1,249.52	276.38	1,525.90
12 Feb 2016	576.77	95.83	672.60	1,199.79	212.60	1,412.39	1,199.53	263.08	1,462.61

Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal Repaymen t	Interest (gross)	Total Flow	Principal Repaymen t	Interest (gross)	Total Flow	Principal Repaymen t	Interest (gross)	Total Flow
12 May 2016	547.34	89.19	636.53	1,138.56	197.89	1,336.45	1,138.32	244.86	1,383.18
12 Aug 2016	530.98	86.76	617.74	1,104.53	192.49	1,297.02	1,104.29	238.19	1,342.48
14 Nov 2016	506.53	84.27	590.80	1,053.69	186.97	1,240.66	1,053.46	231.35	1,284.81
13 Feb 2017	9,719.83	77.54	9,797.37	20,219.10	172.03	20,391.13	20,214.71	212.88	20,427.59
	<b>100,000.00</b>	<b>18,712.42</b>	<b>118,712.42</b>	<b>100,000.00</b>	<b>32,996.72</b>	<b>132,996.72</b>	<b>100,000.00</b>	<b>40,835.67</b>	<b>140,835.67</b>

**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 amortisation.**

For an easier understanding by the subscriber of 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, the following 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: May 12, 2003.**

***(Execution of the Deed of Constitution: December 16, 2002)***

- a) Interest Rate Fixing Date applicable for the first Interest Accrual Period:
  - 11am (CET time) on the Business Day immediately preceding the Closing Date: December 16, 2002.
  
- b) Notices:
  - Extraordinary notice of constitution of the Fund and of the Bond Issue -press insert, as per section III.5.3.c).2: December 17, 2002.
  
  - Extraordinary notice of the resultant interest rate for the first Interest Accrual Period: December 17, 2002. The Management Company shall notify this in writing by the start of the Subscription Period to the Lead Manager and Underwriter and Placement Agent, for investors interested in subscribing for the Bonds to be notified thereof.
  
- c) First Interest Accrual Period:
  - From December 17, 2002 (Closing Date), inclusive, until May 12, 2003, exclusive.
  
- d) Determination Date (or date on which the Management Company makes calculations for the distribution and withholding of Available Funds): May 7, 2003.
  
- e) Ordinary periodic notices (communication as per sections III.5.3.a).2 and III.5.3.c).1:
  - Of all other periodic information: until May 11, 2003, inclusive.

**2. Second Payment Date: August 12, 2003.**

- a) Interest Rate Fixing Date applicable for the second Interest Accrual Period:
  - 11am on the second Business Day preceding the first Payment Date: May 8, 2003.
  
- b) Ordinary periodic notices (communication as per sections III.5.3.a).1 and III.5.3.c).1:
  - Of the resultant interest rate for the second Interest Accrual Period: until May 14, 2003, inclusive.
  
- c) Second Interest Accrual Period:
  - From May 12, 2003 (first Payment Date), inclusive, until August 12, 2003, exclusive.
  
- d) Determination Date (or date on which the Management Company makes calculations for the distribution and withholding of Available Funds): August 7, 2003.
  
- e) Ordinary periodic notices (communication as per sections III.5.3.a).2 and III.5.3.c).1:

- Of all other periodic information: until August 11, 2003, inclusive.

**II.13 Actual interest forecast for the holder, bearing in mind the characteristics of the issue, specifying the calculation method used and the expenses expected by items having regard to its true nature.**

In the event that the nominal annual interest rates applicable to each of the Series, variable quarterly, should remain constant throughout the life of the loan, at the rates of the table contained in section II.12.a) of the Circular, these rates would result in Internal Rates of Return (“IRR”) for the holder in each of the Series as shown in the following table, given the effect of quarterly interest payment, calculated without considering the tax effect, and assuming at all events the values and assumptions contained in said section for constant prepayment rates (CPR) of 6% and 10%.

	Series A Bonds	Series B Bonds	Series C Bonds
<b>Actual interest forecast (IRR)</b>	3.237%	3.456%	4.290%

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

The actual interest for the Fund has been calculated using the internal rate of return (IRR) formula described in section II.12.a) above, making the following assumptions:

- that the floating nominal interest rate of the Bonds should remain constant throughout the life of the loan at the rates of the table contained in section II.12.a);
- that the assumptions mentioned in section II.12.a) are made; and
- that the expected constitution and issue expenses are deducted from the face value of the Bond Issue.

The actual interest forecast for the Fund would be 3.297% or 3.305% for CPRs respectively of 6% and 10%, in the assumptions contained in the preceding paragraph.

The following are the expected expenses:

<b>Fund constitution and Bond issue expenses.</b>	<b>EUR</b>
• Initial Management Company Fee	84,250.00
• Notary’s, audit, rating and legal advice fees	269,342.26
• CNMV fees (issue and listing)	58,081.94
• AIAF and SCLV fees	42,133.52
• Bond Issue underwriting and placement fees*	787,350.00
• Issue advertising, printing and other expenses	14,037.86
<b>Total expenses</b>	<b>1,255,195.58</b>

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

There are no special guarantees covering the Bonds issued by or on the Mortgage Certificates pooled in the Fund, beyond the undertakings by BANKINTER contained hereinafter and in section IV.1.d) of this Circular in relation to the substitution of the Mortgage Certificates derived from Participated Mortgage Loans failing to conform on that date to the representations contained in section IV.1.a) of this Circular or the specific characteristics of the Participated Mortgage Loans notified by BANKINTER to the Management Company.

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

The Bonds subject of this issue are not subject to any restrictions on their free transfer, and 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 listing of the securities and specific deadline by which that application shall be filed and all other documents required for listing to be achieved.**

In accordance with article 5.9 of Act 19/1992, the Management Company shall, upon the Bonds having been paid up, apply for this Bond Issue to be listed on the AIAF, which is a qualified official secondary securities market pursuant to Transitional Provision six of Act 37/1998, November 16, amending the Securities Market Act. The Management Company undertakes that definitive listing will be achieved not later than one month after the Closing Date.

The Management Company expressly declares 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 so listed on the AIAF, the Management Company shall forthwith proceed to notify the Bondholders thereof, moreover advising of the reasons for such inobservance, all using the extraordinary notice procedure in accordance with the provisions of section III.5.3 of the Circular. This shall be without prejudice to the Management Company being held to be liable, as the case may be.

**II.18 Subscription or acquisition proposals.**

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

The placement of each of Series A, B and C 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, insurance companies or such institutions as credit institutions, or Firms of Broker-Dealers or undertakings qualified under articles 64 and 65 of the Securities Market Act (as worded by Act 37/1998) to manage third-party portfolios, in the business of regularly and professionally investing in marketable securities.

In the case of undertakings qualified to manage securities portfolios, subscription or acquisition proposals shall be made by those undertakings on behalf of investors having previously signed with such undertakings an appropriate securities portfolio management agreement.

In addition to its own analysis as to the quality of the securities offered to be subscribed in this Circular, the potential investor also has the rating assigned by the Rating Agencies set forth in section II.3 of this Chapter.

Once the issue has been fully placed and the Bonds are listed on the official AIAF secondary securities market, the Bonds may be freely purchased on that market in accordance with its own trading rules.

#### **Effects of the subscription for Bondholders.**

Subscription for the Bonds implies for each Bondholder an acceptance of the terms of the Deed of Constitution.

#### **Tranches.**

Each of the Series consists of one tranche only.

### **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 the Ministerial Orders dated December 30, 1992 and December 29, 1992, amended by a Ministerial Order dated April 13, 2000.

On the date of registration of the Circular, the CNMV accorded the Series A Bonds the weighting mentioned in the preceding paragraph, bearing the following elements in mind: (i) that the Participated Mortgage Loans upon the issue of Mortgage Certificates pooled in the Fund have been granted with a first mortgage security in residential homes located in Spain; (ii) that the Participated Mortgage Loans and the Mortgage Certificates meet the requirements of the laws in force for the time being regulating the Mortgage Market; (iii) that the principal of each of the Participated Mortgage Loans does not exceed 80 percent of the appraisal value of the relevant home mortgaged as security; (iv) the representations made by BANKINTER set forth in Chapter IV of this Circular; and (v) the ratings given by Moody's and S&P as an assessment of the Bond credit risk, contained in section II.3 of this Chapter.

- (ii) The Series B and C 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) The Series A Bonds meet the selection policies to be admitted as assets securing transactions with the European Central Bank.

Upon being listed on the AIAF, the Bonds shall be:

- (i) Eligible for investment by insurance companies in observance of their technical provision obligations, pursuant to article 50 of the Private Insurance Arrangement and Supervision Regulations approved by Royal Decree 2486/1998, November 20.
- (ii) Eligible for investment by the Mutual Guarantee Company Technical 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.

(iii) 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.

(iv) 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 Act 46/1984, December 26, regulating Collective-Investment Undertakings, and its subsequent implementing regulations, and Royal Decree 91/2001, February 2, partially amending Royal Decree 1393/1990, November 2.

### **II.18.3 Subscription or acquisition date or period.**

The Subscription Period (the “**Subscription Period**”) shall begin at 11:30am (CET time) on December 17, 2002 and end at 12:00 o’clock noon (CET time) on the same day.

### **II.18.4 Where and with whom may subscription or acquisition be processed?**

In order to be taken into account, subscription proposals shall be made during the Subscription Period established in the preceding section, with BANKINTER, as Underwriter and Placement Agent, through its offices and branches and observing the procedures established hereinafter in the following sections.

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

### **II.18.5 Payment method and dates.**

The investors to whom the Bonds are allocated shall pay the Underwriter and Placement Agent by 1 pm (CET time) on December 17, 2002 (the “**Closing Date**”), for same day value, the relevant issue price (100% of the face value) for each Bond allocated for subscription.

### **II.18.6 Method and deadline for delivery to the subscribers of copies of the subscription certificates or provisional slips, specifying the chances of their being traded and their maximum term of validity.**

The Underwriter and Placement Agent shall provide the Bond subscribers with a document proving their subscription for the Bonds allocated and the actual amount paid for such subscription, though title to the Bonds taken shall be established by means of the appropriate entry in the accounting record.

This document shall not be marketable and will only be valid to justify subscription for the relevant Bonds, until and unless an entry is made in the accounting record as determined in section II.5 of this Circular.

### **II.19 Placement and allocation of the securities.**

Each of the Series consists of one tranche only.

The Underwriter and Placement Agent shall freely proceed to accept or turn down the subscription proposals received, making sure that there is no discriminatory treatment between similarly characterised proposals. The Underwriter and Placement Agent may nevertheless give priority to proposals of those of their customers as they shall deem fit.

The Underwriter and Placement Agent 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 of this Chapter.

**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 of the Bonds in each Series shall be undertaken by BANKINTER as Underwriter and Placement Agent, on the terms contained in this section under the Bond Issue Management, Underwriting and Placement Agreement.

The following are the details of the commitment by the Underwriter and Placement Agent in regard to its involvement in underwriting the placement of the Bonds in each Series:

Underwriter and Placement Agent	Face amount underwritten (EUR)					
	Series A Bonds		Series B Bonds		Series C Bonds	
	Number	Face Amount	Number	Face Amount	Number	Face Amount
BANKINTER	6,841	684,100,000	149	14,900,000	110	11,000,000
<b>Total</b>	<b>6,841</b>	<b>684,100,000</b>	<b>149</b>	<b>14,900,000</b>	<b>110</b>	<b>11,000,000</b>

The Underwriter and Placement Agent intends to subscribe in its own name for the entire Bond Issue.

The Underwriter and Placement Agent shall receive from the Fund an underwriting and placement fee on the face amount underwritten of the Bonds in each Series, as follows:

- Series A Bonds: 0.10% fee.
- Series B Bonds: 0.25% fee.
- Series C Bonds: 0.60% fee.

**II.19.2 Lead Manager of the Issue.**

BANKINTER shall be involved as Lead Manager of the Bond 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 constituting Mortgage Securitisation Funds:

**Statement by Bankinter.**

*I Lázaro de Lázaro, acting for and on behalf of BANKINTER, S.A., with place of business at Madrid, Paseo de la Castellana number 29, duly authorised for these presents, and in connection with the constitution of BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA and the Bond issue by the same amounting to EUR seven hundred and ten million (710,000,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on December 4, 2002, in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as amended by Royal Decree 2590/1998, December 7,*



**HEREBY DECLARE**

*· That the necessary checks have been made to verify that the information contained in the Circular is truthful and complete.*

*· That those checks have not revealed any circumstances contradicting or altering the information contained in the Circular, or that the latter has 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 December 11, 2002.*

The Lead Manager shall not be remunerated for managing the Bond Issue.

**II.19.3 Institutions underwriting the issue, describing the characteristics of the relationship or Management, Underwriting and Placement 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, Underwriting and Placement Agreement with BANKINTER as Lead Manager and Underwriter and Placement Agent.

The Bond Issue Underwriter and Placement Agent shall take on the obligations contained in the Management, Underwriting and Placement Agreement, which are basically the following: 1) an undertaking to subscribe on its own account for the Bonds not taken during the Subscription Period; 2) payment to the Fund by 3pm on the Closing Date, for same day value, of the face amount of the Bonds placed and, as the case may be, those subscribed for on its own account, deducting the sum of the underwriting and placement fee accrued by it; 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 certifying subscription; 5) providing the Management Company with information on dissemination control achieved in placing the Bond Issue, within seven days of the Closing Date; and 6) all other aspects governing the underwriting and placement.

The Underwriter and Placement Agent's underwriting commitment shall be for the entire Bond Issue. The underwriting and placement fees for each of the Series are specified in section II.19.1 of this Circular.

BANKINTER shall be involved as Lead Manager in the Bond Issue. It shall not be remunerated for leading the Bond Issue.

The Management, Underwriting and Placement Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period.

**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 the subscribers with certificates or documents establishing the subscription for the securities.**

The Bonds, represented by means of book entries, shall become such bonds 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 SCLV or any other institution taking its stead.

The Underwriter and Placement Agent shall provide Bond subscribers, within not more than fifteen (15) days after the Closing Date, with a document certifying their subscription for the Bonds allocated, and the actual amount paid up on that subscription.

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

The constitution of the Fund and Bond issue are subject to Spanish Law, and specifically to the provisions of Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7 (“**Act 19/1992**”), Securities Market Act 24/1988, July 28, as amended by Act 37/1998, November 16 (“**Securities Market Act**”), 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 National Securities Market Commission Circular 2/1994, March 16.

The constitution of the Fund, the Bond issue and the agreements for transactions hedging financial risks and the rendering of services to be entered into by the Management Company on behalf of the Fund shall be subject to Spanish Law. In any event, the Deed of Constitution shall be governed by and construed in accordance with Spanish Laws.

All matters, disagreements, actions and claims deriving from the Management Company’s constitution, administration and legal representation of BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA, and the Bond Issue by the same, shall be heard and decided by the competent Spanish Courts and Tribunals.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against Obligors of the Participated Mortgage Loans who may have defaulted on their payment obligations thereunder. Any such action shall lie with the Management Company, representing the Fund holding the Mortgage Certificates.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against the Fund or against the Management Company in the event of default of amounts due by the Fund resulting from a default of the Participated Mortgage Loans by the relevant Obligors or breach by the other parties to the transactions arranged for and on behalf of the Fund. The Bondholders and the remaining creditors of the Fund shall have no actions against the Fund Management Company other than as derived from a breach of its duties. Those actions shall be heard in the relevant ordinary declaratory proceedings depending on the amount claimed.

## **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 the Bonds will be represented by means of book entries and an application will be made for the securities to be listed and traded on an official Spanish secondary securities market, which circumstances are relevant to determining taxation, the assumption made is that these requirements shall be met. 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.

The withholdings, contributions and taxes established now or in the future on the Bond principal, interest or income shall be payable by the Bondholders, and their amount shall be deducted, as the case may be, 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 interest and in connection with the transfer, repayment or amortisation of the Bonds, shall be considered income on investments 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.

In the event of transfer, redemption or amortisation of the Bonds, the income on investments shall be deemed to be the difference between the transfer, redemption or amortisation value (less ancillary disposal expenses) and the acquisition or subscription value (plus ancillary acquisition expenses).

Negative income from the Bonds, where the taxpayer has acquired others within two months before or after those transfers, shall be integrated as the Bonds remaining among the taxpayer's assets are transferred.

The net income on investments shall be found deducting the Bond servicing and custody expenses from the aggregate income. Income from the transfer, redemption or amortisation of Bonds being part of the investor's assets for a time-period in excess of two years shall be reduced by 30%.

Interest income received shall be subject to an 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 withholding tax obligation on income derived from the transfer or repayment of the Bonds, because these are represented by means of book entries and are traded on an official Spanish securities market, other than for the part of the price equivalent to the matured coupon in transfers made within thirty days immediately preceding coupon maturity where (i) the transferee is a person or undertaking not resident in Spanish territory or a Corporation Tax obligor, and (ii) this income is exempt from the obligation to withhold from the transferee.

### *Corporation Tax.*

Both interest income and income derived from the transfer, repayment or amortisation of the Bonds obtained by undertakings considered to be Corporation Tax obligors, shall be added to the tax base 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, amended by the wording provided in Royal Decree 2717/1998, December 18. Nevertheless, in accordance with the Ministerial Order of December 22, 1999, the procedure for the exclusion of withholding tax or prepayment to be effective shall be subject to the following requirements:

1. The Management Company, for and on behalf of the Fund as the issuer, shall pay the custodians, through the Paying Agent, the liquid amount resulting from applying the general withholding rate in force on that date to all the interest.
2. By the 10<sup>th</sup> of the month after the month of maturity of each coupon, the custodians shall provide the Management Company or the Paying Agent with an itemised list of the holders who must pay Tax, along with their identification particulars, the number of securities they held at the date of maturity of each coupon, the respective gross income and the amount withheld.
3. Bondholders shall certify that circumstance with the custodians by the 10<sup>th</sup> of the month after coupon maturity in order that the custodians may draw up the list specified in the preceding paragraph.
4. Forthwith upon receiving that list, the Management Company shall promptly pay all the custodians through the Paying Agent the amount withheld from those obligors or taxpayers.
5. The custodians shall forthwith pay the amount withheld to the obligor or taxpaying holders.

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

Income obtained by Bondholders who are Non-Resident Income Tax payers, both on interest and in connection with the transfer, repayment or amortisation of the Bonds, shall be considered to be income obtained in Spain, with or without a permanent establishment, on the terms of article 12 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, without prejudice to 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 resident in Spain.

#### *Income obtained other than through a permanent establishment.*

Bond income obtained by persons or undertakings not resident in Spain acting 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, without prejudice to 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 tax base shall be quantified as the full amount of the income obtained, calculated with reference to the rules of Act 40/1998, whereas the reductions of that Act will not apply.
- In the event of transfer, repayment or amortisation, expenses attaching to acquisition and disposition shall be taken into account for calculating the income, 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 an 18 percent rate to the tax base comprising Bond interest and 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 amount of the withholding will be equivalent to the Tax payable based upon the above policies.

Bond income obtained both as interest and in connection with the transfer, repayment or amortisation of the Bonds, by persons or undertakings not resident in Spain acting in this connection 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 accordance with the Ministerial Order of April 13, 2000, in connection with the application of the exclusion from withholding tax or withholding at a reduced rate by applying the taxation limits established in double-taxation Agreements, the custodians shall provide the Paying Agent or the Management Company, by day 10 of the month after the month of coupon maturity, with a detailed list of the Bondholders not residing in Spanish territory having no permanent establishment, with details of the Series and maturity, identification of the holder, number of securities held on the coupon maturity date, relevant gross income and withholding to be applied. Non-resident Bondholders shall have in turn certified to the custodians their tax residence by submitting a residence certificate issued by the tax authorities of the country of residence, bearing in mind that said certificate is valid for one (1) year after being issued.

Upon the failure to certify tax residence for these purposes, the income obtained on the Bonds both as interest and upon their transfer, repayment or amortisation 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 conveyance 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 in that Tax base 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 the double-taxation Agreements. Nevertheless, residents in other European Union countries shall be exempt in connection with Bonds whose income is exempt in regard to Non-Resident Income Tax, on the terms set forth above.

#### **II.22.5 Inheritance and Gift Tax.**

The transfer of the Bonds to natural persons by inheritance or donation 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.**

The net amount of the Bond Issue will be fully allocated to paying for the acquisition of the Mortgage Certificates issued by BANKINTER pooled in the Fund assets.

#### **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.**

There are no commitments for any institution to be involved in the secondary market of the Bonds, providing liquidity by offering consideration.

#### **II.25 Natural or legal persons with a relevant involvement in structuring or providing advice for the constitution of the Fund or in connection with any item of the significant information contained in the circular, including, as the case may be, underwriting the placement.**

##### **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) RAMÓN & CAJAL Abogados, who are involved as independent legal advisers, have provided legal advice for the transaction.
- c) BANKINTER is the originator of the Participated Mortgage Loans issuing the Mortgage Certificates fully subscribed for by the Fund upon being constituted.

- d) BANKINTER is involved as Lead Manager and Underwriter and Placement Agent of the Bond Issue.
- e) BANKINTER S.A. is involved as Paying Agent of the Bond Issue.
- f) PRICEWATERHOUSECOOPERS AUDITORES, S.L are involved as auditor checking a number of features of the selection of mortgage loans which shall serve to issue the Mortgage Certificates.

**II.25.2 Statement by the person responsible for the 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 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 Madrid, Calle Lagasca no. 120, and in connection with the constitution of the Fund BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA, amounting to EUR seven hundred and ten million (710,000,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on December 4, 2002, in pursuance of point II.25.2. of Comisión Nacional del Mercado de Valores Circular 2/94, March 16, approving the standard Offering Circular for constituting 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. has a 1.53% interest in the Management Company's share capital.*

*That there is no other relationship or economic interest whatsoever between the experts who were involved in structuring or providing advice for the constitution of the Fund, or certain significant information contained in the Circular, either with the actual Management Company or with BANKINTER S.A., originator issuing the Mortgage Certificates to be subscribed for by the Fund.”*

**GENERAL INFORMATION ON THE MORTGAGE SECURITISATION FUND**

**III.1 Legal background and purpose of the Fund.**

The constitution of the Fund and the Bond issue by the same is subject to Act 19/1992.

After the date on which the CNMV verifies and registers this Offering Circular, and by December 17, 2002, 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 constituting BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA, issuing and subscribing for the Mortgage Certificates and issuing the Mortgage-Backed Bonds, on the terms for which provision is made in Act 19/1992.

In accordance with article 5.1 of Act 19/1992, the Fund is a separate closed-end estate, devoid of legal personality. Its assets comprise the Mortgage Certificates pooled therein upon being constituted and the Cash Reserve credited to the Treasury Account, and its liabilities comprise the Bonds issued, the Start-Up Loan and the Subordinated Loan, and the net worth of the Fund is nil. Additionally, the Interest Swap shall be reported in memorandum accounts.

The Mortgage Certificates issued backed by the Participated Mortgage Loans comprising the assets of the Fund are governed by Mortgage Market Regulation Act 2/1981, March 25, and Royal Decree 685/1982, March 17, implementing certain aspects of Act 2/1981.

The Fund is set up to serve as a vehicle for subscribing for the Mortgage Certificates issued by BANKINTER, pooling and issuing the Bonds backed by those Certificates.

The Fund shall be in existence until November 12, 2039, the Final Maturity Date of the Bond Issue.

In accordance with article 5.3 of Act 19/1992, the Deed of Constitution will not be entered in the Companies Register.

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

The name of the Fund is “BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA” and the following short names may also be used without distinction to identify the Fund:

- BANKINTER 5 FTH
- BANKINTER 5 F.T.H.



### **III.3 Management and representation of the Fund and of the holders of the securities issued against 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 against the same.**

In accordance with article 5.2 of Act 19/1992, the management and legal representation of the Fund lies with the Management Company, on the terms set in Act 19/1992, in Royal Decree 926/1998 and other applicable laws, without prejudice to the provisions of the Deed of Constitution. The Economy and Finance Ministry authorised the incorporation of the Management Company as a Mortgage Securitisation Fund Management Company on December 17, 1992 and, subsequently, on October 4, 1999 authorised its re-registration as a Securitisation Fund Management Company. It is moreover entered in the special register purposely kept by the CNMV under number 2. The information on the Management Company is contained in Chapter VI of this Circular.

In accordance with the provisions of article 6.1 of Act 19/1992, it is the Management Company's duty, as the manager of third-party business, to represent and defend Bondholders' interests. The Management Company shall discharge for the Fund the functions attached to it under Royal Decree 926/1998.

Consequently, the Management Company shall safeguard at all times the interests of the Bondholders and all other ordinary creditors of the Fund, making its actions conditional on defending the same and observing the provisions statutorily established for that purpose. Bondholders shall have no right of action against the Fund Management Company, other than for a breach of its duties or a failure to observe the provisions of the Deed of Constitution.

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

#### **III.3.1.1 Administration and representation of the Fund.**

The Management Company's policies and actions in fulfilment of its duty to manage and legally represent the Fund are the following, for illustrative purposes only and without prejudice to any other actions provided in the Deed of Constitution and/or in this Offering Circular:

##### **The Management Company's action policies.**

##### **1. Due diligence.**

The Management Company shall perform its activity due diligently, as prescribed by Royal Decree 926/1998, representing the Fund and defending the interests of the Bondholders and of the Fund's other ordinary creditors as if they were its own interests, stepping up the standards of diligence, reporting and defence of their interests and avoiding situations which might result in conflicts of interest, giving the interests of the Bondholders and all other ordinary creditors of the Fund priority over third-party and its own interests.

##### **2. Availability of means.**

The Management Company has the necessary means, including suitable information systems, to discharge the Fund management functions prescribed by Royal Decree 926/1998.

### **3. Code of Conduct.**

The Management Company shall comply with the code of conduct applicable to it. The Management Company has established an Internal Code of Conduct in pursuance of the provisions of Chapter II of Royal Decree 629/1993, May 3, regarding the rules of conduct in securities markets and mandatory registrations, which has been communicated to the CNMV.

### **Obligations and actions of the Management Company for administering the Fund.**

#### **1. Fund Management.**

- (i) Managing the Fund in order that its net asset value is nil at all times.
- (ii) 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.
- (iii) Doing no things that might impair the ratings assigned by the Rating Agencies to each Series in the Bond Issue, and endeavouring to take such steps as may reasonably be in its hand for said ratings not to be adversely affected at any time.
- (iv) Entering on behalf of the Fund into such agreements as are provided in the Deed of Constitution and in this Circular.
- (v) Making such decisions as may be appropriate in connection with the liquidation of the Fund, including the decision to proceed to an Early Liquidation of the Fund and Early Amortisation of the Bond Issue, in accordance with the provisions of the Deed of Constitution and this Circular. Moreover, making all appropriate decisions in the event of the constitution of the Fund terminating.
- (vi) Complying with its formal, documentary and reporting duties to the CNMV, the Rating Agencies and any other supervisory body.
- (vii) Appointing and, as the case may be, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts.
- (viii) Preparing and submitting to the CNMV and any other competent administrative body 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 Circular, or which may be required of it, and preparing and submitting to the Rating Agencies such information as may reasonably be required of it.
- (ix) Providing the holders of Bonds issued by the Fund, the CNMV and the public at large with all such information and notices as may be prescribed by the laws in force for the time being and specifically as established in the Deed of Constitution and in this Circular.
- (x) Complying with the calculation duties laid down in the Deed of Constitution and in this Circular and in the various Fund transaction agreements described in section V.3 of the Circular, or in such others as the Management Company may enter into in due course for and on behalf of the Fund.

- (xi) In order to allow the Fund to operate on the terms provided in the Deed of Constitution, in this Circular 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, including new credit facility agreements, and, in exceptional events and where that is legally possible, amend the Deed of Constitution, provided that the Management Company first notifies the CNMV or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the ratings assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution or of the agreements shall be given by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be.

**2. In relation to the Mortgage Certificates and the Participated Mortgage Loans.**

- (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 amount of income actually received by the Fund matches the amounts that must be received by the Fund, in accordance with the terms of each Mortgage Certificate.
- (iii) Validating and controlling the information received from the Servicer on the Participated Mortgage Loans, both as regards collection of ordinary instalments, early redemptions of principal, payments received on unpaid instalments and delinquency status and control.
- (iv) 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.
- (v) Supervising 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.

**3. In relation to the Bond Issue.**

- (i) Preparing and notifying the Bondholders of the information established in this Circular, and all other statutorily required information.
- (ii) Determining on each Interest Rate Fixing Date and for every subsequent Interest Accrual Period, the nominal interest rate to be applied for each Bond Series, resulting from the determination made in accordance with the provisions of section II.10, to be published as provided in section III.5.3.a) and c).
- (iii) Calculating and settling the amounts payable on each Payment Date for interest accrued on each of the Bond Series in accordance with the provisions of section II.10, to be published as provided in section III.5.3.a) and c).

- (iv) Calculating and determining on each Determination Date the principal to be amortised and paid on each Bond Series on the relevant Payment Date in accordance with the provisions of section II.11.3, to be published as provided in section III.5.3.a) and c).

**4. In relation to the remaining financial or service transactions.**

- (i) Determining the interest rate applicable to each borrowing, lending and hedge transaction.
- (ii) Calculating and settling the interest amounts and fees receivable and payable on each of the borrowing, lending and hedge transactions, and the fees payable for the various financial services arranged for.
- (iii) Opening on behalf of the Fund the Treasury Account initially at BANKINTER.
- (iv) In the event of the debt ratings of BANKINTER assigned by Moody's and S&P falling, at any time during the life of the Bonds, below the ratings established in the Guaranteed Interest Rate Account (Treasury Account), and Interest Swap Agreements, taking the actions for which provision is made in relation to those Agreements respectively described in sections V.3.1 and V.3.4.
- (v) Paying into the Treasury Account the amounts received from the Participated Mortgage Loan Servicer as both principal and interest and otherwise howsoever owing to the Fund on account of the same.
- (vi) Watching that the amounts credited to the Treasury Account return the yield set in the Guaranteed Interest Rate Account (Treasury Account) Agreement.

**5. In relation to managing the Fund's collections and payments.**

- (i) Calculating the Available Funds and the payment or withholding obligations to be complied with, and applying the same in the Fund Priority of Payments.
- (ii) Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those designed for servicing the Bonds.

**III.3.2 Resignation and substitution of the Management Company.**

The Management Company shall be substituted in managing and representing the Fund, in accordance with articles 18 and 19 of Royal Decree 926/1998 set forth hereinafter and with subsequent rules statutorily established in that connection.

*Resignation.*

- (i) The Management Company may resign its management and legal representation function with respect to all or part of the funds managed whenever it deems this fit, applying to be substituted in a letter addressed to the CNMV, including a designation of the substitute management company. That letter shall enclose a letter from the new management company, declaring its willingness to take over that function and applying for the appropriate authorisation.

- (ii) The CNMV's substitution authorisation shall be subject to meeting of the following requirements:
  - (a) The substituted Management Company's delivery of the accounting records and data files to the new management company. That delivery will only be taken to have been made when the new management company is able to fully take over its function and that circumstance is notified to the CNMV.
  - (b) In the event that the securities issued by the funds managed by the substituted Management Company have been rated by a rating agency, the rating accorded to the securities should not fall as a result of the proposed substitution.
- (iii) The Management Company may in no event resign its duties until and unless all the requirements and formalities have been complied with in order for its substitute to take over its duties.
- (iv) The substitution expenses originated shall be borne by the resigning Management Company and may in no event be passed on to the Fund.
- (v) The substitution shall be published within fifteen days by means of a notice inserted in two nationwide newspapers and in the Bulletin of the organised secondary market on which the securities issued by the Fund are listed.

*Forced substitution.*

- (i) In the event that the Management Company should be adjudged a bankrupt or insolvent, it shall find a substitute management company, in accordance with the provisions of the foregoing section.
- (ii) In the event for which provision is made in the preceding section, if four months should have elapsed from the occurrence determining the substitution and no new management company should have been found willing to take over management, there shall be an early liquidation of the Fund and an amortisation of the Bonds issued by the same, and of the loans, in accordance with the provisions of the Deed of Constitution.

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 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.3.3 Subcontracting.**

The Management Company shall be entitled to subcontract or delegate to solvent and reputable third parties the provision of any of the services it has to provide as the manager and authorised representative of the Fund, as established in the Deed of Constitution, provided that the subcontractor or delegated party waives the right to take any action holding the Fund liable. In any event, subcontracting or delegating any service (i) may not result in an additional cost or expense for the Fund, (ii) shall have to be legally possible, (iii) shall not result in the rating accorded to each of the Bond Series being adversely revised, and (iv) shall be notified to, and, where statutorily required, will first be authorised by, the CNMV. Notwithstanding any subcontracting or delegation, the Management Company shall not be exonerated or released, under that subcontract or

delegation, from any of the liabilities undertaken in the Deed of Constitution which may legally be attributed or ascribed to it.

### **III.3.4 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 eighty-four thousand two hundred and fifty (84,250.00) which shall accrue upon the constitution of the Fund and be payable on the Closing Date.
- (ii) A periodic fee: equal to 0.02375% per annum, accruing on the exact number of days elapsed in each Interest Accrual Period, from the date of constitution of the Fund until it terminates, and payable quarterly in arrears on each of the Payment Dates, calculated on the Outstanding Principal Balance of the Bond Issue on the Payment Date preceding the ongoing Payment Date. The fee accrued from the date of constitution of the Fund until the first Payment Date shall be adjusted in proportion 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:

$$C = B \times \frac{0,02375}{100} \times \frac{d}{360}$$

where :

*C = Fee payable on a given Payment Date.*

*B = Outstanding Principal Balance of the Bond Issue, 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-eight thousand five hundred and fifty (28,550.00) EUR or the proportional equivalent to the exact number of days elapsed in each settlement 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 reviewed cumulatively in the same proportion, from the year 2004, inclusive, and effective as of January 1 of each year.

If on a Payment Date the Fund should not have sufficient liquidity to settle the above-mentioned fee, the amount due shall accrue an interest equal to the Reference Rate of the Bonds, payable on the next Payment Date, in the Priority of Payments.

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

The Fund is a separate closed-end estate, devoid of legal personality. Its assets comprise the Mortgage Certificates pooled therein upon being constituted and the Cash Reserve credited to the Treasury Account, and its liabilities comprise the Bonds issued, the Start-Up Loan and the Subordinated Loan, and the net worth of the Fund is nil. Additionally, the Fund has arranged for an Interest Swap which shall be reported in memorandum accounts.

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 Circular.

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

#### **III.4.1 Fund Assets.**

The Fund assets shall consist of the following:

**a) At source.**

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

The characteristics of the mortgage loans selected from BANKINTER'S portfolio, which shall be mostly assigned to the Fund issuing the Mortgage Certificates, are detailed in section IV.4 of this Circular.

- (ii) The amount receivable upon the payment of the subscription underwritten for each Bond Series.
- (iii) The initial expenses for constituting the Fund and issuing the Bonds booked as assets.
- (iv) The balance existing on the Treasury Account under the Guaranteed Interest Rate Account and Treasury Account Agreement comprising the amounts obtained under the Start-Up Loan, as detailed in section V.3.1 of this Circular.

**b) During the life of the Fund.**

- (i) The Outstanding Balance of the Mortgage Certificates.

The balance pending amortisation of initial expenses booked as assets.

The balances over time of ordinary and late-payment interest accrued and not paid on the Mortgage Certificates corresponding to those applicable to the Participated Mortgage Loans, and the remaining rights accorded to the Fund.

The homes awarded to the Fund upon foreclosing in due course the real estate mortgages securing the Participated Mortgage Loans, any amounts or assets received upon the judicial or notarial foreclosure of the mortgage securities, or from the sale or operation of properties awarded to the Fund upon enforcing the mortgage securities, or in connection with the administration or interim possession of the property (in foreclosure proceedings), purchase for the auction sale price or amount determined by a court decision.

All other balances existing on the Treasury Account and interest thereon accrued over time and not due, in accordance with the Guaranteed Interest Rate Account (Treasury Account) Agreement.

All other balances over time of interest and income accrued and not due.

### **III.4.2 Fund Liabilities.**

The Fund liabilities shall consist of the following:

#### **a) At source.**

- (i) The Bond Issue amounting to a face value of EUR seven hundred and ten million (710,000,000) represented by means of book entries and consisting of three Bond Series distributed as follows:
  - Series A having a total face amount of EUR six hundred and eight-four million one hundred thousand (684,100,000) comprising six thousand eight hundred and forty-one (6,841) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
  - Series B having a total face amount of EUR fourteen million nine hundred thousand (14,900,000) comprising one hundred and forty-nine (149) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
  - Series C having a total face amount of EUR eleven million (11,000,000) comprising one hundred and ten (110) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.

The characteristics of the Bond Issue are established in Chapter II of this Circular.

- (ii) The amount payable for subscribing for the Mortgage Certificates issued by BANKINTER.
- (iii) The Start-Up Loan established in section V.3.3 of this Circular, designed to finance the initial expenses for constituting the Fund and issuing the Bonds, and partially finance the acquisition of the Mortgage Certificates.
- (iv) The Subordinated Loan established in section V.3.2 of this Circular, designed to established in section V.3.2 of this Circular, designed to set up the Cash Reserve.

#### **b) During the life of the Fund:**

- (i) The Outstanding Principal Balance of the Bonds in each of the Series and time-apportioned interest accrued and not due.
- (ii) The principal pending repayment and time-apportioned interest accrued and not due on the Start-Up Loan and the Subordinated Loan.
- (iii) The balances over time for fees and other expenses established in the various transaction agreements and any others incurred by the Fund.



### III.4.3 Cash Reserve.

The Management Company shall set up on the Closing Date a Cash Reserve initially fully drawing down the Subordinated Loan principal, and shall subsequently, on each Payment Date, keep it provisioned with the Required Cash Reserve in the Fund Priority of Payments.

The characteristics of the Cash Reserve are as follows:

(i) Amount:

It shall be set up on the Closing Date in an initial amount equal to EUR six million thirty-five thousand (6,035,000).

Subsequently to being set up, on each Payment Date, it shall be provisioned up to the amount established hereinafter using the Available Funds in the Fund Priority of Payments.

The required Cash Reserve on each Payment Date (the “**Required Cash Reserve**”) shall be equal to the lower of the following amounts:

- i) EUR six million thirty-five thousand (6,035,000), equivalent to 0.85% of the face amount of the Bond Issue.
- ii) The higher of:
  - a) 1.70% of the Outstanding Balance of the Bond Issue.
  - b) 0.60% of the face amount of the Bond Issue.

Notwithstanding the above, the Required Cash Reserve shall not be reduced and shall remain at the amount with which it had to be provisioned on the preceding Payment Date whenever any of the following circumstances concur on a given Payment Date:

- i) On the Determination Date preceding the ongoing Payment Date, the sum of (i) the Outstanding Balance of the Mortgage Certificates in good standing or, if delinquent, with an arrears of less than 90 days and (ii) the balance of Mortgage Certificate principal repayment income received from the preceding Payment Date, exclusive, is less than 99% of the Outstanding Principal Balance of the Bond Issue.
- (ii) There is an Amortisation Deficiency, as defined in section II.11.3.4.4 of this Circular.

Both the Required Cash Reserve and the calculation rule may, however, be reduced on a Payment Date and throughout the life of the Fund following an express discretionary authorisation of the Rating Agencies.

(ii) Yield:

The amount of said Cash Reserve shall remain credited to the Treasury Account, and will be subject to the Guaranteed Interest Rate Account (Treasury Account) Agreement.

(iii) Application:

The Cash Reserve shall be applied on each Payment Date to satisfying the payment obligations contained in the Priority of Payments.

#### **III.4.4. Risk hedging and service transactions.**

In order to consolidate the financial structure of the Fund, enhance the safety of or regularity in payment of the Bonds, cover the timing differences between the scheduled principal and interest flows on the Mortgage Certificates and the Bonds, or, in general, transform the financial characteristics of the Bonds issued, and supplement management of the Fund, the Management Company shall, on behalf of the Fund, upon executing the Deed of Constitution, proceed to formally enter into the agreements established hereinafter.

The Management Company may, in order for the Fund to operate on the terms provided in the Deed of Constitution, in this Offering Circular 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, including new credit facility agreements, and, in exceptional events and where that is legally possible, amend the Deed of Constitution, provided that the Management Company first notifies the CNMV or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution or of the agreements shall be given by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.

The following transactions are to be arranged on behalf of the Fund for hedging financial risks and provision of services:

- (i) Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (ii) Subordinated Loan Agreement.
- (iii) Start-Up Loan Agreement.
- (iv) Interest Swap Agreement.
- (v) Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement.
- (vi) Bond Issue Management, Underwriting and Placement Agreement.
- (vii) Bond Paying Agent Agreement.
- (viii) Financial Intermediation Agreement.

An itemised description of the most relevant terms of each of said agreements is given in section V.3 of this Circular, in addition to the more thorough description of the Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement given in section IV.2.

#### **III.4.5 Fund Income.**

The Fund shall have the income credited to the Treasury Account.

The following income may be used to satisfy the Fund's payment obligations:

- a) Mortgage Certificate principal repayment amounts received.

- b) Ordinary and late-payment interest on the Mortgage Certificates.
- c) The Start-Up Loan amount.
- d) The required Cash Reserve.
- e) Receivables, if any, under the terms of the Interest Swap Agreement.
- f) The yield obtained by investing the amounts credited to the Treasury Account.
- g) Any other amounts received by the Fund, including those resulting from the sale of properties awarded to the Fund or from their operation.

#### **III.4.6 Expenses payable by the Fund.**

The Management Company shall settle on the Fund's behalf such expenses as may be necessary for the Fund to operate, being both initial expenses and ordinary periodic and extraordinary expenses accrued throughout its life.

Value Added Tax (VAT) payable by the Fund shall be deemed to be a deductible expense for Corporation Tax purposes.

##### **Initial expenses.**

The estimated initial expenses for setting up the Fund and issuing the Bonds are itemised in section II.14 of the Circular. Payment of the initial expenses shall be made with the amount drawn on the Start-Up Loan and shall not be subject to the Fund Priority of Payments.

##### **Expenses throughout the life of the Fund.**

The Management Company shall pay on behalf of the Fund all expenses necessary for the Fund to operate, being both ordinary periodic and extraordinary expenses accruing throughout its life, which shall be settled in their relevant Fund Priority of Payments. For illustrative purposes only, the Management Company shall satisfy the following expenses:

- a) The balance, if any, of the initial expenses for setting up the Fund and issuing the Bonds exceeding the Start-Up Loan principal.
- b) Any expenses arising from mandatory verifications, registrations and administrative authorisations.
- c) Expenses, if any, derived from drafting and executing the amended Deed of Constitution and the Agreements, and from entering into additional agreements.
- d) Rating Agency fees for monitoring and maintaining the Bond rating.
- e) Bond amortisation expenses.
- f) Expenses relating to the keeping of the Bond accounting record, for the Bonds to be represented by means of book entries, listing the Bonds on organised securities markets and maintenance of all of the foregoing.
- g) Any expenses derived from the sale of the Mortgage Certificates and the remaining assets of the Fund to liquidate the same, including those derived from obtaining a credit facility.
- h) Expenses required for applying for foreclosure of the Participated Mortgage Loans and derived from such recovery actions as may be necessary.
- i) Expenses derived from managing the Fund and the Participated Mortgage Loans.

- j) Financial expenses of the Bond Issue.
- k) Amounts, if any, payable under the Interest Swap Agreement.
- l) Fees and expenses payable by the Fund under all other service and financial transaction agreements made.
- m) Expenses derived from inserts and notices relating to the Fund and/or the Bonds.
- n) Expenses of audits and legal advice.
- o) In general, any other expenses borne by the Fund or the Management Company for and on behalf of the Fund.

### **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 audited and reviewed 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. The designation of an auditor for a given period shall not preclude the designation of that auditor for subsequent periods, observing in any event the laws in force on the subject.

#### **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 quarterly to the CNMV and the Rating Agencies, as promptly as possible, the information described hereinafter, with the exception of that contained in section e) which shall be annual, in relation to each of the Bond Series, the performance of the Mortgage Certificates, prepayments, and economic and financial status of the Fund, moreover advising it of all ordinary periodic or extraordinary notices contained in section III.5.3 of this Circular, and of such additional information as may be required of it.

##### **a) In relation to each of the Bond Series on each Payment Date:**

1. Outstanding Principal Balance and percentages represented by each of them on the initial face amount of each Series.
2. Interest accrued and paid.
3. Interest accrued and not paid.
4. Amortisation accrued and paid.
5. The amount, if any, of the Amortisation Deficiency.
6. Estimated average life of the Bonds in each of the Series if the Participated Mortgage Loan prepayment rate is maintained, as determined in paragraph d) below.

##### **b) In relation to the Mortgage Certificates:**

1. Outstanding Balance.
2. Interest accrued and not collected on the reporting date.

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 on the amount of the Available Funds and the Available Funds for Amortisation and their subsequent application in the Fund Priority of Payments.

**d) In relation to Participated Mortgage Loan prepayment:**

Printout showing the true Participated Mortgage Loan 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 Ordinary, extraordinary and relevant event notification obligations.**

For a proper compliance with the issue terms, the Management Company agrees to give the notices detailed below, 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 each of the Bond Series, for the following Interest Accrual Period.
2. Quarterly, at least one (1) calendar day in advance of each Payment Date, the Fund shall, through its Management Company, proceed to notify the Bondholders of the interest resulting from the Bonds in each of the Series, along with their amortisation, as appropriate, and moreover of:
  - i) The actual Participated Mortgage Loan prepayment rate during the calendar quarter preceding the Payment Date.
  - ii) The average residual life of the Bonds estimated assuming that such actual prepayment rate shall be maintained and making all other assumptions as provided in section II.12.a).
  - iii) The Outstanding Principal Balances for the Bonds in each Series, after the amortisation to be settled on each Payment Date, and the percentages such Outstanding Principal Balances represent on the initial face amount of each Bond.
  - iv) Furthermore, and if appropriate, the Bondholders shall be advised of the interest and amortisation amounts accrued thereby and not settled due to a shortage of Available Funds, in accordance with the rules governing the Fund Priority of Payments.

The foregoing notices shall be made in accordance with the provisions of section c) below and will also be notified to the CNMV, the Paying Agent, AIAF and the SCLV, within not more than one (1) Business Day before each Payment Date.

**b) Extraordinary notices.**

The following shall be the subject of an extraordinary notice:

1. The constitution of the Fund and the Bond Issue, and the nominal interest rates in each of the Bond Series determined for the first Interest Accrual Period.

2. Other:

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, or in the event of termination of the constitution of the Fund or a decision in due course to proceed to an Early Liquidation of the Fund and an Early Amortisation of the Bond Issue in any of the events provided in this Circular, in which case the CNMV will be sent the Notarial Certificate of termination of the Fund and the liquidation procedure followed will be as referred to in section III.8.1 of this Circular.

**c) Procedure to notify Bondholders.**

Notices to Bondholders to be made by the Management Company in accordance with the above, in regard to the Fund, shall be given as follows:

1. Ordinary notices.

Ordinary notices shall be given by a publication in the official bulletin of the AIAF Mercado de Renta Fija or any other institution taking its stead or similarly characterised, or by means of a publication in an extensively circulated business and financial or general newspaper in Spain. The Management Company or the Paying Agent may additionally disseminate that information or other information of interest to Bondholders through dissemination channels and systems typical of financial markets, such as Reuters, Bridge Telerate, Bloomberg or any other similarly characterised means.

2. Extraordinary notices.

Extraordinary notices 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 Circular) being valid for such notices.

Exceptionally, the nominal interest rate determined for the Bonds in each Series for the first Interest Accrual Period shall be notified in writing by the Management Company by the start of the Subscription Period to the Lead Manager and Underwriter and Placement Agent, to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV, the Paying Agent, the AIAF and the SCLV.

3. Notices and other information.

The Management Company may provide Bondholders with notices and other information of interest to them through its own Internet pages or other similarly characterised online means.

**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 sections, and of such other information as may be required of it, irrespective of the above.

**III.6 Tax system of the Fund.**

The following are the characteristics peculiar to the tax system of the Fund:

- (i) The constitution of the Fund is exempt from the item “corporate transactions” of the Capital Transfer and Documents Under Seal Tax (article 5.10 of Act 19/1992).
- (ii) The Bond issue is exempt from payment of Value Added Tax (article 20.One.18 of the Value Added Tax Act) and Capital Transfer and Documents Under Seal Tax (article 45-I.B number 15 of the Consolidation of the Capital Transfer and Documents Under Seal Tax, confirmed by a Supreme Court judgment dated November 3, 1997).
- (iii) The Fund is liable to pay Corporation Tax and is subject in regard to taxation to the general system for determining the taxable income, and to the general rate in force from time to time, which currently stands at 35%, and to the common rules on relief, set-off of losses, and other substantial elements making up the Tax.
- (iii) As for returns on the Mortgage Certificates, loans or other credit rights constituting Fund income, there shall be no tax withholding or advance payment obligation (article 57.k) of Royal Decree 537/1997, approving the Corporation Tax Regulations).
- (iv) The management of the Fund by the Management Company shall be exempt from Value Added Tax (article 5.10 of Act 19/1992).

### **III.7 Amendment of the Fund Deed of Constitution.**

The Deed of Constitution may not be howsoever amended other than in exceptional events, and, as the case may be, in accordance with the terms established by the laws in force for the time being, and provided that the amendment does not impair the rating assigned to the Bonds by the Rating Agencies, and has previously been notified by the Management Company to the Rating Agencies and the CNMV or competent administrative body. That amendment shall be notified to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution can also 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 (“**Early Liquidation**”) of the Fund and thereby an early amortisation, on a Payment Date, of the entire Bond Issue (“**Early Amortisation**”), in the following events (the “**Early Liquidation Events**”):

- (i) When the Outstanding Balance of the Mortgage Certificates pending amortisation is less than 10 percent of the initial Outstanding Balance, in accordance with the authorisation established in article 5 of Act 19/1992.
- (ii) Where any event or circumstance whatsoever 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 substantially changed or permanently invalidated. This event includes such circumstances as the occurrence of a change in or supplementary enactments of laws, or the establishment of withholding obligations that might permanently affect the financial balance of the Fund.

- (iii) In the event that the Management Company should be declared insolvent or bankrupt, 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.3.2 of this Circular.

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 in the Priority of Payments 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, deducting the tax withholding, if any, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

- (ii) That the Bondholders are notified, as prescribed in section III.5.3 of this Circular and thirty (30) Business Days in advance, of the resolution by the Management Company to proceed to an Early Liquidation of the Fund.

That notice, previously made available to the CNMV and the Rating Agencies, 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, and (iii) of the manner in which the payment obligations derived from the Bonds are to be met and settled in the Priority of Payments.

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 defined in this section, the Management Company, for and on behalf of the Fund, shall proceed to:

- (i) Sell the Mortgage Certificates for a price not below the sum of the value of the principal plus the interest accrued and not paid on the Mortgage Certificates pending amortisation.
- (ii) Terminate such agreements as are not necessary for the Fund liquidation procedure.
- (iii) It will 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 guaranteed solely with the interest and principal flows derived from the Mortgage Certificates pending amortisation and the proceeds from the sale of the other properties remaining on the assets of the Fund.
- (iv) Finally, both due to an insufficiency of the preceding actions and the existence of Mortgage Certificates or other remaining assets, it shall proceed to sell the other properties remaining on the assets of the Fund. The Management Company shall be authorised to accept such offers as shall in its opinion cover the market value of the goods at issue. 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), (iii) and (iv) above, BANKINTER shall have a pre-emptive right on the terms established by the Management Company and will therefore have priority over third parties to acquire the Mortgage Certificates or other properties derived therefrom remaining on the assets of the Fund, or to grant to the Fund the credit



facility designed for the Early Amortisation of the Bond Issue. The Management Company shall therefore send BANKINTER a list of the properties and of third-party bids received, and the latter may use that right for all the assets offered by the Management Company or the credit facility within ten days of receiving said notice, and provided that their bid is at least equal to the best of the third-party bids.

Upon provisioning 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 as shall be requisite in the Priority of Payments, other than the obligation to provision the Cash Reserve, and other than the amounts, if any, drawn on the credit facility arranged, which shall be fully allocated to the Early Amortisation of the Bond Issue.

### **III.8.2 Termination of the Fund.**

The Fund shall terminate in any of the following events:

- (i) Upon the Mortgage Certificates pooled therein being fully amortised.
- (ii) In the Early Liquidation Events of the Fund and by the Early Liquidation procedure established in section III.8.1 above
- (iii) At all events, on the Final Maturity Date established for final Bond amortisation.

In the event that there should be any remainder upon the Fund being liquidated and after making all payments to the various creditors by distributing the Available Funds in the set Priority of Payments, that remainder shall be for BANKINTER on the terms established by the Management Company.

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 Fund Priority of Payments, with the exception of the appropriate reserve to meet final tax, administrative or advertising expenses related to termination and liquidation.

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 the Bondholders and the CNMV were given notice, and (iii) how the Fund's available funds were distributed, in the Fund Priority of Payments; 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.

The Fund shall also terminate upon the Constitution of the Fund terminating in the event that the Rating Agencies should not confirm the provisional ratings assigned as final by the start of the Subscription Period. In that event, the Fund constitution, Mortgage Certificate issue and subscription and Bond Issue shall be terminated.

Termination of the constitution of the Fund shall be notified to the CNMV as soon as such termination is confirmed, and shall be publicised by means of the procedure specified in section III.5.3.b) and c) of this Circular. Within not more than one month after the occurrence of the event of termination, the Management Company shall execute a Statutory Declaration before a Notary Public declaring that the Fund's obligations have been settled and terminated and that the Fund has terminated. Notwithstanding the above, the Fund

Management Company shall defray the Fund constitution expenses payable and specified in section II.14 with the Start-Up Loan, the agreement for which shall not be terminated but shall rather be cancelled after those amounts are settled, the repayment of principal being subordinated to fulfilment of all other obligations undertaken by the Management Company, acting for and on the Fund's behalf.

**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 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 former 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 amount of the Bond Issue. Each Mortgage Certificate represents 100 percent of the principal and interest respectively pending amortisation and accrual on each of the Participated Mortgage Loans to which they are related, and any other amounts, assets or rights deriving therefrom, as detailed in paragraph c) below.

The Participated Mortgage Loans assigned upon the issue of the Mortgage Certificates are part of a selection of mortgage loans the characteristics of which are described in section IV.4 of this Chapter. The outstanding principal on the 9,031 mortgage loans selected as of November 12, 2002 amounted to seven hundred and twenty-nine million seven hundred and thirteen thousand eight hundred and one euros and seventy-seven eurocents (EUR 729,713,801.77) as of that date.

**a) Identification of the Credit Institutions issuing those certificates:**

The issuer of said Mortgage Certificates is BANKINTER, 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 that it 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, meet all the requirements established therein and may be made part of a Mortgage Securitisation Fund.
- (4) That the Mortgage Certificates are issued for the same term remaining until maturity and for the same interest rate of each of the underlying Participated Mortgage Loans.

- (5) 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.
- (6) That the Participated Mortgage Loans exist and are valid and enforceable in accordance with the applicable laws.
- (7) That it holds absolute title to all the Participated Mortgage Loans and there is no obstacle whatsoever for the Mortgage Certificates to be issued.
- (8) That the details of the Mortgage Certificates and the Participated Mortgage Loans to be included in Schedule 5 to the Deed of Constitution accurately reflect the current status of those Participated Mortgage Loans and Mortgage Certificates and are full and accurate.
- (9) That the Participated Mortgage Loans are all secured with a real estate mortgage ranking first on the fee absolute of each and every one of the mortgaged properties, which are not encumbered with any prohibitions on their disposal, conditions subsequent or any other limitation as to title.
- (10) That the Participated Mortgage Loans are all originated in a public deed, and the mortgages are all duly perfected 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 taking precedence over the mortgage, in accordance with the applicable regulations.
- (11) That the Obligors are all individuals.
- (12) That the Participated Mortgage Loans have been granted in order to finance with real estate mortgage security the purchase, building or renovation of residential homes located in Spain, or are subrogations by private individuals of financings granted to home developers.
- (13) That the Participated Mortgage Loans are not ineligible as mortgage credits excluded or restricted under article 32 of Royal Decree 685/1982.
- (14) That the mortgages are granted on properties wholly owned in fee absolute 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.
- (15) That the mortgaged properties underlying the Participated Mortgage Loans are not ineligible as assets excluded for standing as security under article 31.1.d) of Royal Decree 685/1982.
- (16) That the mortgaged properties are all finished homes located in Spain and have 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 satisfy all the requirements established in the mortgage market laws.
- (17) That the outstanding principal on each of the Participated Mortgage Loans does not exceed 80% of the appraisal value of the mortgaged properties as security for the relevant Participated Mortgage Loan.

- (18) That it is not aware of there having been any fall in the appraisal of any of the mortgaged properties in excess of 20% of the appraisal value.
- (19) That the properties on which mortgage security has been granted all have at least a valid fire damage insurance, and the insured capital thereunder is not less than either the appraisal value of the mortgaged property, excluding elements that cannot by nature be insured, or the balance of the Participated Mortgage Loan. To this end, BANKINTER has taken out a general insurance policy to cover those risks in the event of the damage insurance policy taken out by the Obligor being insufficient.
- (20) That the Participated Mortgage Loans are not perfected in registered, negotiable or bearer securities, other than the Mortgage Certificates hereby issued.
- (21) That none of the Participated Mortgage Loans have any overdue payments on the date of issue of the Mortgage Certificates.
- (22) That it is not aware that any of the Obligors of the Participated Mortgage Loans holds any credit right against BANKINTER whereby that Obligor might be entitled to a set-off which might adversely affect the rights conferred by the Mortgage Certificates.
- (23) That BANKINTER has strictly adhered to the policies for granting credit in force at the time in granting each and every one of the Participated Mortgage Loans and in accepting, as the case may be, the subrogation of subsequent borrowers in the initial borrower's position, and a Memorandum of the policies for granting credits and mortgage loans, currently in force, shall be attached to the Deed of Constitution in that respect.
- (24) That the deeds for the mortgages granted on the homes to which the Participated Mortgage Loans relate have all been duly filed in the 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.
- (25) That the outstanding balance of principal on each of the Participated Mortgage Loans on the date of issue is equivalent to the principal figure of the relevant Mortgage Certificate, and in turn the total principal of the Mortgage Certificates shall be at least equivalent to the face value of the Bond Issue.
- (26) That the final maturity date of the Participated Mortgage Loans is before the Final Maturity Date of the Bonds.
- (27) That after being granted, the Participated Mortgage Loans have been serviced and are still being serviced by BANKINTER in accordance with set customary procedures.
- (28) That it has no knowledge of the existence of any litigation whatsoever in relation to the Participated Mortgage Loans which may detract from their validity or which may result in the application of Civil Code article 1535, or of the existence of circumstances which may result in the purchase agreement of the home mortgaged under the Participated Mortgage Loans being ineffective.

- (29) That it is not aware of the premiums accrued heretofore by the insurance taken out referred to in paragraph (19) above not having been fully paid.
- (30) That it has received no notice whatsoever of full prepayment of the Participated Mortgage Loans on the date of issue.
- (31) That it is not aware of the existence of any circumstance whatsoever which might prevent the mortgage security from being enforced.
- (32) 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.
- (33) That there is no outstanding issue whatsoever of mortgage debentures or mortgage bonds made by BANKINTER.
- (34) That the Mortgage Certificate and Participated Mortgage Loan portfolio information contained in the Offering Circular concerning the constitution of the Fund and the Bond Issue is accurate and strictly true.
- (35) 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, and after their issue the Participated Mortgage Loans shall not be earmarked for any issue whatsoever of mortgage debentures, mortgage bonds or other mortgage certificates.
- (36) That nobody has a priority right over Fund in and to the Participated Mortgage Loans, as holder of the Mortgage Certificates.

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

The Mortgage Certificates that BANKINTER is to issue upon the Fund being constituted to be subscribed for will make up an as yet indeterminate number of Mortgage Certificates whose total capital shall amount to a value at least equal to 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 the amount equivalent to the sum of (i) the face value of the capital or principal of each of the Mortgage Certificates, and (ii) the ordinary interest accrued and not due on each of the Participated Mortgage Loans from the last interest settlement date of each of the loans until the date of issue of the Mortgage Certificates (the “**accrued interest**”).

The Management Company shall pay the aggregate subscription price for the Mortgage Certificates on behalf of the Fund as follows:

- (i) The part of the issue price consisting of the face value of the capital of all the Mortgage Certificates, subparagraph (i) of paragraph two above, shall be paid on the Bond Closing Date, for same day value, upon the subscription for the Bond Issue being paid up.

- (ii) The part of the price consisting of the interest accrued on each of the Participated Mortgage Loans, subparagraph (ii) of paragraph two above, shall be paid on the collection date falling on the first interest settlement date of each of the loans, after the issue date of the Mortgage Certificates, and will not be subject to the Fund Priority of Payments.

If the Fund constitution and hence the Mortgage Certificate issue and subscription should terminate, (i) the Fund's obligation to pay the Mortgage Certificates shall terminate, (ii) the Management Company shall be obliged to restore to BANKINTER any rights whatsoever accrued for the Fund upon subscribing for the Mortgage Certificates, and (iii) BANKINTER shall once again enter the Participated Mortgage Loans among its balance-sheet assets.

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

The Mortgage Certificates represent a 100 percent participation 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 Obligors of principal, interest or any other amount owing by the Obligors 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 replace or repurchase the Mortgage Certificates, other than in the event provided for in section IV.1.d) below.

Specifically, the Mortgage Certificates confer on their holders the following rights in relation to each of the Participated Mortgage Loans:

- a) to receive all amounts accrued as repayment of Participated Mortgage Loan capital or principal;
- b) to receive all amounts accrued as ordinary interest on the Participated Mortgage Loans;
- c) to receive all amounts accrued as late-payment interest on the Participated Mortgage Loans;
- d) to receive any other amounts, assets or rights received as payment of the Participated Mortgage Loan principal, interest or expenses, either in the form of the auction sale price or amount determined by a court decision or notarial procedure in foreclosing the mortgage security, on the sale or operation of properties awarded or, upon foreclosing, in the administration or interim possession of the properties in foreclosure proceedings; and
- e) to receive all possible rights or compensations accruing for BANKINTER, including not only those derived from the insurance contracts attached to the Participated Mortgage Loans which are also assigned to the Fund, but also those derived from any ancillary right attached to the Participated Mortgage Loan, excluding the fees established for each of the Loans, which shall remain to 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 on each of the Participated Mortgage Loans, on or before the date of issue of the Mortgage Certificates.

The rights of the Fund resulting from the Mortgage Certificates are linked to the payments made by the Obligors of the Participated Mortgage Loans, and are hence directly affected by the evolution, delays, prepayments or any other incident relating thereto.

Until the execution of the Deed of Constitution, BANKINTER shall be the beneficiary of the property damage insurance contracts taken out by the Obligors in relation to the mortgaged properties as security for the Participated Mortgage Loans, up to the insured amount, and each of the mortgage loan documents shall, in the event of default on the relevant premium by the obligor (holder) of the insurance, authorise BANKINTER, the mortgagee, 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 BANKINTER has as the beneficiary of those property damage insurance contracts taken out by the Obligors or any other insurance policy providing equivalent cover. As the holder of the Mortgage Certificates, the Fund shall be entitled to all the amounts BANKINTER would have received in this connection.

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 all and any expenses or costs arising for each of BANKINTER derived from the recovery actions in the event of a breach of obligations by the Participated Mortgage Loan Obligors, including foreclosing against the same.

**d) Set rules for substituting Mortgage Certificates pooled in the Fund:**

- a) In the event of early amortisation of the Mortgage Certificates due to a prepayment of the Loan capital, there will be no substitution of the Mortgage Certificates affected thereby.
- b) In the event that it should be observed throughout their life that any of the Mortgage Certificates fails to meet the representations contained in section IV.1.a) of this Circular or the specific characteristics of the Participated Mortgage Loans notified by BANKINTER to the Management Company, BANKINTER agrees, subject to the Management Company's consent, to proceed forthwith to substitute the Mortgage Certificate in that situation, subject to the following rules:
  1. The party becoming aware of the existence of a non-conforming Mortgage Certificate, whether BANKINTER or the Management Company, shall notify the other party of this circumstance. BANKINTER shall have five (5) Business Days from said notice to proceed to remedy that circumstance if it may be remedied or, in order to proceed to a substitution thereof, notify the Management Company of the characteristics of the mortgage loans proposed to be assigned under new mortgage certificates similarly characterised as to residual term, interest rate, outstanding principal value, and credit quality construed as the existing ratio between the outstanding principal of the certificate and the appraisal value of the property securing the participated loan, in order for the financial balance of the Fund, and indeed its rating in accordance with the provisions of section II.3 of this Circular, to be unaffected by the substitution. Once the Management Company has checked that the substitute loan is appropriate, because it may be made part of a Mortgage Securitisation Fund, 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 mortgage certificates taking its stead.



2. The substitution shall be recorded in a Notarial Certificate setting forth all the particulars both of the Mortgage Certificate to be replaced and the Participated Mortgage Loan attached thereto, and the new mortgage certificate or mortgage certificates issued, along with details of the participated mortgage loans, and the reason for substituting and characteristics determining the homogenous nature of both Mortgage Certificates as described in the paragraph immediately preceding, a copy of which shall be filed by the Management Company with the CNMV, the organisation in charge of the accounting record for the Bonds and the AIAF Governing Body, notifying the Rating Agencies.
- c) Secondly to the obligation undertaken under section b) above, in the event that there should be call to substitute any Mortgage Certificate and that no new mortgage certificates should be issued on the homogeneity and suitability terms set in rule 1 of said section, BANKINTER shall proceed to an early amortisation of the Mortgage Certificate. That early amortisation shall take place by a repayment in cash to the Fund of the outstanding principal, the interest accrued and not paid, and any other amount owing to the Fund until that date under the relevant Mortgage Certificate and by rubber-stamping the certificate representing the same.
- e) **Other terms established in the issue of those Mortgage 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 provided above in paragraphs b) and c) of this section.

As prescribed by Mortgage Market Regulation Royal Decree 685/1982, amended by Royal Decree 1289/1991, 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, whereas their acquisition is restricted to institutional or professional investors for they may not be acquired by the unspecialised public. The transfer of the Mortgage Certificate and the new holder's address shall be notified by the transferee to the issuer.

The transferor shall not be liable for the solvency of the issuer or of the Obligor of the Participated Mortgage Loan, nor indeed of the sufficiency of the mortgage securing it.

BANKINTER, as the issuer, shall keep a special book in which it shall enter the Mortgage Certificates issued on each Participated Mortgage Loan, and the transfers of such Certificates notified to it, the Mortgage Certificates being applied the provisions of article 53 of Royal Decree 685/1982 for registered certificates. The same book shall include the changes of address notified to it by the holders of the Mortgage Certificates.

The book shall moreover include the following particulars:

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

**f) Representation of the Mortgage Certificates and custodians:**

The Mortgage Certificates shall be represented by registered unit certificates which shall contain at least the particulars prescribed 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 the 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 deposit shall be established for the benefit of the Fund and BANKINTER shall therefore custody the Mortgage Certificates deposited following the Management Company's instructions.

**g) Servicing and custody of the Participated Mortgage Loans referred to in section IV.2 below:**

BANKINTER, issuer of the Mortgage Certificates to be subscribed for by the Fund, in accordance with the provisions of article 61.3 of Royal Decree 685/1982, agrees to custody and service the Participated Mortgage Loans, and the Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement (the "**Servicing Agreement**") shall govern the relations between the BANKINTER (hereinafter in regard to this Agreement the "**Servicer**") and the Fund, represented by the Management Company, in regard to the custody and servicing of the Participated Mortgage Loans and the custody of the Mortgage Certificates. In consideration of the servicing of the Participated Mortgage Loans and custody of the Mortgage Certificates, the Servicer shall be entitled to receive in arrears on each of the Payment Dates and during the term of the Servicing Agreement, a subordinated servicing fee equal to 0.01% per annum, inclusive of VAT if there is no exemption, which shall accrue on the exact number of days elapsed and on the average daily Outstanding Balance of the Mortgage Certificates serviced during each Interest Accrual Period. If the Servicer should be substituted in that servicing task, because that may be done following a change of the laws in force for the time being, and is appropriate in view of circumstances of the Servicer which might prevent or make it difficult for that servicing to be properly performed, the Management Company will be entitled to change the above percentage fee in favour of the substitute institution by up to not more than 0.10% per annum.

If due to a shortage of liquidity in the Fund Priority of Payments, the Fund should, through its Management Company, fail on a Payment Date to pay the full fee due, the amounts overdue shall accumulate without any penalty whatsoever on the fee payable on the following Payment Dates, whereupon they shall be paid.

Furthermore, on each Payment Date, the Servicer shall be entitled to a reimbursement of all expenses of an exceptional nature incurred in relation to the servicing of the Participated Mortgage Loans, such as expenses or court costs arising in connection with foreclosure, or administering or managing the sale of properties and assets awarded, and after first justifying the same. Those expenses will be paid whenever the Fund has sufficient liquidity and in the Fund Priority of Payments.

The Servicing Agreement shall be fully terminated in the event that the Rating Agencies should fail by the start of the Subscription Period to confirm the ratings provisionally assigned to each of the Series as final.

**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 late payment and delinquency on**

**principal or interest, prepayments, foreclosure and amendment or renegotiation, as the case may be, of the loans.**

#### **IV.2.1 Servicing and custody of the Participated Mortgage Loans.**

BANKINTER shall continue servicing the Participated Mortgage Loans, devoting as Servicer the same time and effort to them and the same degree of skill, care and diligence in servicing the same as it would devote and use to service mortgage loans with respect to which no mortgage certificates shall have been issued, and will in any event exercise a suitable degree of skill, care and diligence 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 and as servicer of the Participated Mortgage Loans, 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 following is the succinct and short description of the ordinary system and procedures (hereinafter the “**services**”) for service and custody of the Participated Mortgage Loans governed by said Servicing Agreement:

##### **1. Term.**

The services shall be provided by the Servicer until all the obligations undertaken by the Servicer as issuer of the Mortgage Certificates terminate in relation to all the Participated Mortgage Loans, once they have been amortised, or when the liquidation of the Fund concludes after it terminates, without prejudice to a potential early termination of the Servicing Agreement, if that is legally possible in accordance with its terms.

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

The Servicer shall keep all deeds, documents and data files relating to the Participated Mortgage Loans 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 foreclose a Participated Mortgage Loan, or any competent authority should so require and after first informing the Management Company.

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 Obligors under the Participated Mortgage Loans, and any other item including under the insurance contracts of the mortgaged properties securing the Participated Mortgage Loans. The Servicer shall act due diligently for payments to be made by the Obligors to be collected in accordance with the contractual terms and conditions of the Participated Mortgage Loans.

Provided that those payments are received by the Servicer, the latter shall proceed to pay them fully to the Fund, on the seventh business day, for same day value, after the date on which they were received by the Servicer, in accordance with the set terms and conditions. The Management Company may change the periods, collection dates and method of payment at any time during the term of the Servicing Agreement.

The Servicer may at no event pay any amount whatsoever to the Fund not previously received from the Obligors as payment for the Participated Mortgage Loans.

#### **4. Fixing the interest rate.**

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

#### **5. Extended mortgage.**

If the Servicer should become aware at any time that for any reason the value of a mortgaged property securing a Participated Mortgage Loan has fallen in excess of the percentages permitted by law, it shall, in accordance with the provisions of articles 26 and 29 of Royal Decree 685/1982, request the Obligor at issue to:

- i) extend the mortgage to other assets sufficient to cover the required ratio between the value of the asset and the Participated Mortgage Loan secured thereby, or
- ii) repay all or such portion of the Participated Mortgage Loan as may be in excess of the amount resulting from applying to the current appraisal the percentage used to initially determine its amount.

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

#### **6. Mortgaged property damage insurance.**

The Servicer shall not take or fail to take any action resulting in the cancellation of any property damage insurance policy covering the properties or reducing the amount payable in any claim thereunder. The Servicer shall act due diligently and in any event use the rights conferred under the Participated Mortgage Loan insurance policies in order to keep those policies (or any other policy granting equivalent cover) in full force and effect in relation to each Participated Mortgage Loan and the respective property subject of the Participated Mortgage Loan.

The Servicer shall be bound to advance payment of policy premiums not paid by the Obligors whenever it is fully acquainted with this circumstance, without prejudice to its right to be reimbursed by the Fund for amounts so paid.

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 to the Fund.

#### **7. Information.**

The Servicer shall regularly communicate to the Management Company the information concerning the individual characteristics of each of the Participated Mortgage Loans, fulfilment by the Obligors of their obligations under the Participated Mortgage Loans, delinquency status, changes in the characteristics of the Participated Mortgage Loans, actions in the event of late payment, legal actions and auction of

properties, the foregoing subject to the procedures and within the time-periods established in the Servicing Agreement.

Furthermore, the Servicer shall prepare and hand to the Management Company such additional information concerning the Participated Mortgage Loans or the rights attaching thereto as the Management Company may reasonably request, and in particular the documents required for the Management Company, as the case may be, to bring legal actions.

#### **8. Liability of the Servicer.**

The Servicer shall at no time have any liability whatsoever in relation to the obligations of the Management Company as manager of the Fund and manager of Bondholders' interests, nor in relation to the obligations of the Obligors derived from the Participated Mortgage Loans, without prejudice to the liabilities undertaken thereby in the Deed of Constitution as issuer of the Mortgage Certificates subscribed for by the Fund.

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

#### **9. Participated Mortgage Loan subrogation.**

The Servicer shall be authorised to permit substitutions in the position of the Obligor under the 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 for granting mortgage loans described in the relevant Memorandum on Policies for Granting Mortgage Loans attached to the Fund Deed of Constitution, and moreover provided that the expenses derived from that change are fully borne by the Obligors. The Management Company may fully or partially limit this power of the Servicer or lay down conditions therefor, in the event that there might be consequences being howsoever detrimental to the rating accorded to the Bonds by the Rating Agencies.

The Obligor may apply for subrogation to the Servicer in connection with the Participated Mortgage Loans pursuant to Mortgage Loan Subrogation and Amendment Act 2/1994. Subrogation of a new creditor under the Participated Mortgage Loan and the ensuing payment of the amount due shall result in a prepayment of a Participated Mortgage Loan and of the relevant Mortgage Certificate.

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

The Servicer may not voluntarily cancel the mortgages securing the Participated Mortgage Loans for any reason other than payment of the 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 status, enforceability at law or economic value of the mortgage or of the Participated Mortgage Loans, without prejudice to its proceeding to heed requests by the Obligors with the same diligence and procedure as if the loans were not participated.

Notwithstanding the above, the Management Company may, as manager of third-party business and bearing in mind the Obligors' requests to the Servicer directly or under Mortgage Loan Subrogation and Amendment Act 2/1994, issue instructions to or authorise the Servicer previously to agree with the Obligor, subject to the terms and conditions of this section, for a novation changing the relevant Participated Mortgage Loans, either by an interest rate renegotiation or by an extension of the maturity period, provided that this is not detrimental to the ranking of the Participated Mortgage Loans.

**a) 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.

Without prejudice to the provisions hereinafter, any renegotiation subscribed by the Servicer shall be made exclusively with the 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 an Obligor has requested a renegotiation. The Management Company may nevertheless authorise the Servicer to entertain and accept renegotiations of the interest rate applicable to the Participated Mortgage Loans, requested by the Obligors, without requiring the written consent of the Management Company, subject to a number of general requirements relating to each of the Participated Mortgage Loan benchmark rates or indices, which indices are described in section IV.4.d) of this 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 settled bearing in mind the interests of the Fund.

In the event of a lower margin (spread over the reference index) being renegotiated for the interest rate applicable to the Participated Mortgage Loans, the new margin established may not be less than 0.45. Without prejudice to the above, in the event of a lower margin being renegotiated, if the weighted average margin of the Mortgage Certificates should be equal to or less than 0.50, the Servicer agrees to pay the Fund, for the Participated Mortgage Loan, on each collection date after the effective date of the modified margin and until the loan is repaid, the amount on each Participated Mortgage Loan settlement date of the difference in the interest accrued by the Participated Mortgage Loan during each interest settlement period, calculated on the margin before being modified and the interest actually accrued calculated at the new margin set.

**b) Extending the period of maturity.**

The final maturity or final amortisation date of the Participated Mortgage Loans may be extended ("**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 Obligor, 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 issued on the Participated Mortgage Loans with respect to which the maturity date is extended may not exceed 5.00% of the total initial capital or principal of the Mortgage Certificate issue.
- (iii) The term of a specific Participated Mortgage Loan may be extended provided that the following requirements are met:
  - a) That the periodicity of repayment instalments of the capital or principal of the Participated Mortgage Loan 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 March 27, 2037.
- c) That there was no delay with a seniority in excess of one (1) month in payment of amounts due on the Participated Mortgage Loan 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 the Servicing Agreement, on the Fund's behalf, cancel or suspend the Servicer's authorisation to extend the term.

If there should be any renegotiation of the interest rate of a Participated Mortgage Loan or its 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 a novation of the terms of the Participated Mortgage Loans will be kept by the Servicer, in accordance with the provisions of paragraph 2 of this section.

In the event of a renegotiation of the interest rate 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 Obligor.**

The Servicer shall apply the same diligence and the same procedure for claiming amounts due on the Participated Mortgage Loans as those applied to the rest of its portfolio loans. The Servicer shall as a general rule apply for foreclosure, advancing all necessary expenses to do so, if, for a period of six (6) months, the Obligor under a Participated Mortgage Loan in default of payment obligations should fail to resume payments or the Servicer, with the Management Company's consent, should fail to obtain a payment undertaking satisfactory to the interests of the Fund, and shall in any event forthwith proceed to apply for such foreclosure if the Management Company, on behalf of the Fund, should deem this fit after analysing the specific circumstances of the case.

In the event of default by any Obligor, the Management Company, acting for and on behalf of the Fund, shall have the following remedies provided 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 former.
- (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 Mortgage Loan 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 subrogated in the position of the former and continue the foreclosure proceedings, without the above period having to elapse.

In the cases provided in paragraphs (iii) and (iv), the Management Company, for and on behalf of the Fund, may 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 document, the notice served through a Notary Public provided in section (iii) above and an office certificate as to the registration and subsistence of the mortgage. BANKINTER shall be bound to issue a certification of the balance outstanding on the Participated Mortgage Loan.

If this should be required by law, and for the purposes of the provisions of the Civil Procedure 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 for the Management Company, acting for and on behalf of BANKINTER, to demand through a Notary Public payment of the debt by the Obligor under any of the Participated Mortgage Loans.

The Management Company, for and on behalf of the Fund as holder of the Mortgage Certificates, may also take part with equal rights with BANKINTER in the foreclosure proceedings and may in this sense, on the terms for which provision is made in the Civil Procedure Act, request the award of the mortgaged property as payment of the Participated Mortgage Loan. The Management Company shall proceed to sell the property awarded within the shortest possible space of time and at arm's length.

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

#### **12. Recovery action against the Servicer.**

The Management Company shall, for and on behalf of the Fund, be entitled to file a recovery action against the Servicer claiming the principal and interest falling due under the Mortgage Certificates, where the breach of the obligation to pay those amounts does not result from a default by the Obligors of the Participated Mortgage Loans.

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.

#### **13. Set-off.**

In the event that any of the Obligors under the Participated Mortgage Loans should have a liquid credit right, due and payable vis-à-vis the Servicer, and any of the Participated Mortgage Loans should therefore be fully or partially set-off against that credit, the Servicer shall remedy such circumstance or, if it cannot be remedied, the Servicer shall proceed to pay to the Fund the amount set off plus the accrued interest which would have been payable to the Fund until the date on which the payment is made, calculated on the terms applicable to the relevant Participated Mortgage Loan.

#### **14. Subcontracting.**

The Servicer may subcontract any of the services it may have agreed to provide under the Servicing Agreement other than those that may not be so delegated in accordance with the laws in force for the time being. That subcontracting may at no event result in an additional cost or expense for the Fund or the Management Company, and may not result in the rating assigned to each of the Bond Series being adversely revised. Notwithstanding any subcontracting or delegation, the Servicer shall not be exonerated or released under that subcontract or delegation from any of the liabilities undertaken in the Servicing Agreement which may legally be attributed or ascribed to it.



## 15. Substitution.

In the event of a breach by the Servicer of any of the obligations imposed in the Servicing Agreement on the Servicer, the Management Company shall be entitled to demand the Servicer to perform as agreed or, as the case may be and where this is legally possible, terminate the Servicing Agreement. Similarly, in the event that the Servicer's rating should fall, and thereby be detrimental to or pose a risk for the financial structure of the Fund or Bondholders' rights and interests, the Management Company shall be entitled, where this is legally possible, to terminate the Servicing Agreement. In the event of termination of the Agreement, the Management Company shall previously designate a new Servicer for the Participated Mortgage Loans, provided that it has a credit quality acceptable to the Rating Agencies and that the new Servicer accepts the obligations contained in the Servicing Agreement.

Upon the early termination of the Servicing Agreement, the Servicer shall provide the new Servicer, on demand by the Management Company and as determined thereby, with the necessary documents and data files for it to carry on the relevant activities.

### IV.3 Succinct and short description of the general policies for granting and terms for perfecting established in regard to mortgage loans by the institutions issuing the certificates pooled in the Fund.

#### IV.3.1 Succinct description of the procedures established by the BANKINTER, the originator issuing the Mortgage Certificates, for analysing risks and granting mortgage loans.

The Participated Mortgage Loans have been granted by BANKINTER, issuer of the Mortgage Certificates in accordance with their usual procedures, which are described in Schedule 7 to the Fund Deed of Incorporation, in the relevant "Memorandum on the Policies for Granting Mortgage Loans".

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

The following table shows the evolution over the last five years of the credit investment of BANKINTER, granted to finance residential homes for individuals, detailing the number of outstanding loans granted for such purpose, the nominal interest rate as an average percentage weighted on the principals pending repayment, and the delinquency on this investment.

Date	Net residential credit investment			Doubtful Assets (balance)	Gross % Credit Investment (balance)	Rate	Suspended Assets (balance)
	Loans	Balance	% Nominal Interest Rate				
1	2	3	4	5	6	7	8
31.08.2002	142,106	10,885.00	4.25	19.50	10,904.54	0.18	0.15
31.12.2001	129,817	9,544.45	4.80	20.20	9,564.74	0.21	0.66
31.12.2000	108,793	7,372.97	5.32	18.51	7,391.49	0.25	1.93
31.12.1999	85,324	5,473.68	4.68	11.35	5,484.03	0.21	0.41
31.12.1998	59,014	3,478.42	4.58	7.78	3,486.20	0.22	1.33

Balances in EUR million  
4: Nominal interest rate weighted by the outstanding principal  
5: Asset qualifying as doubtful in accordance with Bank of Spain Circular 4/1991  
6: 3+5  
7: 5/6\*100  
8: Suspended asset written off the balance sheet, in pursuance of Bank of Spain Circular 4/1991.

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

**a) Number of mortgage loans and amount or balance pending maturity thereon at present.**

The provisional mortgage loan portfolio which shall back the issue of Mortgage Certificates comprises 9,031 mortgage loans, the outstanding principal of which amounted to EUR 729,713,801.77 as of November 12, 2002, and was audited using sampling methods by PRICEWATERHOUSECOOPERS AUDITORES, S.L whose Audit report is attached as Appendix V to this Circular.

**b) Maximum, minimum and average mortgage loan principal values.**

The outstanding principal of the mortgage loans as of November 12, 2002 ranges between EUR 12,136.60 and EUR 299,054.53.

The following table shows the distribution of the outstanding principal balance of the mortgage loans in EUR 12,000 intervals. No details of intervals with no contents are given.

<b>Mortgage loan portfolio as of November 12, 2002</b>				
<b>Classification by outstanding principal</b>				
<b>Outstanding principal interval (in EUR)</b>	<b>Loans</b>		<b>Outstanding Principal</b>	
	<b>No.</b>	<b>%</b>	<b>(EUR)</b>	<b>%</b>
12.000.00 - 23.999.99	269	2.98	5.305.573.99	0.73
24.000.00 - 35.999.99	705	7.81	21.675.164.69	2.97
36.000.00 - 47.999.99	897	9.93	38.103.057.75	5.22
48.000.00 - 59.999.99	1.238	13.71	67.573.751.40	9.26
60.000.00 - 71.999.99	1.313	14.54	87.002.132.07	11.92
72.000.00 - 83.999.99	1.148	12.71	89.728.254.31	12.30
84.000.00 - 95.999.99	959	10.62	86.064.542.87	11.79
96.000.00 - 107.999.99	714	7.91	72.804.258.38	9.98
108.000.00 - 119.999.99	500	5.54	57.093.134.06	7.82
120.000.00 - 131.999.99	325	3.60	40.917.723.46	5.61
132.000.00 - 143.999.99	264	2.92	36.432.927.10	4.99
144.000.00 - 155.999.99	195	2.16	29.074.340.51	3.98
156.000.00 - 167.999.99	125	1.38	20.246.420.32	2.77
168.000.00 - 179.999.99	108	1.20	18.814.766.82	2.58
180.000.00 - 191.999.99	61	0.68	11.319.673.39	1.55
192.000.00 - 203.999.99	53	0.59	10.505.529.37	1.44
204.000.00 - 215.999.99	42	0.47	8.753.816.82	1.20
216.000.00 - 227.999.99	29	0.32	6.430.555.72	0.88
228.000.00 - 239.999.99	38	0.42	8.911.824.17	1.22
240.000.00 - 251.999.99	8	0.09	1.967.734.12	0.27
252.000.00 - 263.999.99	13	0.14	3.350.212.61	0.46
264.000.00 - 275.999.99	8	0.09	2.155.384.42	0.30
276.000.00 - 287.999.99	10	0.11	2.834.570.12	0.39
288.000.00 - 299.999.99	9	0.10	2.648.453.30	0.36
<b>Total Portfolio</b>	<b>9,031</b>	<b>100.00</b>	<b>79,713,801.77</b>	<b>100.00</b>
	<b>Average principal:</b>		<b>80,801.00</b>	
	<b>Minimum principal:</b>		<b>12,136.60</b>	
	<b>Maximum principal:</b>		<b>299,054.53</b>	

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

The provisional portfolio mortgage loans are all floating interest rate loans. The nominal interest rates applicable to the mortgage loans as of November 12, 2002 range between 2.50% and 6.64%, and the average nominal interest rate weighted by the outstanding principal is 4.21%.

The following table shows the distribution of the mortgage loans in 0.50% nominal interest rate intervals.

<b>Mortgage loan portfolio as of November 12, 2002</b>					
<b>Classification by Nominal Interest Rates</b>					
<b>% Interest Rate Interval</b>	<b>Loans</b>		<b>Outstanding Principal</b>		<b>%Interest Rate*</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
2.50 - 2.99	4	0.04	279,301.94	0.04	2.72
3.00 - 3.49	40	0.44	4,308,362.67	0.59	3.29
3.50 - 3.99	2,227	24.66	199,148,725.71	27.29	3.82
4.00 - 4.49	4,412	48.85	362,875,987.45	49.73	4.22
4.50 - 4.99	2,096	23.21	149,672,335.39	20.51	4.64
5.00 - 5.49	193	2.14	10,356,815.01	1.42	5.12
5.50 - 5.99	57	0.63	2,929,519.37	0.40	5.61
6.00 - 6.49	1	0.01	122,801.62	0.02	6.10
6.50 - 6.99	1	0.01	19,952.61	0.00	6.64
<b>Total Portfolio</b>	<b>9,031</b>	<b>100.00</b>	<b>729,713,801.77</b>	<b>100.00</b>	
	<b>Weighted average:</b>				<b>4.21</b>
	<b>Simple average:</b>				<b>4.25</b>
	<b>Minimum:</b>				<b>2.50</b>
	<b>Maximum:</b>				<b>6.64</b>

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

**d) Benchmark indices applicable at present to the mortgage loans.**

The following table shows the distribution of mortgage loans according to the benchmark index applicable to them for determining the nominal interest rate.

<b>Mortgage loan portfolio as of November 12, 2002</b>					
<b>Classification by Interest Rate Benchmark Index</b>					
<b>Benchmark Index</b>	<b>Loans</b>		<b>Outstanding Principal</b>		<b>%Margin * o/index</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
1-year MIBOR	6,852	75.87	577,417,538.35	79.13	0.64
	2,179	24.13	152,296,263.42	20.87	0.78
<b>Total Portfolio</b>	<b>9,031</b>	<b>100.00</b>	<b>729,713,801.77</b>	<b>100.00</b>	

\*Margin over average benchmark index 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 March 21, 1997 and March 28, 2002, average portfolio seniority being 23.34 months as of November 12, 2002.

The following table shows the distribution of the mortgage loans arranged by six-monthly origination intervals.

Mortgage loan portfolio as of November 12, 2002				
Classification by loan origination date				
Date Interval	Loans		Outstanding Principal	
		%	(EUR)	%
01/01/1997 to 30/06/1997	49	0.54	2,800,866.77	0.38
01/07/1997 to 31/12/1997	198	2.19	11,100,327.74	1.52
01/01/1998 to 30/06/1998	278	3.08	17,665,675.17	2.42
01/07/1998 to 31/12/1998	456	5.05	31,925,505.14	4.38
01/01/1999 to 30/06/1999	591	6.54	43,054,518.06	5.90
01/07/1999 to 31/12/1999	651	7.21	48,935,392.94	6.71
01/01/2000 to 30/06/2000	810	8.97	68,944,823.13	9.45
01/07/2000 to 31/12/2000	1,081	11.97	88,996,410.43	12.20
01/01/2001 to 30/06/2001	1,273	14.10	99,948,055.32	13.70
01/07/2001 to 31/12/2001	2,268	25.11	194,189,739.56	26.61
01/01/2002 to 30/06/2002	1,376	15.24	122,152,487.51	16.74
<b>Total Portfolio</b>	<b>9,031</b>	<b>100.00</b>	<b>729,713,801.77</b>	<b>100.00</b>
<b>Weighted average seniority</b>		<b>23.34</b>	<b>Months</b>	
<b>Maximum seniority</b>	<b>21.03.1997</b>	<b>67.79</b>	<b>Months</b>	
<b>Minimum seniority</b>	<b>28.03.2002</b>	<b>7.53</b>	<b>Months</b>	

#### Final maturity date and residual life.

The final maturity of provisional portfolio mortgage loans falls on dates comprised between December 18, 2003 and March 27, 2037.

The amortisation of loans takes place throughout the life remaining until full amortisation, during which period mortgagors must pay monthly instalments comprising capital repayment and interest.

At any time during the life of the loans, mortgagors may prepay all or part of the capital pending repayment, in which case the accrual of interest on the part prepaid will cease as of the date on which the repayment occurs.

The following table shows the distribution of mortgage loans according to final maturity date in yearly intervals.

Mortgage loan portfolio as of November 12, 2002						
Classification by Final Maturity Date						
Final Maturity Year	Loans		Principal Outstanding		Residual Life*	
		%	(EUR)	%	Months	Date
2003	1	0.01	16,432.20	0.00	13.17	18/12/2003
2004	5	0.06	92,236.92	0.01	19.15	17/06/2004
2005	10	0.11	215,703.94	0.03	32.33	23/07/2005
2006	24	0.27	654,565.44	0.09	44.24	21/07/2006
2007	34	0.38	1,170,543.83	0.16	54.97	12/06/2007
2008	45	0.50	1,630,063.62	0.22	69.07	14/08/2008
2009	82	0.91	2,956,985.90	0.41	80.45	27/07/2009
2010	98	1.09	4,252,381.60	0.58	92.10	16/07/2010
2011	217	2.40	10,170,798.24	1.39	104.74	5/08/2011

Mortgage loan portfolio as of November 12, 2002						
Classification by Final Maturity Date						
Final Maturity Year	Loans		Principal Outstanding		Residual Life*	
		%	(EUR)	%	Months	Date
2012	178	1.97	8,752,730.17	1.20	114.17	18/05/2012
2013	183	2.03	9,632,669.54	1.32	128.26	21/07/2013
2014	172	1.90	9,135,318.14	1.25	139.07	15/06/2014
2015	210	2.33	12,605,271.17	1.73	152.69	4/08/2015
2016	478	5.29	31,538,525.14	4.32	164.71	3/08/2016
2017	294	3.26	19,589,309.58	2.68	173.77	6/05/2017
2018	202	2.24	13,078,508.88	1.79	188.21	20/07/2018
2019	323	3.58	22,844,636.13	3.13	200.25	21/07/2019
2020	350	3.88	26,253,956.42	3.60	212.19	19/07/2020
2021	684	7.57	54,153,090.22	7.42	224.55	30/07/2021
2022	401	4.44	30,975,094.14	4.24	233.01	13/04/2022
2023	314	3.48	24,653,386.84	3.38	248.78	6/08/2023
2024	453	5.02	38,378,095.19	5.26	259.82	7/07/2024
2025	590	6.53	52,650,496.18	7.22	272.33	23/07/2025
2026	945	10.46	84,573,847.76	11.59	284.54	30/07/2026
2027	429	4.75	38,732,335.49	5.31	292.00	14/03/2027
2028	148	1.64	13,317,774.73	1.83	308.53	29/07/2028
2029	291	3.22	25,545,566.83	3.50	319.73	5/07/2029
2030	416	4.61	40,373,940.90	5.53	332.14	18/07/2030
2031	656	7.26	63,347,325.41	8.68	344.92	11/08/2031
2032	303	3.36	33,781,208.83	4.63	351.34	22/02/2032
2033	22	0.24	2,343,012.48	0.32	368.61	31/07/2033
2034	41	0.45	3,792,702.46	0.52	380.70	3/08/2034
2035	118	1.31	13,041,608.00	1.79	392.09	16/07/2035
2036	233	2.58	25,602,018.29	3.51	404.84	7/08/2036
2037	81	0.90	9,861,661.16	1.35	411.44	24/02/2037
<b>Total portfolio</b>	<b>9,031</b>	<b>100.00</b>	<b>729,713,801.77</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>267.21</b>	
	<b>Simple average:</b>				<b>249.78</b>	
	<b>Minimum:</b>				<b>13.17</b>	<b>18.12.2003</b>
	<b>Maximum:</b>				<b>412.45</b>	<b>27.03.2037</b>

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

**Specification of the maximum, minimum and average value of the ratio: “present loan amount/ appraisal value”.**

The ratio, expressed as a percentage, of the amount of outstanding principal as of November 12, 2002 to the appraisal value of the mortgaged home securing the provisional portfolio mortgage loans ranged between 4.24% and 79.98%, the average ratio weighted by the outstanding principal on each loan being 63.96%.

The following table shows the distribution of mortgage loans according to 5.00% ratio intervals.

Mortgage loan portfolio as of November 12, 2002						
Classification by Ratio Outstanding Principal /Appraisal Value						
Ratio Intervals	Loans		Outstanding Principal		Outstanding Principal / Appraisal V.*	
		%	(EUR)	%		
0.01 5.00	1	0.01	25.647.43	0.00	4.24	
5.01 10.00	17	0.19	403.792.46	0.06	8.37	
10.01 15.00	53	0.59	1,415.088.37	0.19	12.74	
15.01 20.00	90	1.00	3,461.603.26	0.47	18.00	
20.01 25.00	163	1.80	7,152.824.76	0.98	22.55	
25.01 30.00	195	2.16	9,674.595.49	1.33	27.56	
30.01 35.00	235	2.60	13,816.452.91	1.89	32.57	
35.01 40.00	343	3.80	21,506.183.01	2.95	37.67	
40.01 45.00	447	4.95	30,432.542.77	4.17	42.60	
45.01 50.00	494	5.47	36,637.578.49	5.02	47.62	
50.01 55.00	611	6.77	48,266.573.33	6.61	52.68	
55.01 60.00	736	8.15	59,182.689.98	8.11	57.51	
60.01 65.00	917	10.15	77,876.411.78	10.67	62.68	
65.01 70.00	1,083	11.99	92,793.998.02	12.72	67.63	
70.01 75.00	1,438	15.92	128,357.108.06	17.59	72.61	
75.01 80.00	2,208	24.45	198,710.711.65	27.23	77.66	
<b>Total Portfolio</b>	<b>9,031</b>	<b>100.00</b>	<b>729,713,801.77</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>63.96</b>	
	<b>Simple average:</b>				<b>61.53</b>	
	<b>Minimum:</b>				<b>4.24</b>	
	<b>Maximum:</b>				<b>79.98</b>	
*Ratio Outstanding Principal /Appraisal Value lists averages weighted by the outstanding principal.						

**Specification of the geographical distribution by Autonomous Communities of the current mortgage loan amount.**

The following table shows the geographical distribution of the mortgage loans, arranged by Autonomous Communities in which the homes securing the same are located.

In addition to the number of loans and the outstanding principal, the table contains the weighted average ratio outstanding principal / appraisal value for loans with security located in each of the Autonomous Communities.

Mortgage loan portfolio as of November 12, 2002					
Classification by Autonomous Communities					
Autonomous Community	Loans		Outstanding Principal		Outstanding Principal / Appraisal V. *
		%	(EUR)	%	
Andalusia	976	10.81	64,963,045.65	8.90	64.93
Aragón	159	1.76	12,699,335.57	1.74	65.20
Asturies	260	2.88	17,930,141.13	2.46	63.90
Balearic Isles	160	1.77	14,201,525.74	1.95	65.77

<b>Mortgage loan portfolio as of November 12, 2002</b>					
<b>Classification by Autonomous Communities</b>					
	<b>Loans</b>		<b>Outstanding Principal</b>		
Canaries	393	4.35	32,125,338.35	4.40	64.17
Cantabria	245	2.71	18,897,429.59	2.59	62.19
Catalonia	1,173	12.99	104,493,488.68	14.32	63.97
Ceuta	2	0.02	168,862.30	0.02	71.86
Basque Country	722	7.99	69,668,913.45	9.55	61.83
Extremadura	84	0.93	5,222,483.92	0.72	68.80
Galicia	351	3.89	24,714,049.32	3.39	66.38
Castile-León	569	6.30	43,049,693.31	5.90	65.39
Madrid	2,429	26.90	229,921,639.98	31.51	63.86
Castile La Mancha	238	2.64	15,749,652.27	2.16	66.85
Murcia	236	2.61	13,914,850.07	1.91	66.42
Navarre	77	0.85	4,624,401.40	0.63	64.13
La Rioja	27	0.30	2,208,415.18	0.30	65.57
Valencian Community	930	10.30	55,160,535.86	7.56	61.40
<b>Total Portfolio</b>	<b>9,031</b>	<b>100.00</b>	<b>729,713,801.77</b>	<b>100.00</b>	
*Ratio Outstanding Principal /Appraisal Value lists averages weighted by the outstanding principal.					

- h) Specification as to whether there are delays in collecting mortgage loan principal or interest instalments and, as the case may be, amount of the current principal of the delayed loans in excess of 30, 60 and 90 days.**

The following table shows the number of loans, the outstanding principal and the overdue principal on provisional portfolio loans in regard to which there was any delay in payment of amounts due as of November 12, 2002.

<b>Arrears in payment of instalments due as of November 12, 2002</b>			
<b>Day Interval</b>	<b>Loans</b>	<b>Outstanding Principal (EUR)</b>	<b>Overdue Principal (EUR)</b>
1 to 15 days	42	2,742,683.09	6,062.22

As declared by BANKINTER in section IV.1.a) (21), none of the Participated Mortgage Loans that will finally back the issue of Mortgage Certificates for the Fund to be constituted shall have overdue payments on the date of issue.

- i) Specification of the current amount of mortgage loans considered by the issuers of the Mortgage Certificates to be assets with a 50% weighting, for the purposes provided in 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.**

**Initial balance sheet of the Fund.**

The balance sheet of the Fund, in euros, on the Closing Date will be as follows:

<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Fixed Assets</b>	<b>711,270,000.00</b>	<b>Bond Issue</b>	<b>710,000,000.00</b>
Mortgage Certificates	710,014,804.42	Series A Bonds	684,100,000.00
(adjustment excess to 14,804.42)		Series B Bonds	14,900,000.00
Set-up and issuance expenses	1,255,195.58	Series C Bonds	11,000,000.00
		<b>Other long-term liabilities</b>	<b>7,305,000.00</b>
		Start-Up Loan	1,270,000.00
		Subordinated Loan	6,035,000.00
<b>Current Assets</b>	to be determined	<b>Short-term creditors</b>	to be determined
Treasury Account *	6,035,000.00	Participated Mortgage Loan	
Accrued interest receivable **	to be determined	interest accrued **	to be determined
<b>Total assets</b>	<b>717,305,000.00</b>	<b>Total liabilities</b>	<b>717,305,000.00</b>
<b>MEMORANDUM ACCOUNTS</b>			
Interest Flow Swap payments	to be determined		
Interest Flow Swap payments	to be determined		

**(Amounts in EUR)**

\* Assuming that all set-up and Bond issuance expenses are met on the Closing Date.

\*\* As set forth in section IV.1.b) of the Circular.

**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 shown in section V.1.3 below relate to one of the possible scenarios that could, in relation to the income and payments made and received by the Fund, 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) Amount of the portfolio as of November 12, 2002 from which the loans subject of the issue of Mortgage Certificates will be taken: EUR 729,713,801.77.
- (ii) Interest rate: 4.21% (% weighted average interest rate of the selected loan portfolio as of November 12, 2002)
- (iii) CPR: 6% and 10% per annum.
- (iv) Delinquency Rate: 0% per annum.
- (v) Defaults considered bad debts: 0%.

**b) Mortgage Certificates.**

- (i) Principal: 100% participation.
- (ii) Interest: participation calculated on the same interest rate applicable to a Participated Mortgage Loan.

**c) Bonds.**

Total amount: EUR 710,000,000.

	<u>EUR</u>
<b>Series A Bonds</b>	684,100,000
<b>Series B Bonds</b>	14,900,000
<b>Series C Bonds</b>	11,000,000
<b>Total</b>	<b>710,000,000</b>

Interest rate: floating interest rate for the outstanding balances of each of the Series, assuming that the interest rates in each Series remain constant as follows for the First Interest Accrual Period.

	<b>Series A</b>	<b>Series B</b>	<b>Series C</b>
	<b>Bonds</b>	<b>Bonds</b>	<b>Bonds</b>
<b>Nominal interest rate</b>	3.148%	3.358%	4.158%

For successive Interest Accrual Periods the floating interest rate for the Bonds in each Series is assumed constant as follows:

	<b>Series A</b>	<b>Series B</b>	<b>Series C</b>
	<b>Bonds</b>	<b>Bonds</b>	<b>Bonds</b>
<b>Nominal interest rate</b>	3.156%	3.366%	4.166%

Exercise by the Management Company of the early amortisation option of the Bonds in each of the Series is assumed when the Outstanding Balance of the Mortgage Certificates is less than 10% of their initial amount.

**d) Ancillary agreements.**

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

It is assumed that the Treasury Account shall be maintained at BANKINTER.

Interest rate: it is assumed to remain constant at 2.956% for remunerating all the amounts credited to the Treasury Account.

**(ii) Start-Up Loan Agreement.**

- Amount: EUR one million two hundred and seventy thousand (1,270,000) which shall be allocated to financing the expenses of setting up the Fund and issuing the Bonds (approximately EUR 1,255,195.58) and to partially financing the subscription for the Mortgage Certificates (up to EUR 14,804.42).
- Interest rate: it is assumed to remain constant at 3.916%.
- Repayment of principal shall consist of quarterly straight-line payments until the Payment Date falling on November 12, 2007 (inclusive).

**(iii) Subordinated Loan Agreement.**

- Amount: EUR 6,035,000.00.
- Interest rate: 3.916%.
- Repayment: it shall be repaid on each of the Payment Dates in the same amount of the Required Cash Reserve reduction.

**e) Cash Reserve.**

- Amount: EUR 6,035,000.00.
- Reduction: to be reduced on each Payment Date, thereby for its amount to be equal to the lower of EUR 6,035,000 and an amount equivalent to 1.70% of the Outstanding Principal Balance of the Bond Issue up to EUR 4,260,000.

**f) Expenses, fees and margin.**

Loan Servicing fee: 0.01% per annum on the mean daily Outstanding Balance of the Mortgage Certificates during each Interest Accrual Period corresponding to the ongoing Payment Date, inclusive of VAT if there is no exemption.

Management Company Fee: 0.02375% per annum on the Outstanding Principal Balance of the Bond Issue, with a maximum annual amount of EUR 28,550.00 and an assumed yearly Retail Price Index of 2.5%.

Annual expenses of the Fund for auditing accounts, monitoring the rating and publishing inserts, approximately EUR 16,240 and an assumed yearly Retail Price Index of 2.5%.

Bond Paying Agent Fee: EUR 1,502.53 on each Payment Date.

Financial Intermediation Margin: variable remuneration settled quarterly on each Payment Date, on account of its yearly accrual, in an amount equal to the positive difference, if any, between the income and expenditure of the Fund before its official accounts are closed.

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

In order to hedge the contingent credit risk due to delinquency and default on the Participated Mortgage Loans, it has been resolved to set up a Cash Reserve, initially provisioned by drawing under the Subordinated Loan, in order to fulfil on each Payment Date, upon a shortage of Available Funds, certain of the Fund's payment or withholding obligations, which include Bond interest and amortisation payments. Moreover, deferment in payment of interest and repayment of the Series C Bond principal with respect to the Series A and B Bonds and of the Series B Bonds with respect to the Series A Bonds derived from their position in the Fund Priority of Payments, is a mechanism for distinctly hedging the different Series.

The underlying floating interest risk arising in the Fund between the floating interest of the Participated Mortgage Loans based on various benchmark indices (one-year Mibor/Euribor in the mortgage market) and different review periods and settlement day of the instalment, and the floating interest of the Bond Issue based on 3-month Euribor and with quarterly accrual and settlement periods, is neutralised by means of the Interest Swap Agreement, which does not neutralise the credit risk remaining in the Fund, since the amounts payable by the Fund also include amounts derived from delinquent Participated Mortgage Loans.

As for the incidence the prepayment of the Participated Mortgage Loans might have on the Bonds, section II.12.a) of this Circular contains a table showing the performance as to average life and duration of the Bonds for different effective constant annual early amortisation or prepayment rates (CPRs).

In general, the quality of the Mortgage Certificates and the mechanisms in place for maintaining the financial balance of the Fund are such that no extreme prepayment, or delinquency and default rates should reasonably be considered resulting, upon both the prepayment risk and the risk of delinquency on the loans being properly transferred, in the financial structure of the Fund being imbalanced. Nevertheless, the ratings assigned by the Rating Agencies to each of the Bond Series express the Rating Agencies' opinion about the Fund's capacity to meet payments of interest as they fall due on each set Payment Date and of the principal on the Final Maturity Date.

**V.1.3 Number outline of the cash flow of the Fund.**

The number outline set forth hereinafter relates to collections and payments derived from the application of a cash policy, for ease of understanding of the investor, though in accordance with the provisions of section V.2 of this Circular, the Fund will apportion income and expenditure in time in accordance with 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 relevant variables, particularly interest rates of the Bonds in all Series, and actual interest rates and delinquency, default and prepayment rates on the Participated Mortgage Loans underlying the Mortgage Certificates are subject to continual changes.

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

**FONDS CASH FLOWS  
(AMOUNTS IN EUR)**

PR 6.00

17-Dec-2002

710,000,000.00 Acquisition of the Mortgage Certificates  
1,255,195.58 Start-up Loan (- M purchase reminder)  
6,035,000.00 Subordinated Loan

Re- Cash Reserve	M Outs. Bal.	Date	COLLECTIONS				Total
			M Amortised Princ.	S Net Inter.	Reinvest. Income	Cash Reserve Reduction	
			(4)	(5)	(6)	(7)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		<b>TOTALES:</b>	<b>710,000,000.00</b>	<b>196,901,912.00</b>	<b>5,746,365.54</b>	<b>6,035,000.00</b>	<b>918,683,277.54</b>
6,035,000.00	685,195,941.52	12-May-2003	24,804,058.48	10,027,582.95	251,573.04	0.00	35,083,214.47
6,035,000.00	668,831,390.00	12-Aug-2003	16,364,551.52	6,105,490.76	126,501.73	0.00	22,596,544.01
6,035,000.00	652,749,583.41	12-Nov-2003	16,081,806.59	5,959,566.12	124,928.69	0.00	22,166,301.40
6,035,000.00	636,947,103.50	12-Feb-2004	15,802,479.91	5,816,218.04	123,723.06	0.00	21,742,421.01
6,035,000.00	621,634,419.79	12-May-2004	15,312,683.71	5,552,139.32	119,268.54	0.00	20,984,091.56
6,035,000.00	606,378,723.20	12-Aug-2004	15,255,696.59	5,538,715.34	120,356.76	0.00	20,914,768.70
6,035,000.00	591,392,273.80	12-Nov-2004	14,986,449.40	5,402,684.45	118,868.96	0.00	20,508,002.81
6,035,000.00	576,667,988.00	14-Feb-2005	14,724,285.81	5,383,646.26	122,103.56	0.00	20,230,035.63
6,035,000.00	562,490,471.52	12-May-2005	14,177,516.48	4,858,893.39	111,514.79	0.00	19,147,924.66
6,035,000.00	548,274,865.15	12-Aug-2005	14,215,606.37	5,011,340.14	114,606.77	0.00	19,341,553.28
6,035,000.00	534,310,326.06	14-Nov-2005	13,964,539.10	4,990,769.58	117,389.71	0.00	19,072,629.98
6,035,000.00	520,597,588.77	13-Feb-2006	13,712,737.29	4,708,374.27	113,218.41	0.00	18,534,339.38
6,035,000.00	507,388,829.25	12-May-2006	13,208,759.51	4,436,484.94	106,707.83	0.00	17,751,952.28
6,035,000.00	494,161,313.32	14-Aug-2006	13,227,515.94	4,618,288.01	113,170.48	0.00	17,958,974.43
6,035,000.00	481,174,430.45	13-Nov-2006	12,986,882.87	4,354,239.07	108,856.51	0.00	17,449,778.45
6,035,000.00	468,425,332.50	12-Feb-2007	12,749,097.95	4,239,744.30	106,378.55	0.00	17,095,220.79
6,035,000.00	456,150,303.97	14-May-2007	12,275,028.53	4,127,580.61	105,920.36	0.00	16,508,529.50
6,035,000.00	443,870,474.68	13-Aug-2007	12,279,829.29	4,019,023.91	104,939.12	0.00	16,403,792.33
6,035,000.00	431,822,582.33	12-Nov-2007	12,047,892.34	3,910,732.67	102,310.94	0.00	16,060,935.95
6,035,000.00	419,993,293.87	12-Feb-2008	11,829,288.46	3,846,321.32	101,871.00	0.00	15,777,480.79
6,035,000.00	408,525,834.52	12-May-2008	11,467,459.35	3,659,667.44	98,343.07	0.00	15,225,469.86
6,035,000.00	397,129,976.63	12-Aug-2008	11,395,857.89	3,638,576.62	99,257.89	0.00	15,133,692.40
6,035,000.00	385,944,914.21	12-Nov-2008	11,185,062.42	3,536,971.53	98,117.58	0.00	14,820,151.54
6,035,000.00	374,976,657.54	12-Feb-2009	10,968,256.68	3,437,286.10	97,219.81	0.00	14,502,762.58
6,008,006.80	364,412,164.91	12-May-2009	10,564,492.62	3,230,822.02	92,993.33	26,993.20	13,915,301.17
5,828,675.30	353,863,252.85	12-Aug-2009	10,548,912.06	3,245,291.42	94,534.62	179,331.50	14,068,069.60
5,658,905.29	343,526,090.78	12-Nov-2009	10,337,162.07	3,151,255.89	92,076.35	169,770.01	13,750,264.32
5,492,007.54	333,394,496.25	12-Feb-2010	10,131,594.53	3,059,132.31	89,960.16	166,897.76	13,447,584.76
5,331,291.55	323,638,168.38	12-May-2010	9,756,327.86	2,872,198.44	84,843.94	160,715.99	12,874,086.23
5,171,062.20	313,911,382.15	12-Aug-2010	9,726,786.24	2,881,821.37	85,165.19	160,229.35	12,854,002.15
5,014,038.16	304,379,175.46	12-Nov-2010	9,532,206.69	2,795,113.33	82,941.44	157,024.04	12,567,285.50
4,860,336.57	295,048,659.60	14-Feb-2011	9,330,515.86	2,769,091.08	83,784.12	153,701.59	12,337,092.65
4,712,371.70	286,066,393.48	12-May-2011	8,982,266.12	2,484,401.11	75,499.74	147,964.87	11,690,131.83
4,565,187.40	277,131,512.22	12-Aug-2011	8,934,881.26	2,546,928.00	76,461.23	147,184.30	11,705,454.79
4,421,574.23	268,413,417.77	14-Nov-2011	8,718,094.45	2,520,955.25	76,901.62	143,613.17	11,459,564.49
4,281,674.47	259,920,747.26	13-Feb-2012	8,492,670.51	2,363,695.99	72,883.86	139,899.76	11,069,150.12
4,260,000.00	251,742,695.06	14-May-2012	8,178,052.20	2,288,952.07	70,709.97	21,674.47	10,559,388.71
4,260,000.00	243,668,385.74	13-Aug-2012	8,074,309.32	2,216,767.18	69,372.33	0.00	10,360,448.84
4,260,000.00	235,765,187.98	12-Nov-2012	7,903,197.76	2,145,582.14	67,615.59	0.00	10,116,395.49
4,260,000.00	228,026,598.38	12-Feb-2013	7,738,589.60	2,098,732.93	67,286.59	0.00	9,904,609.12
4,260,000.00	220,565,868.03	13-May-2013	7,460,730.34	1,985,761.00	65,511.08	0.00	9,512,002.41
4,260,000.00	213,162,312.42	12-Aug-2013	7,403,555.61	1,941,909.25	65,060.45	0.00	9,410,525.31
4,260,000.00	205,931,767.78	12-Nov-2013	7,230,544.64	1,897,276.15	64,533.04	0.00	9,192,353.83
4,260,000.00	198,870,044.18	12-Feb-2014	7,061,723.60	1,832,860.72	63,853.16	0.00	8,958,437.48
4,260,000.00	192,080,594.24	12-May-2014	6,789,449.94	1,712,336.92	61,045.04	0.00	8,562,831.90
4,260,000.00	185,342,520.49	12-Aug-2014	6,738,073.75	1,709,416.20	62,056.61	0.00	8,509,546.57
4,260,000.00	178,757,437.54	12-Nov-2014	6,585,082.95	1,649,368.35	61,281.71	0.00	8,295,733.02
4,260,000.00	172,316,489.10	12-Feb-2015	6,440,948.44	1,590,692.77	60,698.03	0.00	8,092,339.24
4,260,000.00	166,102,747.57	12-May-2015	6,213,741.52	1,483,385.71	58,127.31	0.00	7,755,254.55
4,260,000.00	159,947,425.19	12-Aug-2015	6,155,322.38	1,477,898.71	59,108.89	0.00	7,692,329.99
4,260,000.00	153,939,436.39	12-Nov-2015	6,007,988.80	1,423,053.57	58,365.41	0.00	7,489,407.78
4,260,000.00	148,093,417.69	12-Feb-2016	5,846,018.71	1,369,547.91	57,736.08	0.00	7,273,302.70
4,260,000.00	142,454,426.22	12-May-2016	5,638,991.47	1,288,880.63	55,724.60	0.00	6,983,596.70
4,260,000.00	136,927,494.07	12-Aug-2016	5,526,932.15	1,267,240.89	56,078.13	0.00	6,850,251.18
4,260,000.00	131,591,174.72	14-Nov-2016	5,336,319.35	1,244,529.37	57,006.49	0.00	6,637,855.20
4,260,000.00	126,447,798.08	13-Feb-2017	5,143,376.64	1,157,846.34	54,696.59	0.00	6,355,919.57
4,260,000.00	121,568,754.53	12-May-2017	4,879,043.55	1,075,981.28	51,637.39	0.00	6,006,662.22
4,260,000.00	116,772,190.26	14-Aug-2017	4,796,564.27	1,104,877.54	54,450.13	0.00	5,955,891.94
4,260,000.00	112,088,183.19	13-Nov-2017	4,684,007.07	1,027,338.88	52,342.48	0.00	5,763,688.44
4,260,000.00	107,516,173.29	12-Feb-2018	4,572,009.90	986,064.52	51,417.53	0.00	5,609,491.95
4,260,000.00	103,103,920.86	14-May-2018	4,412,252.43	945,825.89	51,246.85	0.00	5,409,325.16
4,260,000.00	98,744,264.36	13-Aug-2018	4,359,656.50	906,867.34	50,691.41	0.00	5,317,215.25
4,260,000.00	94,494,901.40	12-Nov-2018	4,249,362.96	868,449.21	49,708.34	0.00	5,167,520.52
4,260,000.00	90,353,232.48	12-Feb-2019	4,141,668.92	840,141.64	49,630.17	0.00	5,031,440.73
4,260,000.00	86,365,442.97	13-May-2019	3,987,789.51	785,835.08	48,349.90	0.00	4,821,974.49
4,260,000.00	82,447,693.41	12-Aug-2019	3,917,749.56	759,379.13	48,120.17	0.00	4,725,248.86
4,260,000.00	78,644,849.68	12-Nov-2019	3,802,843.73	732,836.27	47,922.29	0.00	4,583,602.29
4,260,000.00	74,959,887.70	12-Feb-2020	3,684,961.99	698,982.30	47,475.23	0.00	4,431,419.52
4,260,000.00	71,408,535.38	12-May-2020	3,551,352.32	651,710.84	45,944.18	0.00	4,249,007.33
0.00	0.00	12-Aug-2020	71,408,535.38	634,539.90	46,369.59	4,260,000.00	72,089,444.87



**FONDS ASH FLO S  
(AMOUNTS IN EUR)**

PR 10

17-Dec-2002 710,000,000.00 Acquisition of the Mortgage Certificates  
1,255,195.58 Start-up Loan (- M purchase reminder)  
6,035,000.00 Subordinated Loan

Re ash Reserve	M Outs. Bal.	Date	COLLECTIONS				Total
			M Amortised Princ.	S ap Net Inter.	Reinvest. Income	ash Reserve Reduction	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>TOTALS:</b>			<b>710,000,000.00</b>	<b>150,056,920.74</b>	<b>5,024,698.25</b>	<b>6,035,000.00</b>	<b>871,116,618.99</b>
6,035,000.00	674,234,880.75	12-May-2003	35,765,119.25	10,015,424.42	310,203.75	0.00	46,090,747.42
6,035,000.00	650,937,493.03	12-Aug-2003	23,297,387.72	6,000,664.59	150,250.61	0.00	29,448,302.92
6,035,000.00	628,340,688.82	12-Nov-2003	22,596,804.20	5,793,215.05	146,975.58	0.00	28,536,994.83
6,035,000.00	606,425,728.79	12-Feb-2004	21,914,960.04	5,592,094.40	144,125.52	0.00	27,651,179.96
6,035,000.00	585,515,648.92	12-May-2004	20,910,079.87	5,279,964.27	137,360.89	0.00	26,327,405.03
6,035,000.00	564,901,251.96	12-Aug-2004	20,614,396.95	5,210,686.63	137,728.12	0.00	25,962,811.71
6,035,000.00	544,915,391.94	12-Nov-2004	19,985,860.03	5,027,136.44	134,798.62	0.00	25,147,795.08
6,035,000.00	525,537,629.86	14-Feb-2005	19,377,762.08	4,954,676.48	137,299.25	0.00	24,469,737.81
6,035,000.00	507,192,847.74	12-May-2005	18,344,782.12	4,423,033.39	123,838.52	0.00	22,891,654.03
6,035,000.00	488,967,755.26	12-Aug-2005	18,225,092.48	4,513,302.24	126,598.03	0.00	22,864,992.74
6,035,000.00	471,301,760.23	14-Nov-2005	17,665,995.03	4,445,616.79	128,662.16	0.00	22,240,273.99
6,035,000.00	454,183,065.77	13-Feb-2006	17,118,694.46	4,148,221.76	123,021.44	0.00	21,389,937.65
6,035,000.00	437,974,088.22	12-May-2006	16,208,977.56	3,866,097.53	114,514.78	0.00	20,189,589.86
6,035,000.00	421,889,664.82	14-Aug-2006	16,084,423.40	3,981,724.95	120,989.05	0.00	20,187,137.40
6,035,000.00	406,307,620.23	13-Nov-2006	15,582,044.59	3,713,001.97	115,467.85	0.00	19,410,514.40
6,035,000.00	391,214,307.35	12-Feb-2007	15,093,312.88	3,575,837.15	111,833.15	0.00	18,780,983.18
6,035,000.00	376,929,159.23	14-May-2007	14,285,148.13	3,443,301.65	110,164.06	0.00	17,838,613.84
5,980,060.09	362,768,240.46	13-Aug-2007	14,160,918.76	3,317,074.58	108,754.37	54,939.91	17,641,687.62
5,747,008.19	349,059,305.52	12-Nov-2007	13,708,934.94	3,192,376.08	104,804.12	233,051.89	17,239,167.03
5,531,327.59	335,781,435.85	12-Feb-2008	13,277,869.68	3,105,454.95	101,775.06	215,680.60	16,700,780.29
5,322,682.05	323,115,525.69	12-May-2008	12,665,910.15	2,922,489.05	95,775.17	208,645.54	15,892,819.91
5,117,564.25	310,663,767.83	12-Aug-2008	12,451,757.87	2,874,437.54	94,589.48	205,117.81	15,625,902.70
4,918,981.03	298,608,694.60	12-Nov-2008	12,055,073.22	2,763,583.55	91,235.77	198,583.22	15,108,475.76
4,726,860.99	286,945,971.68	12-Feb-2009	11,662,722.92	2,656,310.21	88,158.93	192,120.03	14,599,312.10
4,545,019.48	275,907,210.56	12-May-2009	11,038,761.12	2,469,530.67	82,000.80	181,841.51	13,772,134.10
4,365,120.66	264,986,381.17	12-Aug-2009	10,920,829.39	2,454,184.02	81,780.11	179,898.82	13,636,692.35
4,260,000.00	254,428,223.40	12-Nov-2009	10,558,157.77	2,356,975.37	78,780.82	105,120.66	13,099,034.61
4,260,000.00	244,219,866.87	12-Feb-2010	10,208,356.53	2,263,028.34	76,576.57	0.00	12,547,961.45
4,260,000.00	234,560,484.68	12-May-2010	9,659,382.19	2,101,564.32	72,413.55	0.00	11,833,360.06
4,260,000.00	225,018,518.95	12-Aug-2010	9,541,965.73	2,086,150.37	73,372.68	0.00	11,701,488.78
4,260,000.00	215,795,162.60	12-Nov-2010	9,223,356.35	2,001,216.66	71,919.10	0.00	11,296,492.12
4,260,000.00	206,888,098.43	14-Feb-2011	8,907,064.17	1,960,877.17	73,139.61	0.00	10,941,080.96
4,260,000.00	198,462,919.08	12-May-2011	8,425,179.35	1,740,080.98	66,188.11	0.00	10,231,448.44
4,260,000.00	190,157,117.31	12-Aug-2011	8,305,801.77	1,764,870.52	67,784.12	0.00	10,138,456.41
4,260,000.00	182,156,496.33	14-Nov-2011	8,000,620.98	1,727,728.49	68,724.68	0.00	9,797,074.15
4,260,000.00	174,459,593.62	13-Feb-2012	7,696,902.71	1,602,206.98	65,651.09	0.00	9,364,760.77
4,260,000.00	167,158,346.06	14-May-2012	7,301,247.56	1,534,575.57	64,196.39	0.00	8,900,019.52
4,260,000.00	160,023,264.94	13-Aug-2012	7,135,081.12	1,470,195.42	62,950.24	0.00	8,668,226.79
4,260,000.00	153,135,463.47	12-Nov-2012	6,887,801.47	1,407,385.09	61,111.87	0.00	8,356,298.43
4,260,000.00	146,484,987.38	12-Feb-2013	6,650,476.09	1,361,570.22	60,502.94	0.00	8,072,549.25
4,260,000.00	140,188,682.37	13-May-2013	6,296,305.00	1,274,209.57	58,436.12	0.00	7,628,950.70
4,260,000.00	133,997,086.07	12-Aug-2013	6,191,596.31	1,232,785.84	57,985.43	0.00	7,482,367.57
4,260,000.00	128,031,837.26	12-Nov-2013	5,965,248.81	1,191,240.92	57,317.49	0.00	7,213,807.21
4,260,000.00	122,284,970.11	12-Feb-2014	5,746,867.15	1,138,180.46	56,447.66	0.00	6,941,495.26
4,260,000.00	116,856,255.03	12-May-2014	5,428,715.08	1,051,718.36	53,639.19	0.00	6,534,072.63
4,260,000.00	111,519,629.00	12-Aug-2014	5,336,626.03	1,038,725.08	54,510.71	0.00	6,429,861.83
4,260,000.00	106,376,917.95	12-Nov-2014	5,142,711.05	991,238.86	53,643.93	0.00	6,187,593.84
4,260,000.00	101,418,297.22	12-Feb-2015	4,958,620.73	945,489.98	52,910.89	0.00	5,957,021.60
4,260,000.00	96,722,602.35	12-May-2015	4,695,694.87	872,068.15	50,390.77	0.00	5,618,153.79
4,260,000.00	92,115,540.06	12-Aug-2015	4,607,062.28	859,568.54	51,256.49	0.00	5,517,887.31
4,260,000.00	87,681,747.08	12-Nov-2015	4,433,792.98	818,581.03	50,482.34	0.00	5,302,856.35
4,260,000.00	83,425,346.63	12-Feb-2016	4,256,400.45	779,155.65	49,791.37	0.00	5,085,347.47
4,260,000.00	79,386,153.94	12-May-2016	4,039,192.69	725,226.71	47,922.44	0.00	4,812,341.83
4,260,000.00	75,467,692.14	12-Aug-2016	3,918,461.80	705,363.51	48,239.57	0.00	4,672,064.88
4,260,000.00	71,729,611.32	14-Nov-2016	3,738,080.82	685,110.44	48,895.64	0.00	4,472,086.90
0.00	0.00	13-Feb-2017	71,729,611.32	630,391.77	46,811.25	4,260,000.00	72,406,814.34



**FONDS ASH FLO S**  
(AMOUNTS IN EUR)

PR 10.00

17-Dec-2002

710,000,000.00 Mortgage Certificate Acquisition Payment  
1,255,195.58 Set-up and Issuance Expenses  
6,035,000.00 Cash Reserve

Date	PAYMENTS								Total
	Current Expenses	Bond Interest	Amort. Bond Princip.	Start-up Loans Interest	Start-up Loans Princ.	Serv. Fee	Financial Interm. Margin		
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	
<b>TOTALS:</b>	<b>1,439,180.73</b>	<b>137,420,131.70</b>	<b>710,000,000.00</b>	<b>2,964,907.72</b>	<b>7,227,435.80</b>	<b>414,560.50</b>	<b>11,650,402.54</b>	<b>871,116,618.99</b>	
12-May-2003	70,129.38	9,122,238.17	35,765,119.25	116,572.66	62,759.78	27,922.53	926,005.66	46,090,747.42	
12-Aug-2003	42,289.12	5,474,317.61	23,297,387.72	72,328.97	62,759.78	16,601.60	482,618.12	29,448,302.92	
12-Nov-2003	57,119.79	5,286,416.42	22,596,804.20	71,700.89	62,759.78	16,026.19	446,167.56	28,536,994.83	
12-Feb-2004	40,463.10	5,104,165.66	21,914,960.04	71,072.82	62,759.78	15,469.62	442,288.95	27,651,179.96	
12-May-2004	37,389.64	4,820,296.50	20,910,079.87	68,913.34	62,759.78	14,609.52	413,356.38	26,327,405.03	
12-Aug-2004	36,922.22	4,758,767.44	20,614,396.95	69,816.68	62,759.78	14,410.61	405,738.03	25,962,811.71	
12-Nov-2004	52,321.19	4,592,505.45	19,985,860.03	69,188.61	62,759.78	13,901.62	371,258.42	25,147,795.08	
14-Feb-2005	36,024.79	4,527,645.72	19,377,762.08	68,738.03	62,759.78	13,700.93	383,106.49	24,469,737.81	
12-May-2005	31,566.16	4,042,686.42	18,344,782.12	65,553.43	62,759.78	12,236.42	332,069.70	22,891,654.03	
12-Aug-2005	32,184.22	4,127,067.94	18,225,092.48	67,304.39	62,759.78	12,476.73	338,107.21	22,864,992.74	
14-Nov-2005	48,786.91	4,066,599.89	17,665,995.03	66,812.85	62,759.78	12,288.23	317,031.29	22,240,273.99	
13-Feb-2006	30,408.18	3,795,881.37	17,118,694.46	65,986.80	62,759.78	11,465.86	304,741.20	21,389,937.65	
12-May-2006	27,782.93	3,538,677.40	16,208,977.56	63,232.29	62,759.78	10,690.84	277,469.06	20,189,589.86	
14-Aug-2006	28,572.93	3,646,378.08	16,084,423.40	64,887.68	62,759.78	11,002.20	289,113.34	20,187,137.40	
13-Nov-2006	44,235.26	3,401,688.14	15,582,044.59	64,123.07	62,759.78	10,258.44	245,405.12	19,410,514.40	
12-Feb-2007	26,421.99	3,277,379.79	15,093,312.88	63,501.82	62,759.78	9,879.06	247,727.86	18,780,983.18	
14-May-2007	24,911.08	3,156,970.37	14,285,148.13	60,911.16	62,759.78	9,517.14	238,396.19	17,838,613.84	
13-Aug-2007	24,056.32	3,043,008.22	14,160,918.76	62,259.33	117,699.69	9,161.20	224,584.09	17,641,687.62	
12-Nov-2007	41,134.91	2,930,037.13	13,708,934.94	61,088.27	295,811.67	8,815.69	193,344.42	17,239,167.03	
12-Feb-2008	23,146.12	2,851,668.21	13,277,869.68	58,141.58	215,680.60	8,575.13	265,698.98	16,700,780.29	
12-May-2008	21,373.43	2,683,002.80	12,665,910.15	54,766.12	208,645.54	8,071.39	251,050.49	15,892,819.91	
12-Aug-2008	21,048.81	2,639,171.35	12,451,757.87	53,895.11	205,117.81	7,934.30	246,977.46	15,625,902.70	
12-Nov-2008	38,669.63	2,537,466.79	12,055,073.22	51,842.38	198,583.22	7,627.12	219,213.39	15,108,475.76	
12-Feb-2009	20,017.91	2,439,002.31	11,662,722.92	49,855.05	192,120.03	7,330.57	228,263.31	14,599,312.10	
12-May-2009	18,294.77	2,267,316.11	11,038,761.12	46,369.38	181,841.51	6,818.02	212,733.19	13,772,134.10	
12-Aug-2009	18,193.03	2,253,579.13	10,920,829.39	46,112.61	179,898.82	6,770.17	211,309.20	13,636,692.35	
12-Nov-2009	36,365.81	2,164,379.02	10,558,157.77	44,312.26	105,120.66	6,501.03	184,198.06	13,099,034.61	
12-Feb-2010	17,278.47	2,078,141.18	10,208,356.53	43,260.26	0.00	6,241.40	194,683.60	12,547,961.45	
12-May-2010	15,794.41	1,929,713.93	9,659,382.19	41,849.60	0.00	5,798.49	180,821.44	11,833,360.06	
12-Aug-2010	15,691.83	1,915,863.72	9,541,965.73	43,260.26	0.00	5,751.25	178,955.99	11,701,488.78	
12-Nov-2010	34,418.87	1,837,926.01	9,223,356.35	43,260.26	0.00	5,516.12	152,014.51	11,296,492.12	
14-Feb-2011	15,173.89	1,800,907.86	8,907,064.17	43,273.91	0.00	5,404.47	169,256.65	10,941,080.96	
12-May-2011	13,337.66	1,597,999.71	8,425,179.35	41,835.94	0.00	4,797.86	148,297.92	10,231,448.44	
12-Aug-2011	13,508.18	1,621,022.85	8,305,801.77	43,260.26	0.00	4,862.21	150,001.14	10,138,456.41	
14-Nov-2011	33,042.67	1,586,946.82	8,000,620.98	43,273.91	0.00	4,759.28	128,430.49	9,797,074.15	
13-Feb-2012	12,674.46	1,471,661.71	7,696,902.71	43,253.43	0.00	4,413.38	135,855.07	9,364,760.77	
14-May-2012	11,941.43	1,409,477.62	7,301,247.56	42,326.65	0.00	4,228.07	130,798.21	8,900,019.52	
13-Aug-2012	11,504.55	1,350,490.06	7,135,081.12	43,253.43	0.00	4,048.45	123,849.17	8,668,226.79	
12-Nov-2012	31,359.16	1,292,844.98	6,887,801.47	43,253.43	0.00	3,874.70	97,164.70	8,356,298.43	
12-Feb-2013	10,997.77	1,250,793.28	6,650,476.09	43,260.26	0.00	3,748.03	113,273.83	8,072,549.25	
13-May-2013	10,867.55	1,170,462.66	6,296,305.00	41,856.42	0.00	3,508.75	105,950.31	7,628,950.70	
12-Aug-2013	10,867.55	1,132,599.28	6,191,596.31	43,253.43	0.00	3,391.77	100,659.24	7,482,367.57	
12-Nov-2013	31,656.12	1,094,473.16	5,965,248.81	43,260.26	0.00	3,276.81	75,892.05	7,213,807.21	
12-Feb-2014	11,101.67	1,045,749.68	5,746,867.15	43,260.26	0.00	3,130.44	91,386.06	6,941,495.26	
12-May-2014	11,101.67	966,240.02	5,428,715.08	41,849.60	0.00	2,893.71	83,272.54	6,534,072.63	
12-Aug-2014	11,101.67	954,468.78	5,336,626.03	43,260.26	0.00	2,855.38	81,549.71	6,429,861.83	
12-Nov-2014	32,409.96	910,879.81	5,142,711.05	43,260.26	0.00	2,724.14	55,608.61	6,187,593.84	
12-Feb-2015	11,341.65	868,874.73	4,958,620.73	43,260.26	0.00	2,597.87	72,326.36	5,957,021.60	
12-May-2015	11,341.65	801,361.10	4,695,694.87	41,849.60	0.00	2,396.77	65,509.80	5,618,153.79	
12-Aug-2015	11,341.65	790,019.36	4,607,062.28	43,260.26	0.00	2,360.18	63,843.58	5,517,887.31	
12-Nov-2015	33,182.65	752,389.39	4,433,792.98	43,260.26	0.00	2,247.00	37,984.06	5,302,856.35	
12-Feb-2016	11,587.63	716,174.67	4,256,400.45	43,260.26	0.00	2,138.42	55,786.03	5,085,347.47	
12-May-2016	11,587.63	666,595.63	4,039,192.69	42,319.82	0.00	1,990.56	50,655.51	4,812,341.83	
12-Aug-2016	11,587.63	648,417.20	3,918,461.80	43,260.26	0.00	1,934.82	48,403.18	4,672,064.88	
14-Nov-2016	33,974.65	629,811.89	3,738,080.82	43,273.91	0.00	1,879.06	25,066.56	4,472,086.90	
13-Feb-2017	17,576.43	579,511.16	71,729,611.32	43,253.43	4,260,000.00	1,728.97	35,133.03	72,406,814.34	

**Key to the number outline.**

- (1) Required Cash Reserve.
- (2) Outstanding Balance of the portfolio of Mortgage Certificates on each quarterly Payment Date, upon the principal being amortised (4).
- (3) Quarterly payment dates.

**a) Collections.**

- (4) Amount of Mortgage Certificate portfolio capital or principal repaid from the immediately preceding quarterly date until the date given.
- (5) Net interest collected by the Fund from the immediately preceding quarterly date until the date given. Such is the interest received on the Mortgage Certificates and the interest resulting from the application of the Swap Agreement.
- (6) Interest on the Fund's Treasury Account, under the Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (7) Cash Reserve reduction.
- (8) Total income on each payment date, being the sum of amounts (4), (5), (6) and (7).

**b) Payments.**

- (9) Quarterly payment dates for the various transactions and services arranged for by the Fund until final maturity.
- (10) Amounts for the Fund's current expenses.
- (11) Amount of interest payable to the Bondholders.
- (12) Amount of Bond principal amortised.
- (13) Interest payment amounts on the Start-Up Loan and the Subordinated Loan.
- (14) Periodic Start-Up Loan principal and Subordinated Loan principal repayment.
- (15) Participated Mortgage Loan servicing fee.
- (16) Variable remuneration as the Financial Intermediation Margin.
- (17) Total payments on each Payment Date, being the sum of amounts (10), (11), (12), (13), (14), (15) and (16).

## **V.2 Accounting policies used by the Fund.**

The income and expenditure will be accounted for 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 expenses of setting up the Fund and issuing the Bonds detailed in section II.14 will be subject to a straight-line depreciation during the months elapsing until December 31, 2007, inclusive.

The Fund's fiscal year shall match a calendar year. However, the first fiscal year will exceptionally begin on the date of constitution 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 interest rate differences on the Mortgage Certificates, 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 will, on behalf of the Fund, proceed upon the execution of the Deed of Constitution to enter into the agreements referred to hereinafter.

The Management Company may, in order for the Fund to operate on the terms provided 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, in exceptional events and where that is legally possible, amend the Deed of Constitution, provided that the Management Company first notifies the CNMV or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution or of the agreements shall be given by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.

### **V.3.1 Guaranteed Interest Rate Account (Treasury Account) Agreement.**

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

- (i) cash amount, net of underwriting and placement and management fees, from payment of the subscription for the Bond Issue;
- (ii) Mortgage Certificate principal and interest;
- (iii) drawdown of Subordinated Loan principal and amounts making up the Cash Reserve from time to time;

- (iv) any other amounts relating to the Participated Mortgage Loans and from the sale or operation of the real estate or assets awarded or under administration or interim possession in foreclosure proceedings, and all and any rights or indemnities including not only those derived from the damage insurance contracts on the mortgaged properties, but also those derived from any right attached to the Participated Mortgage Loans, including the set fees for each loan;
- (v) principal drawn down under the Start-Up Loan;
- (vi) amounts paid to the Fund under the Interest Swap Agreement;
- (vii) the amounts of the returns obtained on the balances existing in the actual Treasury Account; and
- (viii) the amounts of withholdings on account of the return on investments to be effected on each relevant Payment Date on the Bond interest paid by the Fund, until due for payment to the Tax Administration.

BANKINTER guarantees an annual nominal interest rate, variable quarterly and settled quarterly, other than for the first interest accrual period, applicable for each interest accrual period to the positive balances if any on the Treasury Account, equivalent to the Bond Reference Rate determined for each Interest Accrual Period, transformed to an interest rate based on 365-day calendar years (i.e., multiplied by 365 and divided by 360) and rounded to the nearest hundredth of a percentage point. The accrued interest to be settled on February 12, May 12, August 12 and November 12 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. The first interest settlement date shall be May 12, 2003.

In the event that the rating of the non-subordinated and unsecured short-term debt of BANKINTER should, at any time during the life of the Bonds, fall below P-1 or A-1 respectively in Moody's and S&P's rating scales, the Management Company shall within not more than thirty (30) Business Days from the time of that occurrence put in place, after consulting with the Rating Agencies, any of the options described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from this Agreement:

- a) Obtaining from an institution having a credit rating for its non-subordinated and unsecured short-term debt of at least P-1 and A-1 respectively in Moody's and S&P's rating scales, and subject at all times to the Rating Agencies' approval, a first demand 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 the time over which the loss of the P-1 or A-1 ratings is maintained by BANKINTER.
- b) Transferring the Fund's Treasury Account to an institution whose non-subordinated and unsecured short-term debt has a rating of at least P-1 and A-1 respectively in Moody's and S&P's rating scales, and the highest possible yield shall be arranged for its balances, which may differ from that arranged with BANKINTER under this Agreement.
- c) If options a) and b) above are not possible, obtaining from BANKINTER or a third party collateral security in favour of the Fund on financial assets with a credit quality of not less than that of Spanish State Government Debt (*Deuda Pública del Estado Español*), in an amount sufficient to guarantee the commitments established in this Agreement.

- d) In that same event and if the above options should not be feasible on the set terms, the Management Company may invest the balances for not more than quarterly periods, in short-term fixed-income assets in euros issued by institutions having ratings of at least P-1 and A-1 for short-term debt respectively in Moody's and S&P's rating scales, 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 this Agreement.
- e) In both events b) and d), the Management Company shall subsequently transfer the balances back to BANKINTER under the Guaranteed Interest Rate Account (Treasury Account) Agreement, in the event that BANKINTER'S non-subordinated and unsecured short-term debt should again attain the P-1 and A-1 ratings, in the above-mentioned scales.

The Guaranteed Interest Rate Account (Treasury Account) Agreement mitigates the risk relating to the timing difference between the Fund's receipts of principal and interest on the Participated Mortgage Loans, which is mostly monthly, and the amortisation and payment of interest on the Bonds, which is quarterly.

### **V.3.2 Subordinated Loan Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER into a commercial Subordinated Loan Agreement (the "**Subordinated Loan Agreement**") which shall be used for initially provisioning Cash Reserve on the terms described in section III.4.3 of this Circular, in an amount of EUR six million thirty-five thousand (6,035,000).

#### *Repayment.*

Repayment of principal shall be made on each of the Payment Dates in an amount equal to the existing positive difference between the Required Cash Reserve amount on the preceding Payment Date and the Required Cash Reserve amount on the ongoing Payment Date, and in the application priority established for that event in the Priority of Payments.

In the event that the Fund should not have sufficient liquidity, in the Priority of Payments, on a Payment Date to proceed to the repayment falling due on the Subordinated Loan, then the portion of principal not repaid shall be repaid on the following Payment Date along with the amount that should be repaid on that same Payment Date, as the case may be, until it is fully repaid.

#### *Financial yield.*

The Subordinated Loan shall accrue an annual nominal interest, determined quarterly in each Interest Accrual Period, which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) a 1.00% margin, all of which shall be rounded to the nearest hundredth of a percentage point. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments. The interest accrued, which shall be settled 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. The first interest settlement date shall be May 12, 2003.

Interest accrued and not paid on a Payment Date shall be accumulated to the principal of the Loan, earning additional interest at the same interest rate applicable to the Subordinated Loan for the Interest Accrual Period at issue, and shall be paid, provided that the Fund has sufficient liquidity and in the Priority of Payments, in

the same number provided for payment of interest accrued on the Subordinated Loan in the Priority of Payments, on the following Payment Date.

The Subordinated Loan Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period.

### **V.3.3 Start-Up Loan Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER into a commercial loan agreement amounting to EUR one million two hundred and seventy thousand (1,270,000) (the “**Start-Up Loan Agreement**”) which shall be designed to finance the expenses of setting up the Fund and issuing the Bonds and finance partially the subscription for the Mortgage Certificates.

The Start-Up Loan will accrue an annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) a 1.00% margin, all of which shall be rounded to the nearest hundredth of a percentage point. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments. The interest accrued, which shall be settled 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. The first interest settlement date shall be May 12, 2003.

Interest accrued and not paid on a Payment Date will be accumulated and accrue a late-payment interest at the same rate as the loan interest and will be paid, provided that the Fund has sufficient liquidity, and in the Priority of Payments, on the following Payment Date.

Repayment will be effected quarterly of the on each Payment Dates as follows:

- (i) The portion of Start-Up Loan principal actually used to finance the Fund constitution and Bond issue expenses and finance partially the subscription for the Mortgage Certificates shall be repaid in twenty (20) consecutive quarterly instalments in an equal amount, on each Payment Date, the first of which shall be the first Payment Date, May 12, 2003, and the following until the Payment Date falling on February 12, 2008, inclusive.
- (ii) In the event that a portion of the Start-Up Loan principal should not be used because the Start-Up Loan principal is in excess of the Fund constitution and Bond issue expenses, and upon the partial subscription for the required Mortgage Certificates, the portion of the principal not used shall be repaid on the first Payment Date, to wit May 12, 2003.

In the event that the Fund should not have sufficient liquidity, in the Priority of Payments, on a Payment Date to proceed to the partial repayment falling due on the Start-Up Loan, then the portion of principal not repaid shall be repaid on the following Payment Date along with the amount that should be repaid on that same Payment Date, as the case may be, until it is fully repaid.

Payment of amounts not paid on preceding Payment Dates shall take precedence over amounts falling due under the Start-Up Loan on that Payment Date, satisfying in the first place overdue interest and secondly repayment of principal, in the Fund Priority of Payments.

### **V.3.4 Interest Swap Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER, into an interest swap agreement (the ‘**Interest Swap Agreement**’ or the ‘**Swap Agreement**’) based on the standard Spanish Banking Association’s Master Financial Transaction Agreement (CMOF), the most relevant characteristics of which are described below.

Under the Swap Agreement, the Fund will make payments to BANKINTER calculated on the interest rate of the Participated Mortgage Loans, and in consideration BANKINTER will make payments to the Fund calculated on the Reference Rate determined for the Bonds, the foregoing as described hereinafter.

**Party A :**     **The Fund, represented by the Management Company.**

**Party B :**     **BANKINTER.**

#### **1. Settlement dates.**

The settlement dates shall fall on the Bond Payment Dates, i.e. on February 12, May 12, August 12 and November 12 in every year, or the following Business Day if any of these dates is not a Business Day.

#### **2. Settlement periods.**

##### **Party A:**

The settlement periods for Party A shall be the exact number of days elapsed between two consecutive settlement dates, not including the first but including the last date. Exceptionally, the length of the first settlement period for Party A shall be equivalent to the exact number of days elapsed between the date of constitution of the Fund (inclusive) and May 12, 2003 (inclusive).

##### **Party B:**

The settlement periods for Party B shall be the exact number of days elapsed between two consecutive settlement dates, including the first but not including the last date. Exceptionally, the length of the first settlement period for Party B shall be equivalent to that comprised between the Bond Issue Closing Date (inclusive) and May 12, 2003 (exclusive).

#### **3. Amounts payable by Party A.**

On each settlement date Party A shall pay an amount equal to the aggregate sum of:

1. The total interest amount at the reference rate or index of all the ordinary interest due on the Participated Mortgage Loans, whether or not they were paid by the Obligors, during the settlement period.

In this connection (i) the ordinary interest will be reduced in the interest accrued payable by the Fund in connection with the subscription for the Mortgage Certificates, and (ii) as the case may be, the ordinary interest due will also be deemed to comprise the accrued interest received by the Fund both on the sale of Mortgage Certificates and on the early amortisation of Mortgage Certificates by BANKINTER in accordance with the rules laid down for substituting the Mortgage Certificates.

2. The total interest amount on the principal amounts due on the Participated Mortgage Loans, whether or not they were paid by the Obligors, during the Settlement Period, accrued over the days actually

elapsed between the due date, inclusive, and the settlement date, exclusive, calculated at an annual interest rate equivalent to the Bond Reference Rate determined for each Interest Accrual Period, coinciding with each ongoing settlement period and based on a 360-day year.

In this connection, as the case may be, principal amounts due on the Participated Mortgage Loans will also be deemed to be the principal amounts received by the Fund both on the sale of Mortgage Certificates and on the early amortisation of the Mortgage Certificates by BANKINTER in accordance with the rules laid down for substituting the Mortgage Certificates.

#### **4. Amounts payable by Party B.**

On each settlement date Party B shall pay an amount equal to the amount resulting from applying the Reference Rate determined for the Bonds in the Interest Accrual Period coinciding with each ongoing settlement period on the Outstanding Principal Balance of the Bond Issue at the start of the settlement period.

If on a settlement date the Fund should not have sufficient liquidity to make payment of the aggregate amount payable to BANKINTER, the Swap Agreement shall be terminated. In that event, the Fund shall take over the obligation to pay the settlement amount established on the terms of the Swap Agreement, the foregoing in the Priority of Payments. Without prejudice to the foregoing, other than in an extreme event of permanent financial imbalance of the Fund, the Management Company shall endeavour to enter into a new swap agreement.

BANKINTER shall irrevocably agree that, if at any time throughout the life of the Bond Issue, the rating of the non-subordinated and unsecured debt of BANKINTER should fall below A1 for long-term debt in Moody's rating scale or A-1 for short-term debt in S&P's rating scale, it shall take any of the following options within not more than thirty (30) Business Days from the date of notice of the occurrence of any such circumstances: (i) that a third-party institution with a rating for its non-subordinated and unsecured debt equal to or in excess of A1 for its long-term debt and A-1 for its short-term debt, respectively in Moody's and S&P's rating scales, will secure fulfilment of its contractual obligations, (ii) that a third-party institution with the same ratings required for option (i) above will take over its contractual position and substitute it before terminating the Swap Agreement for BANKINTER, or (iii) that a deposit in cash or securities will be made in favour of the Fund securing fulfilment of its contractual obligations in an amount equal to the Swap market value to Moody's and S&P's satisfaction; all of which shall be subject to the terms and conditions which should first be approved by Moody's and S&P for the ratings assigned to each of the Series to be maintained. All and any costs, expenses and taxes incurred in connection with the compliance with the foregoing obligations shall be borne by BANKINTER.

The occurrence, as the case may be, of an early termination of the Swap Agreement will not in itself be an Early Liquidation event of the Fund and thereby an Early Amortisation event of the Bond Issue, in accordance with sections III.8.1 and II.11.3.6 of this Circular, unless in conjunction with other events or circumstances related to the net asset value of the Fund, its financial balance should be materially or permanently altered.

The Swap Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period.



*Description of the Swap.*

The object of the Swap Agreement entered into is neutralising the underlying floating interest risk arising in the Fund between the floating interest of the Participated Mortgage Loans based on various benchmark indices (one-year Mibor/Euribor in the mortgage market) and different review and settlement periods, and the floating interest of the Bond Issue based on 3-month Euribor and with quarterly accrual and settlement periods, though the Agreement does not neutralise the credit risk remaining in the Fund, since the amounts payable by the Fund also include amounts derived from delinquent Participated Mortgage Loans. The credit risk derived from delinquent participated mortgage loans is hedged firstly through the Subordinated Loan and secondly by the subordinated structure of the Series A, B and C Bonds, in regard to both interest payment and principal repayment, in the Fund Priority of Payments.

The Swap works as follows:

1. The Fund pays BANKINTER:

- The interest (excluding the spread element) due to the Fund on the Participated Mortgage Loans, regardless of whether or not the obligor shall have paid that interest, whenever they must be paid to the Fund under the Participated Mortgage Loan Servicing Agreement.
- The accrued interest due both upon the sale of Mortgage Certificates, in the event of an Early Liquidation of the Fund, and upon the early amortisation of Mortgage Certificates by BANKINTER based on the rules established for their replacement.
- The interest accrued by the principals amortised on the Mortgage Certificates (scheduled or early amortisation), regardless of whether or not the obligor shall have repaid the principal, over the period elapsed since they should have been paid into the Fund's Treasury Account and until the Swap settlement date, at the Bond Reference Rate (3-month Euribor), matching the Treasury Account interest.

2. The Fund receives from BANKINTER:

- The Bond Reference Rate (3-month Euribor) on the outstanding face amount of the Bonds during the relevant settlement period.

Relevant aspects:

- (i) The settlements received by BANKINTER arise from a "cash" principle, meaning that the due dates of both instalments and prepayments falling in each Swap settlement period determine the amounts paid by the Fund to BANKINTER in each settlement. Nevertheless, since Participated Mortgage Loan delinquency is not shifted to the Swap, the Fund pays interest on what the Fund receives or should have received (in the event of obligor delinquency) on the Mortgage Certificates, albeit not so on what it is yet to be received, either because the Participated Mortgage Loan instalment is not due or because, even if it is due, and regardless of whether or not it shall have been paid by the obligor, BANKINTER, as the Servicer, has not yet paid it into the Fund's Treasury Account under the Participated Mortgage Loan Servicing Agreement.

In particular, the above means that BANKINTER will not receive from the Fund until the next Swap settlement:

- The portion of interest on the relevant Participated Mortgage Loans at their reference rates due before the Swap settlement date, regardless of whether or not the obligors shall have paid it, but which has not yet been paid, if paid by the obligor, or should have been paid, if there is arrears, into

the Fund's Treasury Account (the Fund receives payment in D+7 days, D being the date of collection from obligors, though for Swap purposes this becomes the due dates of the Participated Mortgage Loans).

- The portion of interest on the relevant Participated Mortgage Loans at their reference rates which are not yet due and which cannot therefore have been collected, and will be paid during the next Swap settlement period. In other words, the Swap settlement date falls between the Loan settlement period dates. This is where there is a greater difference between the “cash” principle applied for Swap settlement and the accruals principle. Nevertheless, the Management Company calculates at the end of each month how the interest payable by the Fund to BANKINTER, which is an expense for the Fund, should be apportioned over time, and notifies the interest amount to BANKINTER in order that BANKINTER may book this as time-apportioned income.
- (ii) The settlements paid by BANKINTER share both the accruals and the cash principle, because the Swap settlements take place on the very Bond settlement dates. Therefore, the difference between what BANKINTER pays and what the Fund receives shall be substantial on the first settlement against BANKINTER. On the following Swap settlement dates, the difference will gradually be balanced, and on the last settlement date, if there is an early liquidation upon the 10% option being exercised, the difference will be for BANKINTER due to the accrued interest due on the sale of Mortgage Certificates.

Moreover, the Management Company calculates at the end of each month how the interest receivable by the Fund from BANKINTER, which is income for the Fund, should be apportioned over time, and notifies the interest amount to BANKINTER in order that BANKINTER may book this as time-apportioned expenses.

The Fund therefore retains only the interest comprising the Mortgage Certificate spread and uses this to meet the Fund's expenses (interest comprising the Bond Series spreads, interest on the Start-Up Loan and the Subordinated Loan, amortisation of initial Fund constitution and Bond Issue expenses, periodic Management Company, Bond paying agent and Participated Mortgage Loan servicing fees, Bond rating monitoring expenses and annual audit of the Fund's accounts, and, as the case may be, any extraordinary expenditure). Insofar as it is not used due to delinquency on the Mortgage Certificates, the surplus, if any, remaining in the Fund, is returned to BANKINTER through the remuneration payable every year by the Fund to BANKINTER in quarterly interim payments under the Financial Intermediation Agreement.

### V.3.5 Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement.

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 (the “**Servicer**” in this Agreement), shall as attorney for the Management Company on behalf of the Fund, (i) safe-keep and custody the Mortgage Certificates, (ii) custody and service the Participated Mortgage Loans; and (iii) manage collection of and receive, on behalf of the Fund, such amounts as may be paid by the Obligors under the Participated Mortgage Loans subject of the Mortgage Certificates.

The terms of the Servicing Agreement are described in sections IV.1.g) and IV.2 of this Circular.

The Servicing Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period.

### **V.3.6 Bond Issue Management, Underwriting and Placement Agreement.**

The Management Company shall, for and on behalf of the Fund, enter into a Bond Issue Management, Underwriting and Placement Agreement with BANKINTER, S.A. as Lead Manager and Underwriter and Placement Agent, whereby the Underwriter and Placement Agent shall proceed to place the entire Bond Issue and, upon the Subscription Period being closed, shall proceed to subscribe in its own name for the amount of Bonds yet to be subscribed for under its underwriting commitment specified in section II.19.3 of this Circular.

The Bond Issue Underwriter and Placement Agent shall take on the obligations contained in the Management, Underwriting and Placement Agreement, which are basically the following: 1) an undertaking to subscribe on its own account for the Bonds not taken during the Subscription Period; 2) payment to the Fund by 3pm on the Closing Date, for same day value, of the face amount of the Bonds placed and, as the case may be, those subscribed for on its own account, deducting the sum of the underwriting and placement fee accrued by it; 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 certifying subscription; 5) providing the Management Company with information on dissemination control achieved in placing the Bond Issue, within seven days of the Closing Date; and 6) all other aspects governing the underwriting and placement.

The Underwriter and Placement Agent's underwriting commitment shall be for the entire Bond Issue. The underwriting and placement fees for each of the Series are specified in section II.19.1 of this Circular.

BANKINTER shall be involved as Lead Manager in the Bond Issue. It shall not be remunerated for leading the Bond Issue.

The Management, Underwriting and Placement Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period.

### **V.3.7 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 Bonds Issue made by the Fund.

The obligations contained in the Paying Agent Agreement are summarily the following:

- (i) On each of the Bond Payment Dates, paying interest and repaying principal on the Bonds, deducting the total amount of the withholding tax for return on investments that should be made in accordance with applicable tax laws.
- (ii) On each of the Interest Rate Fixing Dates, notifying the Management Company of the Reference Rate determined to be used as the basis for calculating the nominal interest rate applicable to each of the Bond Series.

In consideration of the services to be provided by the Paying Agent, the Fund shall pay to it a fee of EUR 1,502.53, inclusive of taxes, if any, on each Bond Payment Date during the term of the agreement, payable on

the Payment Date by Interest Accrual Periods in arrears, provided that the Fund has sufficient liquidity in the Priority of Payments.

In the event that the Fund should not have sufficient liquidity to pay said full fee, then the amounts accrued and not paid shall be accumulated without any penalty whatsoever to the fee falling due on the next Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until the Payment Date on which that situation is no longer current.

The Paying Agent Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period

### **V. 3.8 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 the financial intermediation process carried out and which has permitted the financial transformation defining the Fund's activity, the subscription by the Fund for the Mortgage Certificates and the satisfactory rating assigned to each of the Bond Series.

BANKINTER shall be entitled to receive from the Fund a variable subordinated remuneration which shall be determined annually as an amount equal to the positive difference, if any, between the income and expenditure accrued by the Fund with reference to its accounts and before the close of each fiscal year, reduced, as the case may be, by the amount of losses brought forward from preceding years, which may be set off to adjust the year's book profit or loss for the purposes of settling the annual Corporation Tax. Part payments in this connection, which may be made on each Payment Date, calculated on the last day of the month preceding the Payment Date and in the Fund Priority of Payments, shall be considered to be payments on account of the annual remuneration.

Furthermore, when the amount of the annual remuneration at the close of a fiscal year of the Fund is less than the aggregate amount of the quarterly interim payments made during that fiscal year on each of the Payment Dates, BANKINTER shall be bound, upon the Management Company so requesting, to reimburse to the Fund the difference between the quarterly interim payments received and the annual remuneration due to it. The reimbursement to the Fund may under no circumstances exceed the amount of the interim payment theretofore made in the relevant fiscal year.

If the Fund should not have sufficient liquidity on a Payment Date in the Fund Priority of Payments to pay the full remuneration, the amount not paid shall accumulate without any penalty whatsoever on the remuneration payable on the following Payment Date until it is paid in full.

The Financial Intermediation Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period.

## **V.4 Priority rules established in Fund payments.**

### **V.4.1 Source and application of funds on the Bond Closing Date.**

The source and application of the amounts available for the Fund on the Bond Issue Closing Date shall be as follows:

1. **Source:** the Fund shall have funds under the following items:

- a) Payment of subscription for the Bonds.
- b) Drawdown of Start-Up Loan principal.
- c) Drawdown of Subordinated Loan principal.

2. **Application:** in turn, the Fund will apply the funds described above to the following payments:

Payment of the price for subscribing for the Mortgage Certificates.

Payment of the Fund constitution and Bond Issue expenses.

Initial provisioning to set up the Cash Reserve.

**V.4.2 Source and application of funds from the first Payment Date until the last Payment Date or liquidation of the Fund, inclusive.**

1. **Source:**

The available funds on each Payment Date (the “**Available Funds**”) to meet the Fund’s payment or withholding obligations listed in section 2 below shall be the following amounts credited to the Treasury Account:

- a) Mortgage Certificate principal repayment income received between the preceding Payment Date, exclusive, and the ongoing Payment Date, inclusive.
- b) Ordinary and late-payment interest income received on the Mortgage Certificates between the preceding Payment Date, exclusive, and the ongoing Payment Date, inclusive.
- c) The return received on the amounts credited to the Treasury Account.
- d) The amount for provisioning the Cash Reserve before the ongoing Payment Date.
- e) The amounts received under the Interest Swap Agreement.
- f) Any other amounts received by the Fund between the preceding Payment Date, exclusive, and the ongoing Payment Date, inclusive, including those resulting from the sale of properties or rights awarded to the Fund, or their operation.

2. **Application:**

The Available Funds shall be applied on each Payment Date to meeting payment or withholding obligations falling due on each Payment Date in the following priority of payments (the “**Priority of Payments**”), irrespective of the time of accrual, other than item number 1, which may be made at any time as and when due:

- 1. Payment of the Fund’s properly supported taxes and 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 the Servicer, provided they are all properly supported, shall be made to the Servicer under the Servicing Agreement in this priority.

2. Payment of the Swap Agreement amount and, in the event of termination of that Agreement following a breach by the Fund, payment of the amount payable by the Fund comprising the settlement payment.
3. Payment of interest due on the Series A Bonds.
4. Amortising Series A Bond principal.

This application will only occur in the event that the Mortgage Certificate principal repayment income amount received, included in the Available Funds on the ongoing Payment Date, which should be used for satisfying Series B and Series C Bond interest payment respectively in items 5 and 6 below, is greater than the amount of the sum of (i) the Principal Balance Outstanding of Series B and Series C, and (ii) the Cash Reserve amount.

The Series A Bond principal amount to be amortised shall be calculated in the manner established in item 8 below for calculating the Available Funds for Amortisation of the Series A, B and C Bond principal.

5. Payment of interest due on the Series B Bonds.
6. Payment of interest due on the Series C Bonds.
7. Withholding of an amount sufficient for the Required Cash Reserve to be maintained.

This application shall not occur on the last Payment Date or date of liquidation of the Fund.

8. Amortising Series A, B and C Bond principal in an amount equivalent to the positive difference, if any, between (i) the Outstanding Principal Balance of the Bond Issue on the day preceding the ongoing Payment Date and (ii) the Outstanding Balance of the Mortgage Certificates on the ongoing Payment Date in good standing in payments of amounts due or, if delinquent, with an arrears of less than eighteen (18) months.

Depending on the liquidity existing on that Payment Date, the amount actually applied in this priority to amortising the Series A, B and C Bond principal shall make up the Available Funds for Amortisation which shall be applied to each of the Series in accordance with the distribution rules established hereinafter in this same section.

9. Payment of the amount payable by the Fund making up the settlement payment under the Swap Agreement in the event of that Agreement being terminated for a breach by BANKINTER.
10. Payment of interest due on the Start-Up Loan.
11. Repayment of Start-Up Loan principal.
12. Payment of interest due on the Subordinated Loan.

13. Repayment of Subordinated Loan principal in the amount of the reduction, if any, of the Required Cash Reserve.

14. Payment to the Servicer under the Servicing Agreement of the fee for servicing the Participated Mortgage Loans.

In the event that BANKINTER should be replaced by any other institution as Servicer of the Participated Mortgage Loans, payment of the servicing fee accrued by the other institution, to wit the new servicer, may, as agreed, be included in any of the preceding items and indeed take the place of paragraph 1 above along with the other payments included in that priority.

15. Payment of the variable remuneration established under the Financial Intermediation Agreement.

When accounts for different items exist in a same priority of payments and the remaining Available Funds are not sufficient to settle the amounts due under all of them, the remaining Available Funds shall be prorated among the amounts payable under each such item, and the amount applied to each item shall be applied in the priority in which the accounts payable fall due.

**Distribution of the Available Funds for Amortisation among each Series.**

On each Payment Date, the Available Funds for Bond Amortisation shall be distributed among the three Series to be amortised in accordance with the following rules:

1. Until the first Payment Date (inclusive) on which the Outstanding Principal Balance of the Series B Bonds and the Outstanding Principal Balance of the Series C Bonds is respectively equal to or greater than 4.20% and 3.10% of the Outstanding Principal Balance of the Bond Issue, the Available Funds for Amortisation shall be fully used for amortising the Series A Bonds.
2. From the Payment Date after the date on which the above ratios are respectively equal to or greater than said 4.20% and 3.10%, the Available Funds for Amortisation shall be applied to amortising Series A, B and C, proportionally among the same, thereby for the above ratios of the Outstanding Principal Balances of Series B and the Outstanding Principal Balances of Series C to the Outstanding Principal Balance of the Bond Issue and to be respectively kept at 4.20% and 3.10%, or a higher percentages closest thereto.

The Available Funds for Amortisation will however not be applied on the Payment Date to amortising Series B or Series C if any of the following circumstances should occur:

- a) That on the Determination Date for the ongoing Payment Date, the sum of the Outstanding Balance of the Mortgage Certificates with an arrears in excess of ninety (90) days in payment of amounts due in relation to the Outstanding Balance of the Mortgage Certificates on that same date is in excess of 2.50% in order not to proceed to amortise Series B or is in excess of 2.00% in order not to proceed to amortise Series C.
- b) That the amount with which the Cash Reserve is provisioned is less than the Required Cash Reserve.
- c) That there is an Amortisation Deficiency.

3. On the Payment Dates after the first Payment Date on which the amount of the Outstanding Balance of the Mortgage Certificates yet to be amortised is less than 10 percent of the initial Outstanding Balance, the Available Funds for Amortisation shall be exclusively applied to amortising Series A until it is fully amortised. Once the Series A Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series B until it is fully amortised, and once the Series B Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series C until it is fully amortised.



## CHAPTER VI

### GENERAL INFORMATION ON THE MORTGAGE SECURITISATION FUND MANAGEMENT COMPANY

In accordance with Act 19/1992, Mortgage Securitisation Funds have no own legal personality, and Mortgage Securitisation Fund Management Companies are entrusted under Royal Decree 926/1998 with constituting, managing and legally representing those Funds, and representing and defending the interests of the holders of the securities issued by the Funds they manage and of all other ordinary creditors thereof.

Accordingly, this Chapter itemises the information relating to EUROPEA DE TITULIZACIÓN S.A., S.G.F.T., as the Management Company constituting, managing and representing BANKINTER 5 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, Lagasca, 120
- **VAT REG. No.:** A-80514466
- **Business Activity Code No.:** 6713

##### **VI.1.2 Incorporation and registration in the Companies Register, and information relating to administrative authorisations by and registration at the Comisión Nacional del Mercado de Valores.**

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before a 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, entered in the Companies Register of Madrid, volume 5,461, book O, folio 49, section 8, sheet M-89355, entry 1, dated March 11, 1993; and re-registered as a Securitisation Fund Management Company in accordance with the provisions of chapter II and in the single transitional provision of Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, pursuant to an authorisation granted by a Ministerial Order dated October 4, 1999 and in a deed executed on October 25, 1999 before a Notary Public of Madrid, Mr Luis Felipe Rivas Recio, his document number 3,289, which was entered under number 33 of the sheet opened for the Company in said Companies Register. 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.**

In accordance with statutory requirements, article two of its Articles of Association establishes that: “The Company’s exclusive objects shall be to constitute, manage and legally represent both asset securitisation funds and mortgage securitisation funds. Furthermore, and in accordance with the applicable statutory regulations, the Company shall, as the manager of third party business, be responsible for representing and defending the interests of the holders of securities issued on the Funds it manages and of all their other ordinary creditors.”

### **VI.1.4 Place where the documents referred to in the Circular or the existence of which may be inferred from its contents may be found.**

The Articles of Association, accounting, economic and financial statements of the Management Company and any other document referred to in this 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 Lagasca number 120, Madrid.

This Offering Circular was verified and entered in the official registers of the CNMV on December 16, 2002. It is publicly available, free of charge, at the Management Company’s and at the Underwriter and Placement Agent’s registered office. 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.

Upon the Deed of Constitution being 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, SCLV, 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 the 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 one million eight hundred and three thousand and thirty-seven euros and fifty cents (EUR 1,803,037.50) represented by 2,500 registered shares, all in the same class, correlatively numbered from 1 to 2,500, both inclusive, wholly subscribed for and paid up, and divided into two series:

- Series A comprising 1,250 shares, numbers 1 to 1,250, both inclusive, having a unit face value of EUR 276.17.
- Series B comprising 1,250 shares, numbers 1,251 to 2,500, both inclusive, having a unit face value of EUR 1,166.26.

### **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.**

During the last three years there has been no change in the share capital of the Management Company, other than the rounding up of the face value of the shares in Series A and the rounding down of the face value of the shares in Series B, to the nearest euro cent upon the redenomination of the share capital in euros pursuant to a resolution of the Board of Directors at a meeting held on March 27, 2001 in accordance with the provisions of article 21 of Act 46/1998, December 17, on the changeover to the euro.

### **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 in which the company has membership.**

For the purposes of Commercial Code article 42, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN is a member of Banco Bilbao Vizcaya Argentaria Group.

#### **VI.3.3 Significant shareholders.**

The ownership of shares in the Management Company is distributed among the companies listed below, specifying the percentage holding of each one:

<b>Name of shareholder company</b>	<b>Holding * (%)</b>
Banco Bilbao Vizcaya Argentaria , S.A.	82.9703
J.P. Morgan España, S.A.	4.0000
Caja de Ahorros del Mediterráneo	1.5420
Bankinter, S.A	1.5317
Barclays Bank, S.A.	1.5317
Citibank España, S.A.	1.5317
Deutsche Bank Credit, S.A.	0.7658
Deutsche Bank, S.A.E	0.7658
Banco Atlántico, S.A	0.7658
Banco Cooperativo Español, S.A.	0.7658
Banco Pastor, S.A.	0.7658
Banco de la Pequeña y Mediana Empresa, S.A.	0.7658
Banco Urquijo, S.A.	0.7658
BNP España, S.A.	0.7658
Caja de Ahorros y Monte de Piedad de Madrid	0.3829
Caja de Ahorros de Salamanca y Soria - Caja Duero	0.3829
	<hr/>
	100.0000

\* Rounded to 4 decimal places.

### **VI.4 Corporate bodies.**

The government and management of the Management Company are entrusted in the Articles of Association to the General Shareholders' Meeting and the Board of Directors. Its duties and authorities are as prescribed for those bodies in the Public Limited Companies Act and in Act 19/1992, 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:

**Chairwoman:** Ms Rosario Martín Gutiérrez de Cabiedes

**Directors:** Mr José Manuel Aguirre Larizgoitia  
Mr Juan Babio Fernández,  
on behalf of Banco Pastor, S.A.  
Mr José M<sup>a</sup>. Castellón Leal  
on behalf of Barclays Bank, S.A.  
Mr Vicente Esparza Olcina  
Ms Ana Fernández Manrique  
Mr Francisco Javier Lodín González  
Mr Mario Masiá Vicente  
Mr Juan Ortueta Monfort  
Ms Carmen Pérez de Muniaín  
Mr David Pérez Renovales  
on behalf of Bankinter, S. A.  
Mr Jesús del Pino Durán  
Mr Jorge Sáenz de Miera,  
on behalf of Deutsche Bank Credit, S.A.  
Mr Rafael Salinas Martínez de Lecea  
Mr José Miguel Raboso Díaz  
on behalf of Citibank España, S.A.  
Mr José Manuel Tamayo Pérez  
Mr Pedro M<sup>a</sup>. Urresti Laca,  
on behalf of J.P. Morgan España, S.A.

**Non-Director Secretary:** Ms Belén Rico Arévalo

#### **VI.4.2 General Manager.**

The General Manager of the Management Company is Mr Mario Masiá Vicente.

#### **VI.5 Aggregate interests in the Management Company by the persons referred to in section 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 carry out the Fund management and administration functions for which provision is made in this Offering Circular.**

There are none.



**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 in the Mortgage Market in general and of the mortgage loan market in particular in relation to the 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 loans, reducing both tax and fee costs, and reducing floating interest 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 made 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 cut in interest rates in recent 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 prepayment rates of mortgage loans 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 VII.1 (prepayment rate, default rate, et cetera).**

The Participated Mortgage Loans backing the Mortgage Certificates subscribed for by the Fund all have a floating interest rate and are adjusted from time to time to market interest rate variations. Because of this, a high prepayment rate of the Participated Mortgage Loans is not to be expected. The provisions established for the renegotiation for determining the interest rate of loans that might be in upper ranges in relation to the market level from time to time should also be borne in mind.

As for the Obligors' creditworthiness, as set forth in section IV.4.h), some of the provisional portfolio mortgage loans which shall serve to back the issue of the Mortgage Certificates were liable at November 12, 2002 for arrears in payment of amounts due, which situation was checked, as explained in the audit report attached as Appendix V to this Circular. The Participated Mortgage Loans that will finally back the issue of Mortgage Certificates for the Fund to be set up shall have no overdue amounts on the date of issue, pursuant to the representation by BANKINTER contained in section IV.1.a) (21).

Signature: MARIO MASIÁ VICENTE  
General Manager  
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.





**APPENDIX I**

**DEFINITIONS**



APPENDIX I
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**Definitions**

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“**Act 19/1992**” shall mean Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7.

“**Act 2/1994**” shall mean Mortgage Loan Subrogation and Amendment Act 2/1994, March 30.

“**AIAF**” shall mean AIAF Fixed-Income Market (*AIAF Mercado de Renta Fija*).

“**Amortisation Deficiency**” shall mean on a Payment Date the positive difference, if any, between the positive difference, if any, between the Outstanding Principal Balance of the Bond Issue on the day preceding the ongoing Payment Date and the Outstanding Balance of the Mortgage Certificates on the ongoing Payment Date, in good standing in payments of amounts due or, if delinquent, with an arrears of less than eighteen (18) months, and the Available Funds for Amortisation.

“**Available Funds for Amortisation**” shall mean the amount to be allocated to the amortisation of Bonds on each Payment Date.

“**Available Funds**” shall mean on each Payment Date the sum of (i) the balance on the Treasury Account and (ii) the amount, if any and where appropriate, deriving from the liquidation of the Fund’s assets.

“**Bankinter**” shall mean Bankinter S.A.

“**Bond Issue Management, Underwriting and Placement Agreement**” shall mean the Bond Issue management, underwriting and placement agreement entered into between the Management Company, for and on behalf of the Fund, and Bankinter, S.A.

“**Bond Issue**” shall mean the issue of mortgage-backed bonds issued by the Fund having a face value of EUR seven hundred and ten million (710,000,000) consisting of 7,100 Bonds pooled in three Series (Series A, Series B and Series C).

“**Bond Paying Agent Agreement**” shall mean the Bond paying agent agreement entered into between the Management Company, for and on behalf of the Fund, and Bankinter, S.A., as Paying Agent.

“**Bonds**” shall mean the Series A Bonds, the Series B Bonds and the Series C Bonds issued by the Fund.

“**Business Day**” shall mean any day other than a Saturday, Sunday, public holiday in Madrid or non-business day in the TARGET calendar (Trans European Automated Real-Time Gross Settlement Express Transfer System).

**“Cash Reserve”** shall mean the cash reserve provisioned on the terms provided in the Subordinated Loan Agreement and subsequently provisioned up to the Required Cash Reserve.

**“CET”** shall mean “Central European Time”.

**“Closing Date”** shall mean the date on which the cash amount of the subscription for the Bonds shall be paid up and the nominal price of the Mortgage Certificates is paid, i.e. December 17, 2002.

**“CNMV”** shall mean the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

**“CPR”** shall mean the effective constant annual early amortisation or prepayment rate at which average lives and durations of the Bonds are estimated in this Circular.

**“Deed of Constitution”** shall mean the public Deed recording the constitution of the Fund, issue of and subscription for the Mortgage Certificates and issue of the Mortgage-Backed Bonds.

**“Determination Dates”** shall mean the dates falling on the third Business Day preceding each Payment Date.

**“Early Amortisation”** shall mean the amortisation of the Bonds on a date preceding the Final Maturity Date in the Early Liquidation Events of the Fund, in accordance with and subject to the requirements established in section III.8.1 of this Offering Circular.

**“Early Liquidation Events”** shall mean the events contained in section III.8.1 where the Management Company, following notice duly served on the CNMV, is entitled to proceed to an early liquidation of the Fund on a Payment Date.

**“Early Liquidation of the Fund”** shall mean the liquidation of the Fund and thereby an early amortisation of the Bond Issue on a date preceding the Final Maturity Date, in the events and subject to the procedure established in section III.8.1.

**“Euribor”** shall mean the Euro Interbank Offered Rate which is the term interbank deposit offered rate in euros calculated as the daily average of the quotations supplied for thirteen maturity periods 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.

**“Final Maturity Date”** shall mean the final Bond amortisation date, i.e. November 12, 2039.

**“Financial Intermediation Agreement”** shall mean the financial intermediation agreement entered into between the Management Company, for and on behalf of the Fund, and Bankinter, S.A.

**“Financial Intermediation Margin”** shall mean the variable subordinated remuneration for Bankinter to be accrued every year in an amount equal to the positive difference, if any, between the income and expenditure accrued by the Fund in accordance with its official accounts and before the fiscal year is closed, reduced by the amount, if any, of the tax losses brought forward which may be set off to correct the year’s book profit or loss for the purposes of settling Corporation Tax yearly.

**“Fund”** shall mean BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA.

**“Guaranteed Interest Rate Account (Treasury Account) Agreement”** shall mean the guaranteed interest rate account (Treasury Account) agreement entered into between the Management Company, for and on behalf of the Fund, and Bankinter, S.A.

**“Interest Accrual Period”** shall mean the exact number of days elapsed between two consecutive Payment Dates, including the beginning Payment Date, but not including the ending Payment Date. The first Interest Accrual Period shall begin on the Closing Date, inclusive, and end on the first Payment Date, exclusive.

**“Interest Rate Fixing Date”** shall mean the second Business Day preceding each Payment Date.

**“Interest Swap Agreement”** shall mean the agreement entered into between the Management Company, for and on behalf of the Fund, and Bankinter, S.A., whereby the Fund shall make payments to Bankinter based on the Participated Mortgage Loan benchmark index rates, and in consideration Bankinter will make payments to the Fund calculated on the Reference Rate of the Bond Issue.

**“IRR”** shall mean the internal rate of return.

**“Lead Manager”** shall mean Bankinter, S.A.

**“Management Company”** shall mean Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización.

**“Moody’s”** shall mean Moody’s Investors Service España, S.A. or Moody’s Investors Service Limited.

**“Mortgage Certificates”** shall mean the mortgage certificates issued by Bankinter, S.A., as established in Mortgage Market Regulation Act 2/1981, March 25, Royal Decree 685/1982, March 17, implementing certain aspects of Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree’s articles, which are pooled in the Fund upon subscription.

**“Obligors”** shall mean the Participated Mortgage Loan borrowers.

**“Outstanding Balance of the Mortgage Certificates”** shall mean the sum of the capital pending maturity and the capital due and not paid into the Fund for each and every one of the Mortgage Certificates.

**“Outstanding Principal Balance of each Bond”** shall mean the outstanding principal balance yet to be amortised on each Bond in each Series, which balance shall include principal amounts which should have been amortised and were not paid due to a shortage of Available Funds for Amortisation of the Bonds, in the Priority of Payments.

**“Outstanding Principal Balance of the Bond Issue”** shall mean the sum of the Outstanding Principal Balances of Series A, B and C.

**“Outstanding Principal Balance of the Series”** shall mean the sum of the outstanding principal balances to be amortised on the Bonds making up the Series, such balances including the principal amounts that should, as the case may be, have been amortised and were not so settled due to a shortage of Available Funds for Amortisation in the Priority of Payments.

**“Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement”** shall mean the Participated Mortgage Loan servicing and Mortgage Certificate custody agreement entered into between the Management Company, for and on behalf of the Fund, and Bankinter, S.A., as Servicer.

**“Participated Mortgage Loans”** shall mean the participated mortgage loans backing the Mortgage Certificates.

**“Paying Agent”** shall mean the firm servicing the Bonds. The Paying Agent shall be Bankinter, S.A.

**“Payment Date”** shall mean February 12, May 12, August 12 and November 12 of each year or the next Business Day, as the case may be. The first Payment Date shall be May 12, 2003.

**“Priority of Payments”** shall mean the priority for applying Available Funds or distributing the Available Funds for Amortisation to fulfilling the Fund’s payment or withholding obligations.

**“Rating Agencies”** shall mean Moody’s Investors Service España, S.A. (“Moody’s”) and Standard & Poor’s España, S.A. (“S&P”).

**“Reference Rate”** shall mean the three- (3-) month Euribor reference rate fixed at 11am (CET time), or the substitute Reference Rate, other than for the first Interest Accrual Period, in which it shall be the result of a straight-line interpolation between the three- (3-) month and the six- (6-) month Euribor rate, bearing in mind the number of days in the first Interest Accrual Period.

**“Required Cash Reserve”** shall mean, if the Cash Reserve is set up, the lower of the following amounts on each Payment Date: (i) EUR six million thirty-five thousand (6,035,000) and (ii) the higher of a) 1.70% of the Outstanding Balance of the Bond Issue and b) 0,60% of the face amount of the Bond Issue.

**“Royal Decree 116/1992”** shall mean Book Entries and Stock Exchange Transaction Clearing and Settlement Royal Decree 116/1992, February 14.

**“Royal Decree 685/1982”** shall mean Royal Decree 685/1982, March 17, implementing certain aspects of Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree’s articles.

**“S&P”** shall mean Standard & Poor’s España, S.A. or Standard & Poor's Ratings Services.

**“SCLV”** shall mean Servicio de Compensación y Liquidación de Valores, S.A.

**“Securities Market Act”** shall mean Securities Market Act 24/1988, July 28, amended by Act 37/1998, November 16.

**“Series A Bonds”** shall mean the Series A Bonds issued by the Fund having a total face amount of EUR six hundred and eight-four million one hundred thousand (684,100,000) comprising six thousand eight hundred and forty-one (6,841) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series A”** shall mean the Series A Bonds issued by the Fund.

**“Series B Bonds”** shall mean the Series B Bonds issued by the Fund having a total face amount of EUR fourteen million nine hundred thousand (14,900,000) comprising one hundred and forty-nine (149) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series B”** shall mean the Series B Bonds issued by the Fund.

**“Series C”** shall mean the Series C Bonds issued by the Fund.

**“Series C Bonds”** shall mean the Series C Bonds issued by the Fund having a total face amount of EUR eleven million (11,000,000) comprising one hundred and ten (110) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Servicer”** shall mean the issuer of the Mortgage Certificates under the Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement, Bankinter, S.A.

**“Servicing Agreement”** shall mean the Participated Mortgage Loan servicing and Mortgage Certificate Custody Agreement.

**“Start-Up Loan Agreement”** shall mean the Start-Up Loan agreement entered into between the Management Company, for and on behalf of the Fund, and Bankinter, S.A.

**“Start-Up Loan”** shall mean the loan granted by Bankinter to the Fund, in accordance with the provisions of the Start-Up Loan Agreement.

**“Subordinated Loan Agreement”** shall mean the commercial Subordinated Loan agreement entered into between the Management Company, for and on behalf of the Fund, and Bankinter, S.A.

**“Subordinated Loan”** shall mean the subordinated loan granted by Bankinter to the Fund, in accordance with the provisions of the Subordinated Loan Agreement.

**“Subscription Period”** shall mean the period comprised between 11:30am (CET time) on December 17, 2002 and 12 o'clock noon (CET time) on the same day.

**“Swap Agreement”** shall mean the Interest Swap agreement.

**“Treasury Account”** shall mean the financial account in euros at Bankinter on the Fund's behalf, in accordance with the provisions of the Guaranteed Interest Rate Account (Treasury Account) Agreement, through which the Fund will make and receive payments.

**“Underwriter and Placement Agent”** shall mean Bankinter, S.A.



**APPENDIX II**

**TRANSCRIPT OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF  
BANKINTER, S.A.**



**APPENDIX III**

**TRANSCRIPT OF THE RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF  
DIRECTORS OF  
EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN**



**APPENDIX IV**

**LETTER NOTIFYING THE RATING GIVEN TO THE BOND ISSUE BY MOODY'S INVESTORS  
SERVICE ESPAÑA, S.A. AND STANDARD & POOR'S ESPAÑA, S.A.**



**APPENDIX V**

**AUDIT REPORT ON CERTAIN CHARACTERISTICS OF THE PROVISIONAL MORTGAGE LOAN  
PORTFOLIO**





**APPENDIX VI**

**LETTER FROM THE LEAD MANAGER OF THE BOND ISSUE**

## BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA

### SUPPLEMENT TO THE OFFERING CIRCULAR

This document is a supplement (the "Supplement") to the Offering Circular regarding the constitution of the securitisation fund BANKINTER 5 FONDO DE TITULIZACIÓN HIPOTECARIA, and the issue of Bonds by the fund (the "Offering Circular") which was verified and entered in the Official Registers of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) on December 16, 2002. The Fund was constituted by Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización (the "Management Company") in a public deed executed before Madrid Notary Public Mr Roberto Parejo Gamir on December 16, 2002, document number 4009 (the "Deed of Constitution"). The object of this Supplement is to report on events known after the execution of the aforesaid Deed of Constitution.

#### I.- BACKGROUND

In accordance with the provisions of the Offering Circular and the Deed of Constitution, upon the Fund being constituted, Bankinter S.A. (the "Originator") issued eight thousand eight hundred and two (8,802) Mortgage Certificates having a total face value of seven hundred and ten million four thousand six hundred and thirty-two euros and seventy-three eurocents (EUR 710,004,632.73) subscribed for by the Fund, represented by the Management Company, under the Deed of Constitution, on the date of execution of the Deed (December 16, 2002). The Mortgage Certificates remaining in the Fund as of January 6, 2005 amount to seven thousand six hundred and seventy-two (7,672), and have an outstanding principal balance of five hundred and fifty-one million three hundred and fifty-two thousand five hundred and seventy-one euros and seventy-one eurocents (EUR 551,352,571.71).

The Fund issued seven thousand one hundred (7,100) Bonds having a total face value of EUR seven hundred and ten million (710,000,000) (the "Bond Issue"), pooled in three Bond Series distributed as follows:

	Number of Bonds	Face amount per Bond (EUR)	Series total face amount (EUR)
Series A	6,841	100,000.00	684,100,000.00
Series B	149	100,000.00	14,900,000.00
Series C	110	100,000.00	11,000,000.00
	7,100		710,000,000.00

The Bonds were issued and wholly subscribed for on December 17, 2002 (Closing Date).

The Outstanding Principal Balance of the Bonds and of each Series is as follows at present:

	Number of Bonds	Face amount per Bond (EUR)	Series total face amount (EUR)
Series A	6,841	79,315.32	542,596,104.12
Series B	149	100,000.00	14,900,000.00
Series C	110	100,000.00	11,000,000.00
	7,100		568,496,104.12

The ratings assigned by Rating Agencies Moody's Investors Service España S.A. ("**Moody's**") and Standard & Poor's España S.A. ("**S&P**") to each Bond Series upon the Fund being constituted, and which remain in force at present, are as follows:

	Moody's Rating	S&P Rating
Series A	Aaa	AAA
Series B	A2	A-
Series C	Baa3	BBB-

## II.- DESCRIPTION OF THE EVENTS KNOWN AFTER THE EXECUTION OF THE DEED OF CONSTITUTION

In October 2004, the Originator notified the Management Company of the following:

- ? During the course of 2001 and 2002, the Originator, considering the growth the Spanish real estate market had experienced in recent years, requested that the value of homes mortgaged as security for part of the mortgage loans granted to individuals be updated. The homes whose values were updated had previously been originally appraised in order for the relevant mortgage loan to be granted in accordance with the laws governing the mortgage market.
- ? The values were updated in September 2001 and March 2002 through four appraisal companies entered in the Bank of Spain's Register of Appraisal Companies.
- ? The Originator's purpose in having the values updated was to be able to adjust its credit risk covers and adapt them to the true updated value of the mortgaged homes.
- ? The updated values of the mortgaged homes concern both mortgage loans that have remained in the Originator's assets and mortgage loans subsequently securitised.
- ? The Originator did not realise that the updated values were not fully compliant with the regulations set forth in the *Ministerial Order dated November 30, 1994 regarding real estate appraisal rules for certain financial institutions* because, in general, the interior of the properties had not been visited in updating their values. It was only later, towards the end of the first half of 2004, that the Originator became aware of this through the Bank of Spain and, consequently, that the updated values arrived at should not have been taken into account in accordance with the laws governing the mortgage market (Act 2/1981, March 25, and Royal Decree 685/1982, March 17, amended by Royal Decree 1289/1991, August 2).
- ? The Originator started analysing the portfolio of mortgage loans secured by homes whose value had been updated. Following this analysis, the Originator has subsequently found that the above-mentioned portfolio includes a number of mortgage loans pooled in securitisation funds. The appraisal value of the mortgaged homes that the Originator used in those securitisation processes was the resultant updated value because that was the value entered in its accounting records. Thus, the Originator relied on the updated value of the mortgaged homes to calculate the ratio of the outstanding principal balance of the Mortgage Loans to the appraisal value, prior to the issue of Mortgage Certificates.

Using the information supplied by the Originator, the Management Company has identified the Mortgage Certificates backed by Mortgage Loans in the circumstances described and assigned to the Fund.

The Management Company and the Originator notified the National Securities Market Commission and the Rating Agencies of the events that had come to their notice and of the result of this analysis.

The Management Company has analysed and calculated the ratio of the outstanding principal balance of the Mortgage Loans to the appraisal value, based on the original appraisal value. This calculation has allowed the Management Company to establish that, as of January 6, 2005, three hundred and thirteen (313) Mortgage Certificates having an outstanding principal balance of twenty-eight million eight hundred and two thousand seven hundred and ninety-eight euros and thirty-three eurocents (EUR 28,802,798,33) do not satisfy the set requirements for these securities, because the outstanding principal balance of the three hundred and thirteen (313) underlying Mortgage Loans exceeded as of that date and as of the date of constitution of the Fund eighty percent (80%) of the original appraisal value of the mortgaged home (requirement established by article 5 of Section Two of Mortgage Market Regulation Act 2/1981, as required moreover in accordance with article 5.4 of Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7).

## III.- MEASURES TO BE TAKEN WITH THE PURPOSE OF REGULARISING THE SITUATION DESCRIBED

With the purpose of regularising the situation described, the Management Company has resolved to take the following measures, in accordance with the mechanisms provided for in the Offering Circular and the Deed for such events:

1. In accordance with the procedure established in detail in section IV.1.d.c) of the Offering Circular and in article 7.5.c) of the Deed of Constitution on "Set rules for substituting Mortgage Certificates pooled in the Fund" in the event that it should subsequently be observed that any of them failed upon the Fund being constituted to conform to the representations contained in section IV.1.a) of the Offering Circular and article 9.1 of the Deed of Constitution, the Originator has resolved to proceed to an early amortisation, during the month in progress, of the three hundred and thirteen (313) Mortgage Certificates having an

outstanding principal balance of twenty-eight million eight hundred and two thousand seven hundred and ninety-eight euros and thirty-three eurocents (E R 28,802,798,33) as of January 6, 2005.

This measure is taken secondarily to the replacement of the three hundred and thirteen (313) Mortgage Certificates because the Originator's portfolio has no other mortgage loans similarly characterised as to residual term, interest rate, outstanding principal value and credit quality construed as the existing ratio of the mortgage loan outstanding principal to the appraisal value of the mortgaged property used as security.

2. Early amortisation by the Originator shall consist of repaying in cash and paying into the Fund's Treasury Account twenty-eight million eight hundred and two thousand seven hundred and ninety-eight euros and thirty-three eurocents (E R 28,802,798,33), which is the outstanding principal balance of the 313 Mortgage Certificates, adding thereto the amount of interest thereon accrued and not paid, and any other amount owing to the Fund under each of them until the early amortisation date.
3. As for the funds paid into the Fund upon the early amortisation of the three hundred and thirteen (313) Mortgage Certificates, the Management Company considers that, pursuant to the Deed of Constitution and the Offering Circular, those funds should be used to be fully applied among the Available Funds on the next Payment Date (February 14, 2005). Furthermore, and in applying the Available Funds, on the next Payment Date there shall be an increase in the amount allocated to amortising Bond principal by a sum of E R 28,802,798,33 with respect to what would be due in accordance with section II.11.3.4.4 of the Offering Circular had the events referred to in this Supplement not occurred. Until then, this amount shall remain credited to the Fund's Treasury Account and, therefore, that amount shall be available on February 14, 2005 along with the interest accrued between the early amortisation date of the Mortgage Certificates and February 14, 2005. The Management Company considers that this procedure conforms to the contents of the Deed and of the Offering Circular.

#### IV.- ADDITIONAL INFORMATION

Certain information is given hereinafter on the Fund derived from the effect of (i) early amortisation of the three hundred and thirteen (313) Mortgage Certificates and (ii) the appraisal values originally taken into account for granting the Participated Mortgage Loans, in relation to the mortgaged homes whose values were updated and that remained in the Fund's assets as of January 6, 2005.

- 1 Distribution compared by intervals of the ratio of the outstanding principal balance of the Mortgage Loans as of December 16, 2002 (date of issue of and subscription for the Mortgage Certificates, "Date of Assignment") to the appraisal value of the mortgaged home, (i) taking into account the updated value of the homes that were newly appraised, and (ii) taking into account the original value of the homes whose values were updated.

Ratio Interval	Portfolio at the Date of Assignment of the loans with updated appraisal values						Portfolio at the Date of Assignment of the loans with original appraisal values					
	Loans		Outstanding Principal		Loan-to-Value		Loans		Outstanding Principal		Loan-to-Value	
0.01 - 5.00	1	0.01	15,547.21	0.00	2.57		1	0.01	15,547.21	0.00	2.57	
5.01 - 10.00	17	0.19	393,353.61	0.06	8.41		17	0.19	393,353.61	0.06	8.41	
10.01 - 15.00	53	0.60	1,422,456.67	0.20	12.81		53	0.60	1,422,456.67	0.20	12.81	
15.01 - 20.00	96	1.09	3,574,731.50	0.50	18.10		95	1.08	3,555,505.87	0.50	18.10	
20.01 - 25.00	162	1.84	7,157,817.10	1.01	22.59		163	1.85	7,177,042.73	1.01	22.58	
25.01 - 30.00	192	2.18	9,698,013.66	1.37	27.55		187	2.12	9,356,964.29	1.32	27.56	
30.01 - 35.00	242	2.75	13,916,232.86	1.96	32.63		244	2.77	14,031,151.06	1.98	32.64	
35.01 - 40.00	334	3.79	21,292,668.05	3.00	37.71		330	3.75	20,855,905.44	2.94	37.68	
40.01 - 45.00	445	5.06	30,066,361.10	4.23	42.57		425	4.83	28,543,173.84	4.02	42.56	
45.01 - 50.00	494	5.61	36,547,406.59	5.15	47.64		483	5.49	35,460,236.09	4.99	47.63	
50.01 - 55.00	598	6.79	46,990,108.22	6.62	52.68		553	6.28	43,168,507.33	6.08	52.64	
55.01 - 60.00	738	8.38	59,947,563.18	8.44	57.52		641	7.28	51,580,843.43	7.26	57.50	
60.01 - 65.00	905	10.28	76,909,674.13	10.83	62.68		742	8.43	62,137,367.62	8.75	62.68	
65.01 - 70.00	1,060	12.04	90,744,113.94	12.78	67.63		824	9.36	69,638,615.24	9.81	67.66	
70.01 - 75.00	1,429	16.23	127,795,206.18	18.00	72.62		1,100	12.50	97,440,070.48	13.72	72.60	
75.01 - 80.00	2,036	23.13	183,533,378.73	25.85	77.54		1,873	21.28	166,907,001.71	23.51	77.71	
80.01 - 85.00							665	7.56	59,979,971.28	8.45	82.43	
85.01 - 90.00							249	2.83	23,463,890.62	3.30	87.25	
90.01 - 95.00							147	1.67	13,938,459.40	1.96	92.15	
95.01 - 100.00							7	0.08	634,839.88	0.09	96.09	

	Portfolio at the Date of Assignment of the loans with updated appraisal values				Portfolio at the Date of Assignment of the loans with original appraisal values			
	Loans	Outstanding Principal	Loan-to-Value	Weighted Average	Loans	Outstanding Principal	Loan-to-Value	Weighted Average
130.01 - 135.00	1	0.01	81,825.33	0.01	130.66			
135.01 - 140.00	1	0.01	126,473.24	0.02	139.31			
145.01 - 150.00	1	0.01	95,430.36	0.01	147.08			
<b>Totals:</b>	<b>8,802</b>	<b>100.00</b>	<b>710,004,632.73</b>	<b>100.00</b>				
			<b>Weighted average:</b>	<b>63.64</b>				<b>66.09</b>
			<b>Simple Average:</b>	<b>61.17</b>				<b>63.35</b>
			<b>Minimum:</b>	<b>2.57</b>				<b>2.57</b>
			<b>Maximum:</b>	<b>79.83</b>				<b>147.08</b>

Loan-to-Value Ratio lists averages weighted by the Outstanding Principal

- 2 Distribution compared by intervals of the ratio of the outstanding principal balance as of January 6, 2005 of the Mortgage Certificates to the appraisal value of the mortgaged home (i) taking into account the updated value of the homes that were newly appraised, and (ii) the portfolio of Mortgage Certificates ("MCs") excluding the three hundred and thirteen (313) that are to be redeemed early and taking into account the original appraisal value of the homes securing the Participated Mortgage Loans that were newly appraised.

Ratio Interval	Portfolio at 06.01.2005 with the updated appraisal values				Portfolio at 06.01.2005 excluding the 313 MCs to be redeemed and with original appraisal values			
	Loans	Outstanding Principal	Loan-to-Value	Weighted Average	Loans	Outstanding Principal	Loan-to-Value	Weighted Average
0.01 - 5.00	34	0.44	176,192.66	0.03	3,62			
5.01 - 10.00	79	1.03	1,165,190.70	0.21	8,13			
10.01 - 15.00	123	1.60	2,899,622.17	0.53	13,05			
15.01 - 20.00	191	2.49	5,998,283.19	1.09	17,83			
20.01 - 25.00	217	2.83	8,928,164.11	1.62	22,82			
25.01 - 30.00	269	3.51	13,441,239.60	2.44	27,59			
30.01 - 35.00	319	4.16	15,463,417.60	2.80	32,69			
35.01 - 40.00	468	6.10	27,455,674.65	4.98	37,62			
40.01 - 45.00	449	5.85	29,226,235.60	5.30	42,66			
45.01 - 50.00	580	7.56	41,186,482.00	7.47	47,56			
50.01 - 55.00	705	9.19	52,959,787.80	9.61	52,58			
55.01 - 60.00	812	10.58	63,780,476.16	11.57	57,66			
60.01 - 65.00	979	12.76	77,833,734.85	14.12	62,57			
65.01 - 70.00	1,061	13.83	89,620,247.13	16.25	67,57			
70.01 - 75.00	1,197	15.60	103,388,044.35	18.75	72,51			
75.01 - 80.00	189	2.46	17,829,779.14	3.23	75,65			
<b>Portfolio Total</b>	<b>7,672</b>	<b>100.00</b>	<b>551,352,571.71</b>	<b>100.00</b>				
			<b>Weighted average:</b>	<b>57.51</b>				<b>58.43</b>
			<b>Simple Average:</b>	<b>53.52</b>				<b>54.25</b>
			<b>Minimum:</b>	<b>0.25</b>				<b>0.25</b>
			<b>Maximum:</b>	<b>77.16</b>				<b>79.97</b>

Loan-to-Value Ratio lists averages weighted by the Outstanding Principal

- 3 Compared estimate of the average life and final maturity of the Bonds resulting from taking into account the total portfolio of Mortgage Certificates as of January 6, 2005 and from excluding the three hundred and thirteen (313) Mortgage Certificates that are to be redeemed early, calculated making the following assumptions in line with those set down in section II.12.a) of the Offering Circular:

- ? that the Management Company will exercise the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option when the outstanding balance of the Mortgage Certificates is less than 10% of their initial amount
- ? interest rate of each of the Participated Mortgage Loans as of January 6, 2005
- ? Mortgage Certificate portfolio delinquency: 0% per annum
- ? Mortgage Certificate portfolio defaults rated as bad debts: 0%
- ? that the prepayment rate (% CPR) remains constant throughout the life of the Bonds
- ? and that there is no Amortisation Deficiency.

	Portfolio at 06.01.2005			Portfolio at 06.01.2005 excluding the 313 M€s to be redeemed		
PR	8	10	12	8	10	12
<b>Series A Bonds</b>						
Average life (years)	5.78	5.13	4.58	5.42	4.78	4.29
Final maturity (in years)	12.05.2018 13.35	12.02.2017 12.11	12.11.2015 10.85	12.02.2018 13.11	12.08.2016 11.61	12.08.2015 10.60
<b>Series B Bonds</b>						
Average life (years)	8.52	7.59	6.77	8.16	7.21	6.48
Final maturity (in years)	12.05.2018 13.35	12.02.2017 12.11	12.11.2015 10.85	12.02.2018 13.11	12.08.02016 11.61	12.08.2015 10.60
<b>Series C Bonds</b>						
Average life (years)	8.52	7.59	6.77	8.16	7.21	7.21
Final maturity (in years)	12.05.2018 13.35	12.02.2017 12.11	12.11.2015 10.85	12.02.2018 13.11	12.08.02016 11.61	12.08.2016 11.61

The Management Company considers that the contents of the preceding paragraphs are in accordance with those of the Deed of Constitution and the Offering Circular, do not affect the financial balance of the Fund and do not result in an Event of Early Liquidation of the Fund and termination. The contents of this Supplement have been notified to the Rating Agencies and, as they have confirmed in the letters attached as Schedule 2 to this Supplement, do not affect the rating initially assigned to each of the Bond Series.

Madrid, January 19, 2005

Mario Masiá Vicente

(For and on behalf of Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización)

**Schedules:**

1. Statement by Bankinter S.A. as issuer of the Mortgage Certificates on the contents of this Supplement.
2. Letters from Moody's Investors Service España S.A. and Standard & Poor's España S.A.
3. Statement by Bankinter S.A. as Lead Manager of the Bond Issue on the contents of this Supplement.