

PROSPECTUS

November 2008

# **BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS**

**ISSUE OF ASSET-BACKED BONDS  
EUR 1,500,000,000**

<b>Series A</b>	<b>EUR 1,404,700,000</b>	<b>Aaa/AAA</b>
<b>Series B</b>	<b>EUR 65,300,000</b>	<b>Aa3/A</b>
<b>Series C</b>	<b>EUR 30,000,000</b>	<b>A2/BBB</b>

**Backed by pass-through certificates issued on mortgage loans and credits  
(first drawdowns) by**

**bankinter.**

*Lead Manager and Subscriber*

**bankinter.**

*Paying Agent*

**BANKINTER**

*Fund established and managed by*

 **Europea de  
Titulización**  
Sociedad Gestora de Fondos de Titulización

Prospectus entered in the Registers of the Comisión Nacional del Mercado de Valores  
on November 6, 2008

**TABLE OF CONTENTS**

	<b>Page</b>
<b>RISK FACTORS</b>	<b>5</b>
<b>ASSET-BACKED SECURITIES REGISTRATION DOCUMENT (Annex VII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)</b>	<b>11</b>
<b>1. PERSONS RESPONSIBLE</b>	<b>11</b>
1.1 Persons responsible for the information given in the Registration Document.	11
1.2 Declaration by those responsible for the contents of the Registration Document.	11
<b>2. STATUTORY AUDITORS</b>	<b>11</b>
2.1 Fund's Auditors.	11
2.2 Accounting policies used by the Fund.	11
<b>3. RISK FACTORS</b>	<b>11</b>
<b>4. INFORMATION ABOUT THE ISSUER</b>	<b>12</b>
4.1 Statement that the Issuer has been established as a securitisation fund.	12
4.2 Legal and commercial name of the Issuer.	12
4.3 Place of registration of the Issuer and registration number.	12
4.4 Date of incorporation and existence of the Issuer.	12
4.4.1 Date of establishment of the Fund.	12
4.4.2 Existence of the Fund.	12
4.4.3 Early Liquidation of the Fund.	13
4.4.4 Termination of the Fund.	14
4.5 Domicile, legal form and legislation applicable to the Issuer.	14
4.5.1 Tax system.	16
4.6 Issuer's authorised and issued capital.	16
<b>5. BUSINESS OVERVIEW</b>	<b>16</b>
5.1 Brief description of the Issuer's principal activities.	16
5.2 Global overview of the parties to the securitisation program.	17
<b>6. ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES</b>	<b>18</b>
<b>7. MAJOR SHAREHOLDERS</b>	<b>22</b>
<b>8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFITS AND LOSSES</b>	<b>22</b>
8.1 Statement as to commencement of operations and financial statements of the Issuer as at the date of the Registration Document.	22
8.2 Historical financial information.	22
8.2 bis Historical financial information for issues of securities having a denomination per unit of at least EUR 50,000.	22
8.3 Legal and arbitration proceedings.	22
8.4 Material adverse change in the Issuer's financial position.	22
<b>9. THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST</b>	<b>22</b>
9.1 Statement or report attributed to a person as an expert.	22
9.2 Information sourced from a third party.	22

	<b>Page</b>
<b>10. DOCUMENTS ON DISPLAY</b>	<b>22</b>
10.1 Documents on display.	22
<b>SECURITIES NOTE</b>	<b>25</b>
<b>(Annex XIII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)</b>	
<b>1. PERSONS RESPONSIBLE</b>	<b>25</b>
1.1 Persons responsible for the information given in the Securities Note.	25
1.2 Declaration by those responsible for the Securities Note.	25
<b>2. RISK FACTORS</b>	<b>25</b>
<b>3. KEY INFORMATION</b>	<b>26</b>
3.1 Interest of natural and legal persons involved in the offer.	26
<b>4. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED AND ADMITTED TO TRADING</b>	<b>26</b>
4.1 Total amount of the securities.	26
4.2 Description of the type and class of the securities.	27
4.3 Legislation under which the securities have been created.	27
4.4 Indication as to whether the securities are in registered or bearer form and whether the securities are in certificated or book-entry form.	27
4.5 Currency of the issue.	28
4.6 Ranking of the securities.	28
4.7 Description of the rights attached to the securities.	29
4.8 Nominal interest rate and provisions relating to interest payable.	29
4.9 Maturity date and amortisation of the securities.	32
4.10 Indication of yield.	36
4.11 Representation of security holders.	42
4.12 Resolutions, authorisations and approvals for issuing the securities.	42
4.13 Issue date of the securities.	43
4.14 Restrictions on the free transferability of the securities.	43
<b>5. ADMISSION TO TRADING AND DEALING ARRANGEMENTS</b>	<b>43</b>
5.1 Market where the securities will be traded.	43
5.2 Paying agent and depository agents.	44
<b>6. EXPENSE OF THE OFFERING AND OF ADMISSION TO TRADING</b>	<b>44</b>
<b>7. ADDITIONAL INFORMATION</b>	<b>44</b>
7.1 Statement of the capacity in which the advisors connected with the issue mentioned in the Securities Note have acted.	44
7.2 Other information in the Securities Note which has been audited or reviewed by auditors.	44
7.3 Statement or report attributed to a person as an expert.	44
7.4 Information sourced from a third party.	44
7.5 Credit ratings assigned to the securities by rating agencies.	45
<b>ASSET-BACKED SECURITIES NOTE BUILDING BLOCK</b>	<b>47</b>
<b>(Annex VIII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)</b>	
<b>1. SECURITIES.</b>	<b>47</b>
1.1 Minimum denomination of an issue.	47
1.2 Confirmation that the information relating to an undertaking or obligor not involved in the issue has been accurately reproduced.	47

	<b>Page</b>
<b>2. UNDERLYING ASSETS</b>	<b>47</b>
2.1 Confirmation that the securitised assets have capacity to produce funds to service any payments due and payable on the securities.	47
2.2 Assets backing the issue.	47
2.2.1 Legal jurisdiction by which the pool of assets is governed.	49
2.2.2 General characteristics of the obligors.	49
2.2.3 Legal nature of the pool of assets.	56
2.2.4 Expiry or maturity date(s) of the assets.	57
2.2.5 Amount of the assets.	57
2.2.6 Loan to value ratio or level of collateralisation.	57
2.2.7 Method of creation of the assets.	57
2.2.8 Indication of representations and collaterals given to the Issuer relating to the assets.	60
2.2.9 Substitution of the securitised assets.	63
2.2.10 Relevant insurance policies relating to the securitised assets.	64
2.2.11 Information relating to the obligors where the securitised assets comprise obligations of 5 or fewer obligors which are legal persons or where an obligor accounts for 20% or more of the assets, or where an obligor accounts for a material portion of the assets.	65
2.2.12 Details of the relationship, if it is material to the issue, between the Issuer, guarantor and obligor.	65
2.2.13 Where the assets comprise fixed income securities, a description of the principal terms.	65
2.2.14 Where the assets comprise equity securities, a description of the principal terms.	65
2.2.15 If the assets comprise equity securities that are not traded on a regulated or equivalent market, where they represent more than ten (10) per cent of the securitised assets, a description of the principal terms.	65
2.2.16 Valuation reports relating to the property and cash flow/income streams where a material portion of the assets are secured on real property.	65
2.3 Actively managed assets backing the issue.	65
2.4 Where the Issuer proposes to issue further securities backed by the same assets, statement to that effect and description of how the holders of that class will be informed.	65
<b>3. STRUCTURE AND CASH FLOW</b>	<b>66</b>
3.1 Description of the structure of the transaction.	66
3.2 Description of the entities participating in the issue and of the functions to be performed by them.	67
3.3 Description of the method and date of the sale, transfer, novation or assignment of the assets or of any rights and/or obligations in the assets to the Issuer.	67
3.4 Explanation of the flow of funds.	70
3.4.1 How the cash flow from the assets will meet the Issuer's obligations to holders of the securities.	70
3.4.2 Information on any credit enhancement.	71
3.4.2.1 Description of the credit enhancement.	71
3.4.2.2 Cash Reserve.	71
3.4.3 Details of any subordinated debt finance.	72
3.4.3.1 Subordinated Loan.	72
3.4.3.2 Start-Up Loan.	73
3.4.3.3 Subordination of Series B and C Bonds.	74
3.4.4 Investment parameters for the investment of temporary liquidity surpluses and parties responsible for such investment.	74
3.4.4.1 Treasury Account.	74

	<b>Page</b>
3.4.5	Collection by the Fund of payments in respect of the assets. 75
3.4.6	Order of priority of payments made by the Issuer. 76
3.4.6.1	Source and application of funds on the Bond Closing Date until the first Payment Date, exclusive. 76
3.4.6.2	Source and application of funds from the first Payment Date, inclusive, until the last Payment Date or liquidation of the Fund, exclusive. Priority of Payments. 76
3.4.6.3	Fund Liquidation Priority of Payments. 79
3.4.6.4	Financial Intermediation Margin 80
3.4.7	Other arrangements upon which payments of interest and principal to investors are dependent. 81
3.4.7.1	Financial Swap. 81
3.4.7.2	Bond Issue Paying Agent. 85
3.5	Name, address and significant business activities of the originator of the securitised assets. 86
3.6	Return on and/or repayment of the securities linked to others which are not assets of the Issuer. 87
3.7	Administrator, calculation agent or equivalent. 87
3.7.1	Management, administration and representation of the Fund and of the holders of the securities. 87
3.7.2	Servicing and custody of the securitised assets. 90
3.8	Name, address and brief description of any swap, credit, liquidity or account counterparties. 99
<b>4.</b>	<b>POST-ISSUANCE REPORTING 100</b>
	<b>GLOSSARY OF DEFINITIONS 103</b>

This document is a prospectus (the “**Prospectus**”) registered at the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*), as provided for in Commission Regulation (EC) No. 809/2004 of April 29, 2004 (“**Regulation 809/2004**”) and Royal Decree 1310/2005, November 4, partly implementing Securities Market Act 24/1988, July 28, in regard to admission to trading of securities in official secondary markets, public offerings for sale or subscription and the prospectus required for that purpose (“**Royal Decree 1310/2005**”), and comprises:

1. A description of the major risk factors linked to the Issuer, the securities and the assets backing the issue (the “**Risk Factors**”).
2. An asset-backed securities registration document, prepared using the outline provided in Annex VII to Regulation 809/2004 (the “**Registration Document**”).
3. A securities note, prepared using the outline provided in Annex XIII to Regulation 809/2004 (the “**Securities Note**”).
4. A Securities Note building block, prepared using the block provided in Annex VIII to Regulation 809/2004 (the “**Building Block**”).
5. A glossary of definitions (the “**Glossary of Definitions**”).

## RISK FACTORS

### 1 Risks derived from the Issuer's legal nature and operations.

#### a) Nature of the Fund and obligations of the Management Company.

BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS (the “Fund” and/or the “Issuer”) is a separate closed-end fund devoid of legal personality and is managed by a management company, EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the “Management Company”), in accordance with Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies (“Royal Decree 926/1998”). The Fund shall be liable only for its obligations to its creditors with its assets.

The Management Company shall discharge for the Fund the functions attributed to it in Royal Decree 926/1998, which include enforcing Bondholders' interests as the manager of third-party portfolios, and there shall be no syndicate of bondholders. Therefore, the capacity to enforce Bondholders' interests shall depend on the Management Company's means.

#### b) Forced substitution of the Management Company.

In accordance with article 19 of Royal Decree 926/1998, where the Management Company is adjudged insolvent or its licence to operate as a securitisation fund management company is revoked by the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) (the “CNMV”), it shall find a substitute management company. In any such event, 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, the Fund shall be liquidated early and the Bonds issued by the same shall be redeemed, in accordance with the provisions of the Deed of Constitution and of this Prospectus.

#### c) Limitation of actions.

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against Mortgage Credit Obligors who may have defaulted on their payment obligations or against the Originator. Any such rights shall lie with the Management Company, representing the Fund.

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against the Fund or against the Management Company in the event of non-payment of amounts due by the Fund resulting from the existence of Mortgage Credit default or prepayment, a breach by the Originator of its obligations or by the counterparties to the transactions entered into for and on behalf of the Fund, or shortfall of the financial hedging transactions for servicing the Bonds in each Series.

Bondholders and all other creditors of the Fund shall have no recourse against the Management Company other than as derived from a breach of its duties or inobservance of the provisions of this Prospectus and of the Deed of Constitution. Those actions shall be resolved in the relevant ordinary declaratory proceedings depending on the amount claimed.

#### d) Applicability of the Bankruptcy Act

Both the Originator of the Mortgage Credit receivables, BANKINTER S.A. (“BANKINTER”) and the Fund Management Company may be declared insolvent.

In particular, the insolvency of BANKINTER could affect its contractual relationships with the Fund, in accordance with the provisions of Bankruptcy Act 22/2003, July 9 (the “Bankruptcy Act”). Moreover, in the event of insolvency of the Management Company, it must be replaced with another management company in accordance with the provisions of paragraph 1.b) above and articles 18 and 19 of Royal Decree 926/1998.

Specifically, the transaction involving the assignment of the Mortgage Credit receivables by issuing the Pass-Through Certificates cannot, in the event of insolvency of BANKINTER, be the subject of restitution to the assets of the estate other than by an action brought by the receivers of BANKINTER, in accordance with the provisions of insolvency laws.

In the event of BANKINTER being decreed to be insolvent, in accordance with the Bankruptcy Act, the Fund, acting through the Management Company, shall have a right of separation with respect to the document or documents representing the Pass-Through Certificates, on the terms provided for in articles 80 and 81 of the Bankruptcy Act. Moreover, the Fund, acting through its Management Company, shall be entitled to obtain from BANKINTER the resulting Pass-Through Certificate amounts from the date on which insolvency is decreed, for those amounts will be considered to be the Fund's property, through its Management Company, and must therefore be transferred to the Management Company, representing the Fund.

This right of separation would not necessarily extend to the monies received and kept by BANKINTER on behalf of the Fund before that date, for they might be earmarked for insolvency, based on the most widespread construction of article 80 of the Bankruptcy Act for the time being in force, given the essential fungible nature of money. The means mitigating that risk are described in sections 3.4.4.1 (Treasury Account), 3.4.5 (Collection by the Fund of payments in respect of the assets) and 3.7.2.1.2 (Collection management) of the Building Block.

The structure of this asset securitisation transaction does not, failing a breach by the parties, allow for the existence of cash amounts which may be included in the Management Company's estate, because Fund income amounts shall be paid, on the terms provided for in this Prospectus, into the accounts opened in the Fund's name by the Management Company (which is involved in opening those accounts as the Fund's authorised representative and not just as a simple attorney-in-fact for the Fund), and the Fund would therefore have a right of separation in that respect, on the terms provided for in articles 80 and 81 of the Bankruptcy Act.

## **2 Risks derived from the securities.**

### **a) Issue Price.**

The Bond Issue is made with the intention of being fully subscribed for by the Originator in order to have liquid assets available which may be used as security for Eurosystem transactions or be sold in the market, and, consequently, the terms of the Bond Issue are not an estimate of the prices at which those instruments could be sold in the secondary market or of the Eurosystem's valuations in due course for the purpose of using them as security instruments in its lending transactions to the banking system.

### **b) Liquidity.**

Given that the Originator will fully subscribe for the Bond Issue and in the event that it should hereafter fully or partially dispose of the Bond Issue, 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.

Moreover, the Fund may in no event repurchase the Bonds from Bondholders. Nevertheless, the Bonds may be fully subject to early amortisation in the event of Early Liquidation of the Fund, on the terms laid down in section 4.4.3 of the Registration Document.

### **c) Yield.**

Calculation of the yield (internal rate of return) of the Bonds in each Series contained in section 4.10 of the Securities Note is subject, inter alia, to presumed Mortgage Credit prepayment and delinquency rates which might not be fulfilled, and future market interest rates, given the floating nature of the nominal interest rate of each Series.

**d) Duration.**

Calculation of the average life and duration of the Bonds in each Series contained in section 4.10 of the Securities Note is subject to fulfilment of Mortgage Credit repayment and to assumed Mortgage Credit prepayment rates that may not be fulfilled. Mortgage Credit repayment performance is influenced by a number of economic and social factors such as market interest rates, the Obligors' financial circumstances and the general level of economic activity, preventing their predictability.

**e) Late-payment interest.**

Late interest payment or principal repayment to any Series Bondholders shall under no circumstances result in additional or late-payment interest accruing to their favour.

**f) Subordination of the Bonds.**

Series B Bond interest payment and principal repayment is deferred with respect to Series A Bonds. Series C Bond interest payment and principal repayment is in turn deferred with respect to Series A and Series B Bonds. Nevertheless, there is no certainty that these subordination rules shall fully and to a different extent protect Series A, B and C Bondholders from the risk of loss.

The subordination rules for the various Series are laid down in the Priority of Payments and in the Liquidation Priority of Payments of the Fund, in accordance with section 3.4.6 of the Building Block.

**g) Deferment of interest.**

This Prospectus and all other supplementary Bond-related documents provide for Series B and C Bond interest payment to be deferred in the event of the circumstances provided for in section 3.4.6.2.1.2 of the Building Block occurring.

Series A Bond interest is not subject to these deferment rules.

**h) Rating of the Bonds.**

The credit risk of the Bonds issued by the Fund has been rated by Moody's Investors Service España, S.A. and Standard & Poor's España S.A. (the "**Rating Agencies**").

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.

These ratings 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.

**i) Ratings not confirmed.**

The Rating Agencies' failure to confirm the provisional ratings given to the Bonds by November 12, 2008 shall be an event of termination of the establishment of the Fund and the Bond Issue.

**3 Risks derived from the assets backing the issue.**

**a) Risk of default on the Mortgage Credits.**

Holders of the Bonds issued by the Fund shall bear the risk of default on the Mortgage Credits pooled in the Fund by issuing the Pass-Through Certificates.

BANKINTER, as Originator, shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Mortgage Credits. BANKINTER shall be liable, to the extent provided for under article 348 of the Commercial Code, to the Fund exclusively for the existence and lawfulness of the Mortgage Credits on the terms and conditions declared in the Deed of Constitution, and for the personality with which the assignment will be made. BANKINTER will have no liability whatsoever to directly or indirectly guarantee that the transaction will be properly performed nor



give any guarantees or security, nor indeed agree to repurchase the Pass-Through Certificates, other than the undertakings contained in section 2.2.9 of the Building Block regarding substitution or redemption of Pass-Through Certificates in the event that any of them or of the underlying Mortgage Credits should fail to conform, upon the Fund being established, to the representations contained in section 2.2.8 of the Building Block.

**b) Limited Liability.**

The Bonds issued by the Fund neither represent nor constitute an obligation of BANKINTER or the Management Company. No other guarantees have been granted by any public or private organisation whatsoever, including BANKINTER, the Management Company and any of their affiliated or associated companies.

**c) Limited Hedging.**

A high level of delinquency of the Mortgage Credits might reduce or indeed exhaust the limited hedging against Mortgage Credit losses that the Bonds in Series A, B and C distinctly have as a result of the existence of the credit enhancement transactions described in section 3.4.2 of the Building Block.

The degree of subordination in interest payment and principal repayment between the Bonds in the different Series derived from their place in the application of Available Funds and from the rules for Distribution of Available Funds for Amortisation in the Priority of Payments and the Liquidation Priority of Payments is a mechanism for distinctly hedging the different Series.

**d) Pass-Through Certificate early amortisation risk.**

There will be an early amortisation of the Pass-Through Certificates pooled in the Fund when Mortgage Credit Obligors prepay the portion of capital pending repayment, on the terms provided for in each Mortgage Credit deed. Similarly, there shall be an early amortisation of the Pass-Through Certificates in the event that BANKINTER should be substituted in the relevant Mortgage Credits by any other financial institution licensed to do so, subject to Mortgage Loan Subrogation and Amendment Act 2/1994, March 30, as currently worded, (“Act 2/1994”) or in any other event having the same effect.

That early amortisation risk shall pass quarterly on each Payment Date to Series A, B and C Bondholders by the partial amortisation of the Bonds, in accordance with the terms for amortisation of each Series and with the rules for Distribution of Available Funds for Amortisation contained in sections 4.9.2. and 4.9.3.5 of the Securities Note.

**e) Ranking of the various drawdowns.**

With respect to the portfolio of mortgage credits (first drawdowns) selected (22.18% in terms of outstanding principal on the selected total), the senior mortgage loan secures both the first and subsequent drawdowns made, and the different drawdowns rank *pari passu*, and therefore, in the event of execution, the Fund, as holder of the Pass-Through Certificates, shall be entitled to receive any amount which BANKINTER should have received under the Mortgage Credits and rights attached thereto, albeit only proportionally to the participated first drawdown.

**f) Geographical concentration.**

As detailed in section 2.2.2 m) of the Building Block, the three Autonomous Communities with the largest concentration of the address of the properties mortgaged under the mortgage loans and credits (first drawdowns) selected to be assigned to the Fund upon being established, as a percentage of the outstanding principal, are Catalonia, at 19.15%, the Autonomous Community of Madrid, at 17.90%, and the Autonomous Community of Andalusia, at 14.45%.

Given these concentration levels, any circumstance whatsoever having a substantial negative effect on those Communities could affect payments of the Mortgage Credits backing the Bond Issue.

**g) Principal and interest exclusion.**

22.18%, in terms of outstanding principal of the total selected portfolio of mortgage loans and credits (first drawdowns) are first drawdowns under mortgage credit facility agreements in which the obligor or borrower is allowed to establish or eliminate principal and interest exclusion periods and also extend the maturity date, subject to the limitations established in paragraph 2.2 of the Building Block.

**h) Concentration on the origination date of the selected mortgage loans and credits (first drawdowns).**

The selected mortgage loans and credits (first drawdowns) making up the selected portfolio and originated in the years 2007 and 2008 (until April 30, 2008) account for 84.19%, in terms of outstanding principal of the total selected portfolio. The weighted average age of the portfolio is 1.31 years as at October 2, 2008, the selected portfolio selection date.

**i) Selected mortgage loans and credits (first drawdowns) secured with officially protected homes.**

Some selected mortgage loans and credits (first drawdowns) may be secured with officially protected homes. In these cases, as BANKINTER has represented in section 2.2.8 (19) of the Building Block, the appraisal value considered and reported for all calculation purposes was the maximum legal value under the official protection system. Identifying the same within the portfolio of selected loans and credits (first drawdowns) has not been possible because BANKINTER does not distinguish the same from loans and credits with private housing mortgage security. In any event, the selected loans and credits (first drawdowns) whose mortgage security is a protected home do not benefit from any state or autonomous community aid whatsoever.

*This is a Certified Translation into English of the Spanish Prospectus. No document other than the Spanish Prospectus registered by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.*

## **ASSET-BACKED SECURITIES REGISTRATION DOCUMENT**

**(Annex VII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)**

### **1. PERSONS RESPONSIBLE**

#### **1.1 Persons responsible for the information given in the Registration Document.**

Mr Mario Masiá Vicente, acting for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the “**Management Company**”), the company sponsoring BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS (the “**Fund**” and/or the “**Issuer**”), takes responsibility for the contents of this Registration Document.

Mr Mario Masiá Vicente, General Manager of the Management Company using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and January 28, 2000, is acting expressly for establishing the Fund pursuant to authorities conferred by the Board of Directors’ Executive Committee in a resolution dated October 16, 2008.

#### **1.2 Declaration by those responsible for the contents of the Registration Document.**

Mr Mario Masiá Vicente declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

### **2. STATUTORY AUDITORS**

#### **2.1 Fund’s Auditors.**

In accordance with the provisions of section 4.4.2 of this Registration Document, the Fund has no historical financial information.

The Fund’s annual accounts shall be audited and reviewed every year by statutory auditors. The Fund’s annual accounts and their audit report shall be filed with the Companies Register and the CNMV.

The Management Company shall proceed to designate, for periods of not more than three (3) years, the statutory auditor who is for that period of time to audit the Fund’s annual accounts, reporting that appointment to the CNMV. Designation of an auditor for a given period shall not preclude designation of that auditor for subsequent periods, observing in any event the laws in force on the subject. The Management Company shall notify the CNMV of the auditor’s designation.

#### **2.2 Accounting policies used by the Fund.**

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

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

### **3. RISK FACTORS**

The risk factors linked to the Issuer are described in section 1 of Risk Factors of this Prospectus.

#### **4. INFORMATION ABOUT THE ISSUER**

##### **4.1 Statement that the Issuer has been established as a securitisation fund.**

The Issuer is a closed-end asset securitisation fund to be established in accordance with Spanish laws.

##### **4.2 Legal and commercial name of the Issuer.**

The Issuer's name is "BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS" and the following short names may also be used without distinction to identify the Fund:

- BANKINTER 18 FTA
- BANKINTER 18 F.T.A.

##### **4.3 Place of registration of the Issuer and registration number.**

The place of registration of the Fund is in Spain at the CNMV. The Fund has been entered in the Official Registers of the CNMV.

##### ***Companies Register***

For the record, neither the establishment of the Fund nor the Bonds issued backed by its assets shall be entered in the Companies Register, pursuant to the facultative authority for which provision is made in article 5.4 of Royal Decree 926/1998.

##### **4.4 Date of establishment and existence of the Issuer.**

###### **4.4.1 Date of establishment of the Fund.**

The Management Company and BANKINTER S.A., as originator (the "**Originator**") of the Mortgage Credit receivables by issuing the Pass-Through Certificates, shall proceed to execute on November 10, 2008 a public deed whereby BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BANKINTER will assign Mortgage Credit receivables to the Fund by issuing Pass-Through Certificates, and the Fund will issue the Asset-Backed Bonds (the "**Deed of Constitution**"), on the terms provided in article 6 of Royal Decree 926/1998.

The Management Company represents that the contents of the Deed of Constitution shall match the draft Deed of Constitution it has submitted to the CNMV and the terms of the Deed of Constitution shall at no event contradict, change, alter or invalidate the contents of this Prospectus.

The Deed of Constitution may not be altered other than in exceptional events, provided that there are no circumstances preventing that in accordance with the laws and regulations in force from time to time. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. The Deed of Constitution can also be corrected as requested by the CNMV.

###### **4.4.2 Existence of the Fund.**

The Fund shall commence its operations on the date of execution of the Deed of Constitution.

The Fund shall be in existence until January 23, 2052 or the following Business Day if that is not a Business Day (the "**Final Maturity Date**"), unless there should previously have been an Early Liquidation of the Fund as set forth in section 4.4.3 of this Registration Document or any of the events laid down in section 4.4.4 of this Registration Document should occur.

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

4.4.3.1 Following notice served on the CNMV, the Management Company shall be entitled to proceed to early liquidation ("**Early Liquidation**") of the Fund and thereby early amortisation ("**Early Amortisation**") of the entire Bond Issue, in any of the following events (the "**Early Liquidation Events**"):

- (i) When the amount of the Outstanding Balance of the Mortgage Credits yet to be repaid is less than 10 percent of the initial Outstanding Balance of the Mortgage Credits upon the Fund being established, and provided that the payment obligations derived from the Bonds in each Series then outstanding may be honoured and settled in full in the Liquidation Priority of Payments.

Payment obligations derived from the Bonds in each Series on the Early Liquidation date of the Fund shall at all events be deemed to be the Outstanding Principal Balance of each Series on that date plus interest accrued and not paid until that date, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

- (ii) Where, in any event or circumstance whatsoever unrelated to the Fund's operations, a substantial alteration occurs or the financial balance of the Fund required by article 11.b) of Royal Decree 926/1998 is permanently damaged. This event includes such circumstances as the existence of any change in the law or supplementary implementing regulations, the establishment of withholding obligations or other situations which might permanently affect the financial balance of the Fund.
- (iii) Mandatorily, in the event that the Management Company should be adjudged insolvent or have its licence to operate as a securitisation fund management company revoked by the CNMV, or the statutory term to do so or otherwise four months should elapse without a new management company being designated in accordance with the provisions of section 3.7.1.3 of the Building Block to this Prospectus.
- (iv) When a payment default occurs indicating a major permanent imbalance in relation to any of the Bonds issued or to any unsubordinated credit or that it is about to occur.
- (v) If within at least one (1) year since the Fund was established the Management Company should have the express consent and acceptance of all the Bondholders in each and every Series and all the counterparties to the agreements in force with the Fund, as regards both payment of amounts resulting from, and the procedure for, such Early Liquidation.
- (vi) Upon the lapse of thirty-six (36) months from the date of the last maturity of the Mortgage Credits, even if they still have overdue amounts.

4.4.3.2 The following requirements shall have to be satisfied to proceed to that Early Liquidation of the Fund:

- (i) That Bondholders be given not less than fifteen (15) Business Days' notice, as prescribed in section 4.1.3.2 of the Building Block, of the Management Company's resolution to proceed to Early Liquidation of the Fund.
- (ii) That the Management Company previously advise the CNMV and the Rating Agencies of that notice.
- (iii) The notice of the Management Company's resolution to proceed to Early Liquidation of the Fund shall contain a description (i) of the event or events triggering Early Liquidation of the Fund, (ii) of the liquidation procedure, and (iii) of the manner in which the Bond payment obligations are to be honoured and settled in the Liquidation Priority of Payments.
- (iv) That all necessary authorisations, if any, to do so shall have been obtained from the competent bodies.

4.4.3.3 In order for the Fund, through its Management Company, to proceed to Early Liquidation of the Fund and Early Amortisation of the Bond Issue, the Management Company shall, for and on behalf of the Fund:

- (i) Proceed to sell the Pass-Through Certificates remaining in the Fund at a reasonable market price, initially not less than the sum of the principal value still outstanding plus interest accrued and not paid on the relevant Mortgage Credits, subject to the provisions of paragraph (iv) below.
- (ii) Proceed to terminate such agreements as are not necessary for the Fund liquidation procedure.
- (iii) Be entitled to arrange for a credit facility, with an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as P-1 and A-1 respectively by Moody's and S&P, or a loan, which shall be fully allocated to early amortisation of the Bonds in the Series then outstanding. Financial costs due shall be paid and credit facility or loan principal shall be repaid in accordance with the Liquidation Priority of Payments.
- (iv) Finally, both due to the preceding actions falling short and the existence of Pass-Through Certificates or other remaining assets of the Fund, the Management Company shall proceed to sell them and shall therefore invite a bid from at least five (5) entities who may, in its view, give a reasonable market value. The Management Company shall be bound to accept the best bid received for the Pass-Through Certificates and for the assets on offer. In order to set the reasonable market value, the Management Company may secure such valuation reports as it shall deem necessary.

In (i), (iii) and (iv) above, BANKINTER shall have a right of first refusal on the terms established by the Management Company and will therefore have priority over third parties to voluntarily acquire the Pass-Through Certificates and other assets remaining on the assets of the Fund, or to grant to the Fund the credit facility or a loan, if any, designed for early amortisation of the Bonds in the Series then outstanding. The Management Company shall therefore send BANKINTER a list of the assets and of third-party bids received, if any, and the latter may use that right for all the Pass-Through Certificates and assets offered by the Management Company or the credit facility or the loan within ten (10) Business Days of receiving said notice, and provided that (i) its bid is at least equal to the best of the third-party bids, if any, and (ii) BANKINTER proves to the Management Company that the exercise of the pre-emptive right was subject to its usual credit revision and approval procedures and establishing therein that the exercise of that right is not designed to implicitly support securitisation.

4.4.3.4 The Management Company shall forthwith apply all the proceeds from the sale of the Pass-Through Certificates and the Fund's assets to paying the various items, in such manner, amount and order as shall be requisite in the Liquidation Priority of Payments, other than the amounts, if any, drawn under the credit facility or the loan arranged for early amortisation of the Bonds in the Series then outstanding, which shall be applied to honouring the payment obligations of the Bonds in these Series.

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

The Fund shall terminate in any case, after complying with and observing the relevant legal procedure, in the following events:

- (i) Upon the Pass-Through Certificates pooled therein being fully amortised.
- (ii) Upon the Bonds issued being fully amortised.
- (iii) When the Early Liquidation of the Fund procedure established in section 4.4.3 above is over.
- (iv) At all events, upon final liquidation of the Fund on the Final Maturity Date on January 23, 2052 or the following Business Day if that is not a Business Day.
- (v) Upon the establishment of the Fund terminating in the event that the Rating Agencies should not confirm any of the assigned provisional ratings as final ratings by November 12, 2008. In this event, the Management Company shall terminate the establishment of the Fund, subscription for the Pass-Through Certificates by the Fund and the Bond Issue.

Termination of the establishment of the Fund shall be notified to the CNMV as soon as such is confirmed, and shall be publicised by means of the procedure specified in section 4.1.3.2 of the Building Block. Within not more than one month after the occurrence of the event of termination, the Fund 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 Management Company shall defray the expenses of setting up the Fund and issue and admission of the Bonds payable with the Start-Up Loan, and the Start-Up Loan agreement shall not be terminated but shall rather be cancelled after those amounts are settled, repayment of principal being subordinated to fulfilment of all other obligations undertaken by the Management Company, acting for and on the Fund's behalf.

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 Liquidation Available Funds in the Liquidation Priority of Payments, that remainder shall be for the Originator on the liquidation terms established by the Management Company. If that remainder is not a liquid amount, since relating to Mortgage Credits that are pending the outcome of court or out-of-court proceedings instituted as a result of default by the Mortgage Credit Obligor, both their continuation and the proceeds of their termination shall be for the Originator.

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 Pass-Through Certificates and other remaining assets of the Fund have been liquidated and the Fund's Liquidation Available Funds have been distributed, in the Liquidation Priority of Payments.

Upon a period of six (6) months elapsing from liquidation of the Fund's remaining assets and distribution of the Liquidation Available Funds, the Management Company shall execute a statutory declaration before a notary public declaring (i) that the Fund has terminated, and the events prompting its termination, (ii) how Bondholders and the CNMV were notified, and (iii) how the Liquidation Available Funds were distributed in the Liquidation 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.

#### **4.5 Domicile, legal form and legislation applicable to the Issuer.**

In accordance with the provisions of article 1 of Royal Decree 926/1998, the Fund has no own legal personality, and the Management Company is entrusted with establishing, managing and being the authorised representative of those funds, and, as the manager of third-party portfolios, with representing and enforcing the interests of the holders of the securities issued by the Funds it manages and of all its other ordinary creditors.

The Fund shall have the same domicile as the Management Company:

- Street: Lagasca number 120
- Town: Madrid
- Post Code: 28006
- Country: Spain
- Telephone: (34) 91 411 84 67

The establishment of the Fund is subject to Spanish Law and in particular is carried out pursuant to the legal system provided for by (i) Royal Decree 926/1998, (ii) Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7 ("**Act 19/1992**"), failing a provision in Royal Decree 926/1998, and to the extent applicable, (iii) Act 3/1994, April 14, adapting Spanish law in regard to credit institutions to the Second Banking Co-ordination Directive and introducing other changes relating to the financial system ("**Act 3/1994**"), as currently worded, (iv) Securities Market Act 24/1988, July 28, in regard to admission to trading of securities in official secondary markets, public offerings for sale or subscription and the prospectus required for that purpose (the "**Securities Market Act**"), (v) Royal Decree 1310/2005, (vi) Regulation (EC) No. 809/2004, and (vi) all other legal and statutory provisions in force and applicable from time to time.



#### 4.5.1 Tax system of the Fund.

In accordance with the provisions of article 1.2 of Royal Decree 926/1998, article 5.10 of Act 19/1992, article 7.1.h) of the Consolidation of the Corporation Tax Act approved by Legislative Royal Decree 4/2004, March 5, article 20.One.18 of Value Added Tax Act 37/1992, December 28, article 59.k of the Corporation Tax Regulations approved by Royal Decree 1777/2004, July 30, article 45.I.B).15 of the Consolidation of the Capital Transfer and Documents Under Seal Tax Act approved by Legislative Royal Decree 1/1993, September 24, additional provision five of Act 3/1994, April 14, and Personal Income Tax Act 35/2006, November 28, partly amending the Corporation, Non-Resident Income and Wealth Tax Acts, the following are the characteristics of the current tax system of the Fund::

- (i) The establishment of the Fund is exempt from the “corporate transactions” item of Capital Transfer and Documents Under Seal Tax.
- (ii) Bond issue, subscription, transfer and repayment are exempt from payment of Value Added Tax and Capital Transfer and Documents Under Seal Tax.
- (iii) The Fund pays Corporation Tax, the taxable income being determined in accordance with the provisions of Title IV of the Corporation Tax Act, applying the general rate in force from time to time, which currently stands at 30%, and subject to common rules regarding tax credit, set-off of losses and other substantial constituent elements of the tax.
- (iv) As for returns on the Pass-Through Certificates, loans or other receivables constituting Fund income, there shall be no Corporation Tax withholding or interim payment obligation.
- (v) The management and custody services provided to the Fund shall be subject to and exempt from Value Added Tax.
- (vi) Assignment of the Mortgage Credit receivables to the Fund by issuing and subscribing for the Pass-Through Certificates is a transaction exempt from and subject to Value Added Tax and Capital Transfer and Documents Under Seal Tax.
- (vii) Fulfilment of the reporting duties established by Additional Provision Two of Financial Intermediary Investment Ratios, Equity and Reporting Duties Act 13/1985, as amended by Act 23/2005, November 18, introducing productivity boosting tax reforms, shall apply to the Fund.

The procedure to satisfy those reporting duties was implemented by Royal Decree 1065/2007, July 27, establishing reporting duties with respect to preferred stock and other debt instruments and certain income obtained by individuals resident in the European Union (“**Royal Decree 1065/2007**”). Royal Decree 1065/2007 entered into force on January 1, 2008.

- (viii) Financial Swap Agreement payments received by the Fund shall pay tax based on the Corporation Tax rules and are not subject to a withholding on account.

#### 4.6 Issuer’s authorised and issued capital.

Not applicable.

### 5. BUSINESS OVERVIEW

#### 5.1 Brief description of the Issuer’s principal activities.

The Fund’s activity is to subscribe for a set of pass-through certificates (the “**Pass-Through Certificates**”) issued by BANKINTER S.A. (“**BANKINTER**”) on mortgage loans and on the first drawdowns of mortgage credits (collectively, the “**Mortgage Credits**”) owned by BANKINTER granted to individuals (the “**Obligors**”) with senior-ranked real estate mortgage security on finished properties (homes, parking spaces, business premises or offices) located in Spain and to issue asset-backed bonds (either the “**Asset-Backed Bonds**” or the “**Bonds**”), the subscription for which is designed to finance the acquisition of the Pass-Through Certificates.

(In this Registration Document and elsewhere in the Prospectus, the term “Mortgage Credits” shall be used in some definitions to generically refer to the Pass-Through Certificates perfecting the assignment of the Mortgage Credit receivables, other than where specific reference is made to the Pass-Through Certificates as such or to the documents representing the same. In addition, that term shall refer to the Mortgage Credit receivables to be assigned by BANKINTER to the Fund.)

Mortgage Credit interest and repayment income received by the Fund shall be allocated quarterly on each Payment Date to Bond interest payment and principal repayment on the specific terms of each series A, B and C (collectively, the “Series” and each one of them individually, the “Series”) making up the Bond Issue and in the order of priority established for Fund payments.

Moreover, the Fund, represented by the Management Company, arranges a number of financial and service transactions in order to consolidate the financial structure of the Fund, enhance the safety or regularity in payment of the Bonds, cover timing differences between the scheduled principal and interest flows on the Mortgage Credits and the Bonds, and, generally, enable the financial transformation carried out in respect of the Fund’s assets between the financial characteristics of the Mortgage Credits and the financial characteristics of each Bond Series.

## 5.2 Global overview of the parties to the securitisation program.

- EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (“EUROPEA DE TITULIZACIÓN”) is the Management Company that will establish, manage and be the authorised representative of the Fund, and has, together with BANKINTER, structured the financial terms of the Fund and the Bond Issue.

EUROPEA DE TITULIZACIÓN is a securitisation fund management company incorporated in Spain and entered in the CNMV’s special register under number 2.

VAT REG. No.: A-805144 66 Business Activity Code No.: 6713

Registered office: calle Lagasca number 120, 28006 Madrid (Spain).

- BANKINTER is the Originator of the Mortgage Credit receivables to be assigned to the Fund upon being established by issuing the Pass-Through Certificates and shall be the Lead Manager and the Bond Issue Subscriber. It shall in addition take on the duties of article 35.3 of the same Royal Decree.

Out of the functions and activities that Lead Managers may discharge in accordance with article 35.1 of Royal Decree 1310/2005, BANKINTER has, together with the Management Company, structured the financial terms of the Fund and the Bond Issue.

Moreover, BANKINTER shall be the Fund’s counterparty under the Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Financial Swap, Mortgage Credit Servicing and Pass-Through Certificate Custody, Bond Paying Agent and Financial Intermediation Agreements.

BANKINTER is a bank incorporated in Spain and entered in the Companies Register of Madrid at volume 14,846, folio 169, section 8, sheet 7766 and in the Bank of Spain’s Special Register of Banks and Bankers under number 30, its code number being 0128.

VAT REG. No.: A28157360 Business Activity Code No.: 65121

Registered office: Paseo de la Castellana number 29, 28046 Madrid (Spain).

Ratings for the short- and long-term unsecured and unsubordinated debt obligations of BANKINTER assigned by rating agencies:

	Fitch Ratings	Moody’s Ratings	S&P Ratings
Short-term	F1 (January 2008)	P-1 (July 2008)	A-1 (February 2008)
Long-term	A+ (January 2008)	Aa3 (July 2008)	A (February 2008)

- Moody's Investors Service España, S.A. is one of the two Rating Agencies rating each Series in the Bond Issue.

Moody's Investors Service España, S.A. is a Spanish company licensed as a rating agency by the CNMV, which is affiliated to and operates in accordance with the methodology, standards and quality control of Moody's Investors Service Limited (each of them "**Moody's**" without distinction).

VAT REG. No.: A-80448475

Registered Office: Bárbara de Braganza number 2, 28004 Madrid (Spain)

- Standard & Poor's España, S.A. is one of the two Rating Agencies rating each Series in the Bond Issue.

Standard & Poor's España, S.A. is a Spanish company licensed as a rating agency by the CNMV, and is affiliated to and operates in accordance with the methodology, standards and quality control of Standard & Poor's Ratings Services (both of them "**S&P**" without distinction).

VAT REG. No.: A-80310824

Registered Office: Marqués de Villamejor number 5 - 1<sup>st</sup> Floor, 28006 Madrid (Spain)

- The law firm RAMÓN & CAJAL ABOGADOS S.L. ("**RAMÓN & CAJAL**") has provided legal advice for establishing the Fund and issuing the Bonds and has reviewed the tax implications thereof.

VAT Reg. Number: B-80340896

Registered Office: Calle Almagro 16-18, 28010 Madrid (Spain)

- PricewaterhouseCoopers Auditores S.L. ("**PRICEWATERHOUSECOOPERS**") has audited certain features and attributes of a sample of all BANKINTER's selected mortgage loans and credits (first drawdowns) from which the Mortgage Credits will be taken to be assigned to the Fund upon being established.

PRICEWATERHOUSECOOPERS is entered in the Official Register of Auditors (ROAC) of Spain under number S0242.

VAT Reg. Number: B-79031290

Registered Office: Paseo de la Castellana number 43 28046 Madrid (Spain)

BANKINTER S.A. has a 1.5623% interest in the share capital of EUROPEA DE TITULIZACIÓN.

No other direct or indirect ownership or controlling interest whatsoever is known to exist between the above-mentioned legal persons involved in the securitisation transaction.

## **6. ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES**

The Management Company, EUROPEA DE TITULIZACIÓN, shall be responsible for managing and being the authorised representative of the Fund on the terms set in Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, and other applicable laws, and on the terms of the Deed of Constitution and of this Prospectus.

### **6.1 Incorporation and registration at the Companies Register.**

EUROPEA DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before Madrid Notary Public Mr Roberto Blanquer Uberos, his document number 117, with the prior authorisation of the Economy and Finance Ministry, given on December 17, 1992, and entered in the Companies Register of Madrid at volume 5,461, book 0, folio 49, section 8, sheet M-89355, entry 1, on March 11,

1993; the company was re-registered as a Securitisation Fund Management Company in accordance with the provisions of chapter II and of the single transitional provision of Royal Decree 926/1998, pursuant to an authorisation granted by a Ministerial Order dated October 4, 1999 and in a deed executed on October 25, 1999 before Madrid Notary Public 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.

EUROPEA DE TITULIZACIÓN has perpetual existence, other than upon the occurrence of any of the events of dissolution provided by the laws and the articles of association.

## 6.2 Audit.

The annual accounts of EUROPEA DE TITULIZACIÓN for the financial years ended on December 31, 2007, 2006 and 2005 have been audited by the firm Deloitte S.L., with place of business at Madrid, and entered in the Official Register of Auditors (ROAC) under number S0692, and have no provisos.

## 6.3 Principal activities.

The exclusive objects of EUROPEA DE TITULIZACIÓN are to establish, manage and be the authorised representative of both asset securitisation funds and mortgage securitisation funds.

EUROPEA DE TITULIZACIÓN manages 93 securitisation funds at the registration date of this Prospectus, 22 being mortgage securitisation funds and 71 being asset securitisation funds.

The following table itemises the 93 securitisation funds managed, giving their date of establishment and the face amount of the bonds issued by those funds and their outstanding principal balances as at September 30, 2008.

Securitisation Fund	Establishment	Initial Bond Issue EUR	Bond Issue Balance 30.09.2008 EUR	Δ%	Bond Issue Balance 31.12.2007 EUR	Δ%	Bond Issue Balance 31.12.2006 EUR
<b>TOTAL</b>		<b>113,305,296,652.96</b>	<b>78,221,677,747.70</b>	<b>13.4%</b>	<b>68,990,485,268.28</b>	<b>65.75%</b>	<b>41,622,450,971.95</b>
<b>Mortgage (FTH)</b>		<b>15,117,046,652.96</b>	<b>7,291,884,148.35</b>	<b>-9.2%</b>	<b>8,032,640,378.73</b>	<b>19.19%</b>	<b>6,739,243,850.52</b>
Bankinter 15 FTH	08.10.2007	1,525,500,000.00	1,426,248,568.50	-6.5%	1,525,500,000.00		
Bankinter 14 FTH	19.03.2007	964,000,000.00	852,023,323.32	-6.4%	910,605,771.09		
Bankinter 12 FTH	06.03.2006	1,200,000,000.00	909,090,764.16	-8.1%	989,229,621.92	-17.6%	1,200,000,000.00
Valencia Hipotecario 2 FTH	07.12.2005	950,000,000.00	648,697,838.65	-9.2%	714,150,188.05	-14.0%	830,584,559.95
Bankinter 11 FTH	28.11.2005	900,000,000.00	677,638,780.88	-8.3%	739,129,526.88	-17.9%	900,000,000.00
Bankinter 7 FTH	18.02.2004	490,000,000.00	246,265,242.02	-8.7%	269,780,744.80	-13.1%	310,601,446.96
Bankinter 5 FTH	16.12.2002	710,000,000.00	299,079,738.99	-11.6%	338,235,796.10	-14.2%	394,326,433.24
BZ Hipotecario 4 FTH	27.11.2002	313,400,000.00	95,847,933.68	-12.2%	109,224,548.96	-18.2%	133,590,667.48
Rural Hipotecario IV FTH	14.11.2002	520,000,000.00	191,016,038.03	-10.4%	213,157,220.89	-15.8%	253,138,797.81
Bancaja 4 FTH	05.11.2002	1,000,000,000.00	313,577,833.20	-11.4%	354,117,610.15	-17.0%	426,542,491.90
Bankinter 4 FTH	24.09.2002	1,025,000,000.00	449,767,261.18	-11.1%	505,642,125.86	-15.0%	594,725,493.56
Rural Hipotecario III FTH	14.05.2002	325,000,000.00	109,785,200.68	-12.2%	125,077,501.09	-17.3%	151,223,912.92
Bankinter 3 FTH	22.10.2001	1,322,500,000.00	468,827,096.81	-12.2%	533,845,866.60	-16.1%	636,195,596.86
BZ Hipotecario 3 FTH	23.07.2001	310,000,000.00	73,366,849.14	-13.1%	84,455,223.08	-19.4%	104,762,637.42
Rural Hipotecario II FTH	29.05.2001	235,000,000.00	60,935,882.80	-13.9%	70,792,127.80	-18.8%	87,231,827.20
BZ Hipotecario 2 FTH	28.04.2000	285,000,000.00	40,591,160.18	-14.3%	47,380,418.96	-22.3%	61,003,530.94
Rural Hipotecario I FTH	22.02.2000	200,000,000.00	34,598,295.02	-16.3%	41,327,704.16	-21.9%	52,894,964.42
Bankinter 2 FTH	25.10.1999	320,000,000.00	78,041,823.55	-16.7%	93,704,625.41	-17.4%	113,458,270.94
Bankinter 1 FTH	12.05.1999	600,000,000.00	105,512,721.18	-11.0%	118,501,046.04	-20.8%	149,656,739.58
BZ Hipotecario 1 FTH	16.04.1999	350,000,000.00	40,329,239.08	-18.4%	49,438,391.72	-22.8%	64,073,530.22
Hipotecario 2 FTH	04.12.1998	1,051,771,182.67	144,500,333.28	-12.9%	165,880,884.18	-24.1%	218,421,786.82
Bancaja 2 FTH	23.10.1998	240,404,841.75	26,142,224.02	-21.9%	33,463,434.99	-25.8%	45,073,251.00
<b>Asset (FTA)</b>		<b>98,188,250,000.00</b>	<b>70,929,793,599.35</b>	<b>16.4%</b>	<b>60,957,844,889.55</b>	<b>74.7%</b>	<b>34,883,207,121.43</b>
PYME Bancaja 7 FTA	10.10.2008	1,100,000,000.00					
Bankinter 4 FTPYME FTA	15.09.2008	400,000,000.00	400,000,000.00				
BBVA-8 FTPYME FTA	21.07.2008	1,100,000,000.00	1,100,000,000.00				
Rural Hipotecario X FTA	25.06.2008	1,880,000,000.00	1,856,614,123.20				
Bankinter Leasing 1 FTA	23.06.2008	400,000,000.00	400,000,000.00				
Bankinter 17 FTA	09.06.2008	1,000,000,000.00	1,000,000,000.00				
BBVA RMBS 5 FTA	26.05.2008	5,000,000,000.00	4,907,825,362.50				

Securitisation Fund	Establishment	Initial Bond Issue EUR	Bond Issue Balance 30.09.2008		Bond Issue Balance 31.12.2007		Bond Issue Balance 31.12.2006 EUR
			EUR	Δ%	EUR	Δ%	
MBS Bancaja 5 FTA	08.05.2008	1,850,000,000.00	1,802,145,840.82				
BBVA Consumo 3 FTA	14.04.2008	975,000,000.00	975,000,000.00				
Bancaja 12 FTA	09.04.2008	2,100,000,000.00	2,060,266,372.48				
Bankinter 16 FTA	10.03.2008	2,043,000,000.00	1,960,972,653.60				
BBVA-7 FTGENCAT FTA	11.02.2008	250,000,000.00	226,936,288.00				
Valencia Hipotecario 4 FTA	21.12.2007	978,500,000.00	935,933,459.34	-4.4%	978,500,000.00		
Ruralpyme 3 FTA	19.12.2007	830,000,000.00	741,033,890.48	-10.7%	830,000,000.00		
BBVA RMBS 4 FTA	19.11.2007	4,900,000,000.00	4,560,683,332.00	-6.9%	4,900,000,000.00		
Bankinter 3 FTPYME FTA	12.11.2007	617,400,000.00	547,313,040.00	-11.4%	617,400,000.00		
BBVA Empresas 1 FTA	05.11.2007	1,450,000,000.00	1,162,395,200.00	-19.8%	1,450,000,000.00		
FTPYME Bancaja 6 FTA	26.09.2007	1,027,000,000.00	766,304,675.00	-21.3%	973,986,053.81		
BBVA RMBS 3 FTA	23.07.2007	3,000,000,000.00	2,789,597,160.00	-4.9%	2,933,975,280.00		
PYME Valencia 1 FTA	20.07.2007	865,300,000.00	400,000,000.00	-48.0%	768,500,284.00		
Bancaja 11 FTA	16.07.2007	2,022,900,000.00	1,862,239,032.00	-5.8%	1,977,845,666.00		
BBVA Leasing 1 FTA	25.06.2007	2,500,000,000.00	2,500,000,000.00	0.0%	2,500,000,000.00		
BBVA-6 FTPYME FTA	11.06.2007	1,500,000,000.00	1,057,386,503.15	-19.7%	1,317,554,103.99		
BBVA Finanzia Autos 1 FTA	30.04.2007	800,000,000.00	800,000,000.00	0.0%	800,000,000.00		
MBS Bancaja 4 FTA	27.04.2007	1,873,100,000.00	1,573,100,000.00	-8.9%	1,727,599,220.00		
Rural Hipotecario IX FTA	28.03.2007	1,515,000,000.00	1,293,615,410.32	-7.7%	1,401,597,880.00		
BBVA RMBS 2 FTA	26.03.2007	5,000,000,000.00	4,252,202,750.00	-7.3%	4,587,025,405.00		
BBVA RMBS 1 FTA	19.02.2007	2,500,000,000.00	2,118,194,840.00	-6.7%	2,270,879,040.00		
Bancaja 10 FTA	26.01.2007	2,631,000,000.00	2,232,994,770.00	-6.2%	2,381,068,878.00		
BBVA Consumo 2 FTA	27.11.2006	1,500,000,000.00	1,500,000,000.00	0.0%	1,500,000,000.00	0.0%	1,500,000,000.00
Ruralpyme 2 FTPYME FTA	24.11.2006	617,050,000.00	425,661,532.40	-14.9%	500,199,171.30	-18.9%	617,050,000.00
Bankinter 13 FTA	20.11.2006	1,570,000,000.00	1,320,499,050.18	-15.9%	1,570,000,000.00	0.0%	1,570,000,000.00
Valencia Hipotecario 3 FTA	15.11.2006	911,000,000.00	721,968,126.93	-7.3%	778,999,823.33	-14.5%	911,000,000.00
BBVA-5 FTPYME FTA	23.10.2006	1,900,000,000.00	1,057,443,233.54	-22.0%	1,354,988,445.36	-28.7%	1,900,000,000.00
PYME Bancaja 5 FTA	02.10.2006	1,178,800,000.00	532,978,595.48	-27.2%	732,026,693.30	-37.9%	1,178,800,000.00
Bankinter 2 PYME FTA	26.06.2006	800,000,000.00	517,406,611.40	-14.1%	602,635,264.80	-24.7%	800,000,000.00
Consumo Bancaja 1 FTA	26.06.2006	612,900,000.00	483,239,606.85	-21.2%	612,900,000.00	0.0%	612,900,000.00
Rural Hipotecario VIII FTA	26.05.2006	1,311,700,000.00	984,475,052.48	-9.1%	1,082,823,864.72	-17.4%	1,311,700,000.00
BBVA Consumo 1 FTA	08.05.2006	1,500,000,000.00	1,330,240,963.50	-11.3%	1,500,000,000.00	0.0%	1,500,000,000.00
MBS BANCAJA 3 FTA	03.04.2006	810,000,000.00	523,517,512.80	-9.2%	576,853,171.20	-17.9%	703,043,514.80
Bancaja 9 FTA	02.02.2006	2,022,600,000.00	1,349,920,950.00	-8.1%	1,468,344,310.00	-15.9%	1,744,997,380.00
BBVA Autos 2 FTA	12.12.2005	1,000,000,000.00	760,176,714.25	-24.0%	1,000,000,000.00	0.0%	1,000,000,000.00
EdT FTPYME Pastor 3 FTA	05.12.2005	520,000,000.00	183,333,020.46	-21.2%	232,785,467.78	-38.9%	380,805,675.83
Rural Hipotecario Global I FTA	18.11.2005	1,078,000,000.00	719,299,571.77	-9.6%	795,789,260.08	-14.6%	932,164,120.79
FTPYME Bancaja 4 FTA	07.11.2005	1,524,000,000.00	392,900,020.00	-36.1%	614,803,420.00	-37.7%	986,887,779.41
BBVA-4 PYME FTA	26.09.2005	1,250,000,000.00	399,519,743.46	-27.5%	550,956,981.29	-55.9%	1,250,000,000.00
Bankinter 10 FTA	27.06.2005	1,740,000,000.00	1,164,413,503.72	-9.0%	1,278,975,488.94	-12.8%	1,466,558,997.10
MBS Bancaja 2 FTA	27.06.2005	809,200,000.00	419,336,038.08	-12.1%	476,949,943.28	-18.5%	585,069,193.36
BBVA Hipotecario 3 FTA	13.06.2005	1,450,000,000.00	681,661,216.66	-18.4%	835,495,733.83	-19.9%	1,042,844,698.00
Rural Hipotecario VII FTA	29.04.2005	1,100,000,000.00	668,988,451.22	-9.1%	735,608,293.92	-13.8%	853,742,668.37
Bancaja 8 FTA	22.04.2005	1,680,100,000.00	931,274,448.05	-9.3%	1,026,987,917.65	-18.1%	1,253,797,200.56
Bankinter 9 FTA	14.02.2005	1,035,000,000.00	682,213,025.56	-9.1%	750,388,699.40	-12.8%	860,813,028.16
BBVA-3 FTPYME FTA	29.11.2004	1,000,000,000.00	297,585,675.97	-28.0%	413,334,243.11	-29.9%	589,349,210.82
Ruralpyme 1 FTPYME FTA	23.11.2004	214,000,000.00	80,175,289.41	-19.4%	99,469,641.03	-25.2%	132,892,833.40
BBVA Autos 1 FTA	25.10.2004	1,000,000,000.00	389,453,810.00	-31.0%	564,298,650.00	-37.1%	897,434,960.00
FTPYME Bancaja 3 FTA	11.10.2004	900,000,000.00	192,483,311.02	-22.9%	249,775,984.80	-33.4%	375,133,008.09
Bancaja 7 FTA	12.07.2004	1,900,000,000.00	890,706,543.02	-10.1%	990,445,484.28	-16.8%	1,190,508,554.06
Rural Hipotecario VI FTA	07.07.2004	950,000,000.00	503,563,990.23	-9.2%	554,652,864.75	-14.8%	651,118,829.40
MBS Bancaja 1 FTA	17.05.2004	690,000,000.00	248,900,617.51	-14.7%	291,929,875.34	-20.9%	369,020,564.16
Valencia H 1 FTA	23.04.2004	472,000,000.00	239,753,344.59	-10.8%	268,739,092.92	-15.2%	316,993,112.58
Bankinter 8 FTA	03.03.2004	1,070,000,000.00	564,526,312.43	-9.7%	625,104,837.56	-12.9%	718,061,846.93
Bancaja 6 FTA	03.12.2003	2,080,000,000.00	775,084,212.24	-11.0%	870,772,845.80	-19.2%	1,077,852,239.88
Rural Hipotecario V FTA	28.10.2003	695,000,000.00	318,586,956.06	-10.5%	356,056,225.36	-14.4%	415,711,778.28
Bankinter 6 FTA	25.09.2003	1,350,000,000.00	708,967,687.70	-9.5%	783,705,979.58	-13.4%	904,534,542.77
FTPYME Bancaja 2 FTA	19.09.2003	500,000,000.00	108,599,821.76	-19.9%	135,575,823.37	-28.7%	190,138,306.78
Bancaja 5 FTA	14.04.2003	1,000,000,000.00	352,913,670.45	-11.0%	396,415,664.95	-17.2%	478,827,993.55
Bancaja 3 FTA	29.07.2002	520,900,000.00	520,900,000.00	0.0%	520,900,000.00	0.0%	520,900,000.00
FTPYME Bancaja 1 FTA	04.03.2002	600,000,000.00	249,908,544.00	-0.8%	252,024,264.00	-1.4%	255,514,370.40
BBVA-2 FTPYME-ICO	01.12.2000	900,000,000.00	63,261,475.20	-35.1%	97,443,577.80	-44.3%	175,048,960.77
BCL Municipios I FTA	21.06.2000	1,205,000,000.00	314,289,200.00	-17.0%	378,681,480.00	-17.6%	459,377,520.00
BBVA-1 FTA	24.02.2000	1,112,800,000.00	76,911,446.08	-32.6%	114,074,593.92	-43.7%	202,614,233.18

#### 6.4 Share capital and equity.

The wholly subscribed for, paid-up share capital amounts to one million eight hundred and three thousand and thirty-seven euros and fifty eurocents (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.

The shares are all in the same class and confer identical political and economic rights.

(EUR)	30.09.2008	Δ%	31.12.2007	Δ%	31.12.2006
<b>Equity *</b>	<b>6,161,104.95</b>	<b>99.05%</b>	<b>3,095,298.97</b>	<b>0.00%</b>	<b>3,095,298.97</b>
Capital	1,803,037.50	0.00%	1,803,037.50	0.00%	1,803,037.50
Reserves	4,358,067.45	237.24%	1,292,261.47	0.00%	1,292,261.47
<i>Legal</i>	360,607.50	0.00%	360,607.50	0.00%	360,607.50
<i>Voluntary</i>	3,997,459.95	329.07%	931,653.97	0.00%	931,653.97
<b>Year's profit</b>	<b>3,070,845.15</b>	<b>0.16%</b>	<b>3,065,805.98</b>	<b>52.95%</b>	<b>1,789,429.69</b>

\* Does not include year's profit

#### 6.5 Existence or not of shareholdings in other companies.

There are no shareholdings in any other company.

#### 6.6 Administrative, management and supervisory bodies.

Under the Articles of Association, the General Shareholders' Meeting and the Board of Directors are entrusted with governing and managing the Management Company. Their duties and authorities are as prescribed for those bodies in the Public Limited Companies Act and in Royal Decree 926/1998, in relation to the objects.

As provided for in the Articles of Association, the Board of Directors has delegated to an Executive Committee all its authorities that may be delegated by law and in accordance with the articles, including resolving to set up Securitisation Funds. There is also a General Manager vested with extensive authorities within the organisation and vis-à-vis third parties.

##### Board of Directors

The Board of Directors has the following membership:

<b>Chairman:</b>	Mr Roberto Vicario Montoya <sup>(*)</sup> <sup>(**)</sup>
<b>Vice-Chairman:</b>	Mr Pedro María Urresti Laca <sup>(**)</sup>
<b>Directors:</b>	Mr Ignacio Echevarría Soriano <sup>(**)</sup>
	Ms Ana Fernández Manrique <sup>(*)</sup> <sup>(**)</sup>
	Mr Mario Masiá Vicente <sup>(*)</sup>
	Mr Justo de Rufino Portillo <sup>(*)</sup> <sup>(**)</sup>
	Mr Borja Uriarte Villalonga on behalf of Bankinter, S.A. Banco Cooperativo Español, S.A. <sup>(1)</sup>

**Non-Director Secretary:** Ms Belén Rico Arévalo

(\*) Member of the Board of Directors' Executive Committee.

(\*\*) Proprietary Directors for BBVA.

(1) The appointment of Banco Cooperativo as Director at the General Shareholders' Meeting held on June 27, 2008 is yet to be notified to the CNMV and entered in the Companies Register.

(2) The resignation of Mr Ignacio Aldonza Goicoechea, Mr Luis Bach Gómez, Mr Jon Bilbao Vidaurrazaga, Mr Vicente J. de Ortueta Monfort, Ms Carmen Pérez de Muniaín Marzana, BNP Paribas España S.A., Citibank España S.A. and Deutsche Bank Credit S.A. and the removal of J.P. Morgan España S.A. as members of the Board of Directors made at the General Shareholders' Meeting held in June 2008 are yet to be entered in the Companies Register.

The business address of the directors of EUROPEA DE TITULIZACIÓN is for these purposes at Madrid, calle Lagasca number 120.

#### **General Manager.**

The Management Company's General Manager is Mr Mario Masiá Vicente.

#### **6.7 Principal activities of the persons referred to in section 6.6 above, performed outside the Management Company where these are significant with respect to the Fund.**

Borja Uriarte Villalonga, International Business and Products Manager at BANKINTER, and BANKINTER's individual representative on the Management Company's Board of Directors, is currently a member of staff of BANKINTER, in turn the Originator of the assets to be pooled in the Fund, the Lead Manager, the Subscriber and the Paying Agent of the Bond Issue and counterparty under the remaining agreements entered into by the Fund, represented by the Management Company.

#### **6.8 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.

#### **6.9 Litigation in the Management Company.**

The Management Company is not involved in any event in the nature of insolvency or in any litigation or actions which might affect its economic and financial position or, in the future, its capacity to discharge its Fund management and administration duties as at the registration date of this Registration Document.

### **7. MAJOR SHAREHOLDERS**

#### **7.1 Statement as to whether the Management Company is directly or indirectly owned or controlled.**

The ownership of shares in the Management Company is distributed among the institutions listed below, specifying the percentage holding of each one:

<b>Name of shareholder company</b>	<b>Holding (%)</b>
Banco Bilbao Vizcaya Argentaria, S.A.	84.4560
J.P. Morgan España, S.A.	4.0000
Bankinter, S.A.	1.5623
Caja de Ahorros del Mediterráneo	1.5420
Banco Sabadell, S.A.	1.5317
Citibank España, S.A.	1.5317
Banco Cooperativo Español, S.A.	0.7812
Deutsche Bank Credit, S.A.	0.7658
Deutsche Bank, S.A.E.	0.7658
Banco Pastor, S.A.	0.7658
Banco de la Pequeña y Mediana Empresa, S.A.	0.7658
BNP Paribas 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
	100.0000

For the purposes of Commercial Code article 42, EUROPEA DE TITULIZACIÓN is a member of Banco Bilbao Vizcaya Argentaria Group.

EUROPEA DE TITULIZACIÓN has established an Internal Code of Conduct in fulfilment of the provisions of Chapter II of Royal Decree 629/1993, May 3, on operating standards in securities markets and mandatory registrations, which has been notified to the CNMV.

**8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFITS AND LOSSES**

**8.1 Statement as to commencement of operations and financial statements of the Issuer as at the date of the Registration Document.**

In accordance with the provisions of section 4.4.2 of this Registration Document, the Fund's operations shall commence on the date of execution of the Deed of Constitution and therefore no financial statement has been prepared as at the date of this Registration Document.

**8.2 Historical financial information where an Issuer has commenced operations and financial statements have been prepared.**

Not applicable.

**8.2 bis Historical financial information for issues of securities having a denomination per unit of at least EUR 50,000.**

Not applicable.

**8.3 Legal and arbitration proceedings.**

Not applicable.

**8.4 Material adverse change in the Issuer's financial position.**

Not applicable.

**9. THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**

**9.1 Statement or report attributed to a person as an expert.**

No statement or report is included.

**9.2 Information sourced from a third party.**

No information is included.

**10. DOCUMENTS ON DISPLAY**

**10.1 Documents on display.**

If necessary, the following documents or copies thereof shall be on display during the period of validity of this Registration Document:

- a) the Deed of Constitution of the Fund;



- b) the transcripts of Management Company's and the Originator's corporate resolutions;
- c) this Prospectus;
- d) the audit report on certain features and attributes of a sample of all BANKINTER's selected mortgage loans and credits (first drawdowns) from which the Mortgage Credits will be taken to be assigned to the Fund upon being established;
- e) the Rating Agencies' letters notifying the provisional and final ratings assigned to each Series in the Bond Issue;
- f) the letter from BANKINTER taking responsibility, with the Management Company, for the Securities Note;
- g) the notarial certificate of payment of the Bond Issue, once the Bond Issue is paid up;
- h) the Management Company's annual accounts and the relevant audit reports; and
- i) the Management Company's articles of association and memorandum of association.

Those documents are physically on display at the registered office of EUROPEA DE TITULIZACIÓN at Madrid, calle Lagasca number 120.

Moreover, the Prospectus can also be accessed at the website of EUROPEA DE TITULIZACIÓN, at [www.edt-sg.com](http://www.edt-sg.com), and of the CNMV at [www.cnmv.es](http://www.cnmv.es).

The Deed of Constitution of the Fund is physically on display at the place of business of Iberclear in Madrid, Plaza de la Lealtad number 1.

In addition, the documents listed in a) to g) are on display at the CNMV.

## **SECURITIES NOTE**

**(Annex XIII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)**

### **1 PERSONS RESPONSIBLE**

#### **1.1 Persons responsible for the information given in the Securities Note.**

Mr Mario Masiá Vicente, acting for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, the company sponsoring BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS, takes responsibility for the contents of this Securities Note (including the Building Block).

Mr Mario Masiá Vicente, General Manager of the Management Company using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and January 28, 2000, is expressly acting for establishing the Fund pursuant to authorities conferred by the Board of Directors' Executive Committee in a resolution dated October 16, 2008.

Mr Lázaro de Lázaro Torres, duly authorised for these presents, for and on behalf of BANKINTER, S.A., Lead Manager of the Bond Issue by BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS, takes responsibility for the contents of this Securities Note (including the Building Block).

Mr Lázaro de Lázaro Torres is acting as attorney-in-fact for the Lead Manager using the authorities conferred by the Board of Directors at its meeting held on June 14, 2006.

#### **1.2 Declaration by those responsible for the Securities Note.**

Mr Mario Masiá Vicente declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Securities Note (including the Building Block) is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

Mr Lázaro de Lázaro Torres declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Securities Note (including the Building Block) is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

### **2 RISK FACTORS**

The Bond Issue is made with the intention of being fully subscribed for by the Originator in order to have liquid assets available which may be used as security for Eurosystem transactions or be sold in the market, and, consequently, the terms of the Bond Issue are not an estimate of the prices at which those instruments could be sold in the secondary market or of the Eurosystem's valuations in due course for the purpose of using them as security instruments in its lending transactions to the banking system.

The other risk factors linked to the securities are described in paragraph 2 of the section Risk Factors of this Prospectus.

The risk factors linked to the assets backing the issue are described in section 3 of Risk Factors of this Prospectus.

### 3 KEY INFORMATION

#### 3.1 Interest of natural and legal persons involved in the offer.

The identity of the legal persons involved in the offer and direct or indirect shareholdings between them are detailed in section 5.2 of the Registration Document. Their interest as persons involved in the offer of the Bond Issue are as follows:

- a) EUROPEA DE TITULIZACIÓN is the Fund Management Company.
- b) BANKINTER and EUROPEA DE TITULIZACIÓN have structured the financial terms of the Fund and the Bond Issue.
- c) BANKINTER is the Originator of the Mortgage Credit receivables by issuing the Pass-Through Certificates to be pooled in the Fund represented by the Management Company.
- d) BANKINTER is the Lead Manager and the Bond Issue Subscriber.
- e) BANKINTER is involved as Paying Agent of the Bond Issue and shall be the Fund's counterparty under the Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Financial Swap, Mortgage Credit Servicing and Pass-Through Certificate Custody, Bond Paying Agent and Financial Intermediation Agreements.
- f) PRICEWATERHOUSECOOPERS has audited certain features and attributes of a sample of all of BANKINTER's selected mortgage loans and credits (first drawdowns) from which the Mortgage Credits will be taken to be assigned to the Fund upon being established.
- g) Moody's and S&P are the Rating Agencies that have rated each Bond Series.
- h) RAMÓN & CAJAL have provided legal advice for establishing the Fund and the Bond issue and have reviewed the tax implications thereof.

The description of the institutions referred to in the preceding paragraphs is contained in section 5.2 of the Registration Document.

The Management Company represents that the summary descriptions of those agreements, contained in the relevant sections, which it shall enter into, for and on the Fund's behalf, give the most substantial and relevant information on each of the agreements, and no information has been omitted which might affect the contents of the Prospectus.

### 4 INFORMATION CONCERNING THE SECURITIES TO BE OFFERED AND ADMITTED TO TRADING.

#### 4.1 Total amount of the securities.

The total face value and cash amount of the issue of Asset-Backed Bonds (the "**Bond Issue**") is EUR one billion five hundred million (1,500,000,000.00), consisting of fifteen thousand (15,000) Bonds denominated in euros, distributed into three Series as follows:

- a) Series A having a total face amount of EUR one billion four hundred and four million seven hundred thousand (1,404,700,000.00) comprising fourteen thousand and forty-seven (14,047) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A**" or "**Series A Bonds**").
- b) Series B having a total face amount of EUR sixty-five million three hundred thousand (65,300,000.00) comprising six hundred and fifty-three (653) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series B**" or "**Series B Bonds**").

- c) Series C having a total face amount of EUR thirty million (30,000,000.00) comprising three hundred (300) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either “**Series C**” or “**Series C Bonds**”).

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

The Bonds are issued at 100 percent of their face value. The issue price of the Bonds in each Series 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 inherent in the Bond Issue shall be borne by the Fund.

#### **4.1.1 Subscription for the Bond Issue.**

The Bond Issue shall be subscribed for by BANKINTER (the “**Subscriber**”) under the management and subscription agreement (the “**Bond Issue Management and Subscription Agreement**”) to be entered into by the Management Company for and on behalf of the Fund.

BANKINTER shall be involved in the Bond Issue as Lead Manager. BANKINTER shall receive no fee whatsoever for either managing or subscribing for Bond Issue.

The Bond Issue Management and Subscription Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each Series as final ratings by November 12, 2008.

#### **4.2 Description of the type and class of the securities.**

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 and implementing regulations.

#### **4.3 Legislation under which the securities have been created.**

The establishment of the Fund and the Bond Issue are subject to Spanish Law and in particular are carried out in accordance with the legal system provided for by (i) Royal Decree 926/1998 and implementing regulations, (ii) Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, (iii) Additional Provision Five of Act 3/1994, as currently worded, (iv) the Securities Market Act and applicable implementing regulations, (v) Regulation 809/2004, (vi) Royal Decree 1310/2005, (vii) Act 2/1981, as worded by Act 41/2007, and its implementing regulations (“**Act 2/1981**”), and (viii) all other legal and statutory provisions in force and applicable from time to time.

The Deed of Constitution, the Bond Issue and the service provision and financial risk cover transaction agreements on behalf of the Fund shall be subject to Spanish Law and be governed by and construed in accordance with Spanish laws.

All matters, disagreements, actions and claims arising out of the Management Company establishing, managing and being the authorised representative of BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond Issue by the same shall be referred to the Courts and Tribunals of the city of Madrid.

#### **4.4 Indication as to whether the securities are in registered or bearer form and whether the securities are in certificated or book-entry form.**

The Bonds issued by the Fund will be exclusively represented by means of book entries, and will become such Bonds when entered at Iberclear, the institution in charge of the accounting record, in accordance with article 11 of Book Entries and Stock Exchange Transaction Clearing and Settlement Royal Decree 116/1992, February 14 (“**Royal Decree 116/1992**”). In this connection, and for the record, the Deed of Constitution shall have the effects prescribed by article 6 of the Securities Market Act.

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A. (“**Iberclear**”), with place of business at Plaza de la Lealtad, no. 1, Madrid, shall be the institution designated in the Deed of Constitution to account for the Bonds in order for the Bonds to be cleared and settled in accordance with the operating rules regarding securities admitted to trading on the AIAF and represented by means of book entries, established now or henceforth by Iberclear or AIAF.

Bondholders shall be identified as such when entered in the accounting record kept by the members of Iberclear.

#### **4.5 Currency of the issue.**

The Bonds shall be denominated in Euros.

#### **4.6 Ranking of the securities.**

Series B Bond interest payment and principal repayment is deferred with respect to Series A Bonds, other than as set out in section 4.9.3.5 of this Securities Note in connection with the Conditions for Pro Rata Amortisation of Series A, B and C principal, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

Series C Bond interest payment and principal repayment is deferred with respect to Series A and Series B Bonds, other than as set out in section 4.9.3.5 of this Securities Note in connection with the Conditions for Pro Rata Amortisation of Series A, B and C principal, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

##### **4.6.1 Simple reference to the order number of Bond interest payment in each Series in the Fund priority of payments.**

Payment of interest accrued by Series A Bonds is (i) third (3<sup>rd</sup>) in the application of Available Funds in the Priority of Payments established in section 3.4.6.2.1.2 of the Building Block, and (ii) fourth (4<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Payment of interest accrued by Series B Bonds is (i) fourth (4<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section 3.4.6.2.1.2 of the Building Block, other than in the event provided for in that same section for the same to be deferred, in which case it shall be seventh (7<sup>th</sup>), and (ii) sixth (6<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Payment of interest accrued by Series C Bonds is (i) fifth (5<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section 3.4.6.2.1.2 of the Building Block, other than in the event provided for in that same section for the same to be deferred, in which case it shall be eighth (8<sup>th</sup>), and (ii) eighth (8<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

##### **4.6.2 Simple reference to the order number of Bond principal repayment in each Series in the Fund priority of payments.**

The Amortisation Withholding amount designed for amortising Series A, B and C Bonds as a whole without distinction between those Series is sixth (6<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in section 3.4.6.2.1.2 of the Building Block.

Repayment of Bond principal in each Series shall take place in accordance with the rules for Distribution of Available Funds for Amortisation contained in section 4.9.3.5 of this Securities Note.

Repayment of Series A Bond principal is fifth (5<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Repayment of Series B Bond principal is seventh (7<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Repayment of Series C Bond principal is ninth (9<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

#### **4.7 Description of the rights attached to the securities.**

The economic and financial rights for Bondholders associated with acquiring and holding the Bonds shall be, for each Series, as derived from the terms as to interest rate, yields and redemption terms on which they are to be issued and given in sections 4.8 and 4.9 of this Securities Note. In accordance with the laws in force for the time being, the Bonds subject of this Securities Note shall vest the investor acquiring the same in no present and/or future political rights in and to the Fund.

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against Mortgage Credit Obligors who may have defaulted on their payment obligations or against the Originator. Any such rights shall lie with the Management Company, representing the Fund.

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against the Fund or against the Management Company in the event of non-payment of amounts due by the Fund resulting from the existence of Mortgage Credit default or prepayment, a breach by the Originator of its obligations or by the counterparties to the transactions entered into for and on behalf of the Fund, or shortfall of the financial hedging transactions for servicing the Bonds in each Series.

Bondholders and all other creditors of the Fund shall have no recourse against the Management Company other than as derived from a breach of its duties or inobservance of the provisions of this Prospectus and of the Deed of Constitution. Those actions shall be resolved in the relevant ordinary declaratory proceedings depending on the amount claimed.

All matters, disagreements, actions and claims arising out of the Management Company establishing, managing and being the authorised representative of BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond Issue by the same shall be heard and ruled upon by the Courts and Tribunals of the city of Madrid.

#### **4.8 Nominal interest rate and provisions relating to interest payable.**

##### **4.8.1 Bond nominal interest rate.**

The Bonds in each Series shall, from the Closing Date until they mature fully, accrue yearly nominal interest, variable and payable quarterly, which shall be the result of applying the policies established hereinafter for each Series.

The resultant yearly nominal interest rate (the “**Nominal Interest Rate**”) for each Series shall be payable quarterly in arrears on each Payment Date on the Outstanding Principal Balance of the Bonds in each Series on the preceding Determination Date, provided that the Fund has sufficient liquidity in the Priority of Payments or in the Liquidation Priority of Payments, as the case may be.

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

##### **4.8.1.1 Interest accrual.**

For interest accrual purposes, the duration of each Bond Series shall be divided into successive interest accrual periods (the “**Interest Accrual Periods**”) comprising the exact number of days elapsed between every two consecutive Payment Dates, 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 exact number of days elapsed between the Closing Date, November 13, 2008, inclusive, and the first Payment Date, January 23, 2009, exclusive.

The Nominal Interest Rate shall accrue on the exact number of days in each Interest Accrual Period for which it was determined, calculated based upon a 360-day year.

#### 4.8.1.2 **Nominal Interest Rate.**

The Nominal Interest Rate applicable to the Bonds in each Series and determined for each Interest Accrual Period shall be the result of adding:

- (i) the Reference Rate, as established in the following section, and
- (ii) a margin for each Series as follows:
  - **Series A:** 0.30% margin.
  - **Series B:** 0.50% margin.
  - **Series C:** 0.70% margin.

The resultant Nominal Interest Rate shall be expressed as a percentage rounded to the nearest thousandth of a whole number or rounded up to the nearest one where the differences of rounding up or down to the nearest thousandths are identical.

#### 4.8.1.3 **Reference Rate and determining the same.**

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

- i) Other than for the first Interest Accrual Period, three- (3-) month Euribor, “Euro Interbank Offered Rate”, calculated and distributed by the BRIDGE financial information system under an FBE (“Fédération Bancaire de l’Union Européene”) mandate, fixed at 11am (CET or “Central European Time”) on the Interest Rate Fixing Date described below, which is currently published on electronic pages EURIBOR01 supplied by Reuters, and 248 supplied by Dow Jones Markets (Bridge Telerate), or any other page taking their stead in providing these services.

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the result of a straight-line interpolation between two- (2-) month Euribor and three- (3-) month Euribor, fixed at 11am (CET) on the second Business Day preceding the Closing Date, 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:

$$IR = [(D-60)/30) \times E3] + [(1-((D-60)/30)) \times E2]$$

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.

E2 = Two- (2-) month Euribor.

Euribor definitions approved by the FBE and the Financial Markets Association (ACI) supplementing the current definition of Euribor shall be considered included for the purpose of the Euribor Reference Rate without having to amend these Reference Rate terms or have the Management Company notify Bondholders.

- ii) In the event that the Euribor 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 interbank offered interest rates for non-transferable three- (3-) month deposit transactions in euros in an amount equivalent to the Outstanding Principal Balance of the Bond Issue,

declared by four (4) prime banks in the Euro zone, following a simultaneous request to each of their headquarters by the Paying Agent as soon as possible after 11am (CET) on the Interest Rate Fixing Date.

Exceptionally, the substitute Reference Rate for the first Interest Accrual Period shall be the rate resulting from a straight-line interpolation between the interest rate resulting from finding the simple arithmetic mean of interbank offered interest rates for non-transferable two- (2-) month deposit transactions in euros and the interest rate resulting from finding the simple arithmetic mean of interbank offered interest rates for non-transferable three- (3-) month deposit transactions in euros, both in an amount equivalent to the face amount of the Bond Issue, declared by the banks as provided for in the preceding paragraph, following a simultaneous request to each of their headquarters by the Paying Agent as soon as possible after 11am (CET) on the second Business Day preceding the Closing Date.

The substitute Reference Rate shall be expressed as a percentage rounded to the nearest thousandth of a percentage point or rounded up to the nearest point where the differences of rounding up or down to the nearest thousandths are identical.

- iii) If the rates established in i) and ii) above should not be available or be impossible to obtain, the last Reference Rate or substitute Reference Rate applied to the next preceding Interest Accrual Period shall apply, and so on for subsequent Interest Accrual Periods whilst matters remain the same. For the first Interest Accrual Period, that interpolation would be made taking the latest two- (2-) month Euribor and three- (3-) month Euribor available immediately before 11am (CET) on the second Business Day preceding the Closing Date, calculated and distributed as described in (i) above.

On each Interest Rate Fixing Date, the Paying Agent shall notify the Management Company of the Reference Rate determined in accordance with paragraphs i) and ii) above. The Management Company shall keep the listings and supporting documents on which the Paying Agent shall notify it the Reference Rate determined.

#### 4.8.1.4 Interest Rate Fixing Date.

The Management Company shall, for and on behalf of the Fund, determine the Nominal Interest Rate applicable to each Bond Series for every Interest Accrual Period as provided for in sections 4.8.1.2 and 4.8.1.3 above, on the second Business Day preceding each Payment Date (the “**Interest Rate Fixing Date**”), and it will apply for the following Interest Accrual Period.

Exceptionally, the Management Company shall determine the Nominal Interest Rate of the Bonds in each Series for the first Interest Accrual Period as provided for in sections 4.8.1.2 and 4.8.1.3 above, on the second Business Day preceding the Closing Date, and shall notify the same in writing on the same day to the Subscriber. The Management Company will also notify this to the CNMV, the Paying Agent, AIAF and Iberclear.

The nominal interest rates determined for each Bond Series for subsequent Interest Accrual Periods shall be communicated to Bondholders within the deadline and in the manner for which provision is made in section 4.1.1.a) of the Building Block.

#### 4.8.1.5 Formula for calculating interest.

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

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

Where:

*I* = Interest payable on a given Payment Date.

*P* = Outstanding Principal Balance of the Bonds in the Series on the Determination Date preceding that Payment Date.



$R$  = Nominal Interest Rate of the Series expressed as a yearly percentage.

$d$  = Exact number of days in each Interest Accrual Period.

#### 4.8.2 Dates, place, institutions and procedure for paying interest.

Interest on the Bonds in all Series will be paid until they are finally amortised by Interest Accrual Periods in arrears on January 23, April 23, July 23 and October 23 in each year, or the following Business Day if any of those is not a Business Day (each of those dates, a "**Payment Date**"), and interest for the then-current Interest Accrual Period will accrue until said first Business Day, not inclusive, on the terms established in section 4.8.1.2 of this Securities Note.

The first interest Payment Date for the Bonds in each Series shall be January 23, 2009, and interest will accrue at the applicable Nominal Interest Rate between the Closing Date, November 13, 2008, inclusive, and January 23, 2009, exclusive.

In this Bond Issue, business days ("**Business Days**") shall be deemed to be all days other than a:

- public holiday in the city of Madrid, or
- non-business day in the TARGET calendar (Trans European Automated Real-Time Gross Settlement Express Transfer System) or TARGET 2 calendar.

Both interest resulting for Bondholders in each Series and the amount, if any, of interest accrued and not paid, shall be notified to Bondholders as described in section 4.1.1.a) of the Building Block, at least one (1) calendar day in advance of each Payment Date.

Bond interest accrued shall be paid on each Payment Date provided that the Fund has sufficient liquidity to do so in the Priority of Payments or in the Liquidation Priority of Payments, as the case may be.

In the event that on a Payment Date the Fund should be unable to make full or partial payment of interest accrued on the Bonds in any Series, in the Priority of Payments, unpaid interest amounts shall accumulate on the following Payment Date to interest on that Series, if any, payable 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 shortfall of Available Funds.

Overdue interest amounts shall not earn additional or late-payment interest and shall not be accumulated to the Outstanding Principal Balance of the Bonds in the relevant Series.

The Fund, through its Management Company, may not defer Bond interest payment beyond January 23, 2052, the Final Maturity Date, or the following Business Day if that is not a Business Day.

The Bond Issue shall be serviced through the Paying Agent, to which end the Management Company shall, for and on behalf of the Fund, enter into a Paying Agent Agreement with BANKINTER, as established in section 5.2.1 of this Securities Notes.

#### 4.9 Maturity date and amortisation of the securities.

##### 4.9.1 Bond redemption price.

The redemption price of the Bonds in each Series shall be EUR one hundred thousand (100,000) per Bond, equivalent to 100 percent of their face value, payable as established in section 4.9.2 below.

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 Bond.

#### **4.9.2 Characteristics specific to the amortisation of each Bond Series.**

##### **4.9.2.1 Amortisation of Series A Bonds.**

Series A Bond principal shall be amortised by partial amortisation on each Payment Date after Bond amortisation begins 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, in accordance with the rules for Distribution of Available Funds for Amortisation given in section 4.9.3.5 below, prorated between the Bonds in Series A proper by reducing the face amount of each Series A Bond.

The first partial amortisation of Series A Bonds shall occur on the first Payment Date, January 23, 2009, in accordance with the rules for Distribution of Available Funds for Amortisation.

Final amortisation of Series A Bonds shall occur on the Final Maturity Date (January 23, 2052 or the following Business Day if that is not a Business Day), notwithstanding full amortisation before that date due to the partial amortisation for which provision is made, and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to Early Amortisation of the Bond Issue before the Final Maturity Date.

##### **4.9.2.2 Amortisation of Series B Bonds.**

Series B Bond principal shall be amortised by partial amortisation on each Payment Date after Bond amortisation begins 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 in accordance with the rules for Distribution of Available Funds for Amortisation given in section 4.9.3.5 below, prorated between the Bonds in Series B proper by reducing the face amount of each Series B Bond.

The first partial amortisation of Series B Bonds shall occur once Series A Bonds have been fully amortised. However, even if Series A has not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied for Series B in accordance with the rules for Distribution of Available Funds for Amortisation, in such a way that the ratio of the Outstanding Principal Balance of Series B to the Outstanding Principal Balance of the Bond Issue remains at 8.707%, or higher percentage closest thereto.

Final amortisation of Series B Bonds shall occur on the Final Maturity Date (January 23, 2052 or the following Business Day if that is not a Business Day), notwithstanding full amortisation before that date due to the partial amortisation for which provision is made, and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to Early Amortisation of the Bond Issue before the Final Maturity Date.

##### **4.9.2.3 Amortisation of Series C Bonds.**

Series C Bond principal shall be amortised by partial amortisation on each Payment Date after Bond amortisation begins 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 in accordance with the rules for Distribution of Available Funds for Amortisation given in section 4.9.3.5 below, prorated between the Bonds in Series C proper by reducing the face amount of each Series C Bond.

The first partial amortisation of Series C Bonds shall occur once Series A and Series B Bonds have been fully amortised. However, even if Series A and Series B have not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series C on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied for Series C in accordance with the rules for Distribution of Available Funds for Amortisation, in such a way that the ratio of the Outstanding Principal Balance of Series C to the Outstanding Principal Balance of the Bond Issue remains at 4.000%, or higher percentage closest thereto.

Final amortisation of Series C Bonds shall occur on the Final Maturity Date (January 23, 2052 or the following Business Day if that is not a Business Day), notwithstanding full amortisation before that date due to the partial amortisation for which provision is made, and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to Early Amortisation of the Bond Issue before the Final Maturity Date.

#### 4.9.3 **Common characteristics applicable to the amortisation of the Bonds in each Series.**

Irrespective of the Final Maturity Date and subject to Early Amortisation of the Bond Issue in the event of Early Liquidation of the Fund, the Fund shall, through its Management Company, proceed to amortise the Bonds in each Series in accordance with the specific amortisation terms for each of those Series established in sections 4.9.2.1 to 4.9.2.3 of this Securities Note and on the terms described hereinafter in this section common to all three Series.

##### 4.9.3.1 **Determination Dates and Determination Periods.**

Determination dates will be the dates falling on the fourth (4<sup>th</sup>) Business Day preceding each Payment Date (the “**Determination Dates**”) on which the Management Company shall, on Fund’s behalf, make all necessary calculations to distribute or withhold the Available Funds and the Available Funds for Amortisation which the Fund shall avail of on the relevant Payment Date, in the Priority of Payments. The first Determination Date shall be January 19, 2009.

Determination periods (the “**Determination Periods**”) shall be periods comprising the exact number of days elapsed between every two consecutive Determination Dates, each Determination Period excluding the beginning Determination Date and including the ending Determination Date. Exceptionally:

- (i) the duration of the first Determination Period shall be equal to the days elapsed between date of establishment of the Fund, inclusive, and the first Determination Date, January 19, 2009, inclusive, and
- (ii) the duration of the last Determination Period shall be equal to the days elapsed a) until the Final Maturity Date or the date on which Early Liquidation of the Fund concludes, as provided for in section 4.4.3 of the Registration Document, on which the Pass-Through Certificates and the assets remaining in the Fund have been liquidated and all Liquidation Available Funds have been distributed in the Liquidation Priority of Payments of the Fund, b) from the Determination Date preceding the Payment Date preceding the date referred to in a), including the first date but not including the last date.

##### 4.9.3.2 **Outstanding Principal Balance of the Bonds.**

The outstanding principal balance (the “**Outstanding Principal Balance**”) of a Series shall be the sum of the principal pending repayment (outstanding balance) on a given date of all the Bonds in that Series.

By addition, the outstanding principal balance of the Bond Issue (the “**Outstanding Principal Balance of the Bond Issue**”) shall be the sum of the Outstanding Principal Balance of all three Series A, B and C making up the Bond Issue.

##### 4.9.3.3 **Outstanding Balance of the Mortgage Credits.**

The outstanding balance (the “**Outstanding Balance**”) of a Mortgage Credit shall be the sum of the capital or principal not yet due and the capital or principal due and not paid into the Fund on the specific Mortgage Credit at a date.

The outstanding balance of the Mortgage Credits (the “**Outstanding Balance of the Mortgage Credits**”) at a date shall be the sum of the Outstanding Balance of each and every one of the Mortgage Credits at that date.

Delinquent mortgage credits (“**Delinquent Mortgage Credits**”) shall be deemed to be Mortgage Credits with a period of arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Mortgage Credits. Non-delinquent mortgage credits (“**Non-Delinquent Mortgage Credits**”) shall be deemed to be Mortgage Credits that are not deemed to be either Delinquent Mortgage Credits or Doubtful Mortgage Credits. The possible deferment of payment of instalments referred to in section 2.2 (ii) of the Building Block shall not be considered arrears in payment of Mortgage Credit amounts due.

Doubtful mortgage credits (“**Doubtful Mortgage Credits**”) shall be deemed to be Mortgage Credits with a period of arrears at a date equal to or greater than eighteen (18) months in payment of overdue amounts or classified as bad debts by the Management Company because there are reasonable doubts as to their

full repayment. Non-doubtful mortgage credits (“**Non-Doubtful Mortgage Credits**”) shall be deemed to be Mortgage Credits that are not deemed to be Doubtful Mortgage Credits at a date. The possible deferment of payment of instalments referred to in section 2.2 (ii) of the Building Block shall not be considered arrears in payment of Mortgage Credit amounts due.

#### 4.9.3.4 **Amortisation Withholding and Available Funds for Amortisation on each Payment Date.**

On each Payment Date, the Available Funds shall be used in sixth (6<sup>th</sup>) place in the order of application of payments for withholding the amount designed for amortising the Bonds without distinguishing between the different Series (“**Amortisation Withholding**”), in an amount equal to the positive difference, if any, at the Determination Date preceding the relevant Payment Date, between (i) the Outstanding Principal Balance of the Bond Issue, and (ii) the Outstanding Balance of Non-Doubtful Mortgage Credits.

Depending on the liquidity existing on each Payment Date, the amount actually applied of the Available Funds to Amortisation Withholding shall constitute the available funds for amortisation (the “**Available Funds for Amortisation**”) and be applied in accordance with the rules for Distribution of Available Funds for Amortisation established hereinafter in section 4.9.3.5 below.

#### 4.9.3.5 **Distribution of the Available Funds for Amortisation.**

The Available Funds for Amortisation shall be applied on each Payment Date to amortising each Series, subject to the following rules (“**Distribution of Available Funds for Amortisation**”):

1. The Available Funds for Amortisation shall be sequentially applied firstly to amortising Series A until fully amortised, secondly to amortising Series B until fully amortised, and thirdly to amortising Series C until fully amortised, subject to the provisions of rules 2 and 3 below for pro rata amortisation of Series A, B and C.
2. There shall be no exception and, even if Series A has not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B and, as the case may be, Series C on the Payment Date on which the following circumstances are satisfied for amortising each of these Series (“**Conditions for Pro Rata Amortisation**”):
  - a) In order to amortise Series B, that on the Determination Date preceding the relevant Payment Date:
    - i) the Outstanding Principal Balance of Series B is equal to or greater than 8.707% of the Outstanding Principal Balance of the Bond Issue, and
    - ii) the Outstanding Balance of Delinquent Mortgage Credits does not exceed 1.25% of the Outstanding Balance of Non-Doubtful Mortgage Credits.
  - b) In order to amortise Series C, that on the Determination Date preceding the relevant Payment Date:
    - i) the Outstanding Principal Balance of Series C is equal to or greater than 4.000% of the Outstanding Principal Balance of the Bond Issue, and
    - ii) the Outstanding Balance of Delinquent Mortgage Credits does not exceed 1.00% of the Outstanding Balance of Non-Doubtful Mortgage Credits.
  - c) Additionally, in order to amortise Series B and, as the case may be, Series C:
    - i) that the Required Cash Reserve amount is fully provisioned on the relevant Payment Date, and
    - ii) that on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of the Mortgage Credits is equal to or greater than 10 percent of the initial Outstanding Balance of the Mortgage Credits upon the Fund being established.

3. In the event that the amortisation of Series B and, as the case may be, Series C should apply on a Payment Date as provided for in rule 2 above, the Available Funds for Amortisation shall also be applied to amortising Series B and, as the case may be, to amortising Series C in such a way that the ratio of the Outstanding Principal Balance of Series B and, as the case may be, the Outstanding Principal Balance of Series C to the Outstanding Principal Balance of the Bond Issue respectively remain at 8.707% and at 4.000%, or higher percentages closest thereto.

#### 4.9.4 **Early Amortisation of the Bond Issue.**

Subject to the Fund's obligation, through its Management Company, to proceed to final amortisation of the Bonds on the Final Maturity Date or amortisation of each Series before the Final Maturity Date, the Management Company shall be authorised to proceed, as the case may be, to Early Liquidation of the Fund and hence Early Amortisation of the entire Bond Issue in the Early Liquidation Events and subject to the requirements established in section 4.4.3 of the Registration Document and subject to the Liquidation Priority of Payments.

#### 4.9.5 **Final Maturity Date.**

The Final Maturity Date and consequently final amortisation of the Bonds shall be on January 23, 2052 or the following Business Day if that 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 4.9.2 to 4.9.4 of this Securities Note, proceeding to amortise any or all Series in the Bond Issue before the Final Maturity Date. Final amortisation of the Bonds on the Final Maturity Date shall be made subject to the Liquidation Priority of Payments.

#### 4.10 **Indication of yield.**

The average life, yield, term and final maturity of the Bonds in each Series depend on several factors, most significant among which are the following:

- i) The repayment schedule and system of each Mortgage Credit established in the relevant agreements.
- ii) The Obligors' capacity to prepay the Mortgage Credits in whole or in part and the aggregate prepayment pace throughout the life of the Fund. In this sense, Mortgage Credit prepayments by Obligors, subject to continual changes, and estimated in this Prospectus using several performance assumptions of the future effective constant annual early amortisation or prepayment rate (hereinafter also "CPR"), are very significant and shall directly affect the pace at which the Bonds are amortised, and therefore their average life and duration.
- iii) The floating interest rates which shall apply to each Mortgage Credit, resulting in the repayment amount on every instalment differing, notwithstanding their potential renegotiation to a fixed rate.
- iv) The Obligors' delinquency and default in payment of Mortgage Credit instalments.

The following assumed values have been used for the above-mentioned factors in calculating the amounts given in the tables contained in this section:

- Mortgage Credit interest rate: 5.28% weighted average interest rate as at October 2, 2008 of the portfolio of selected mortgage loans and credits (first drawdowns) which has been used for calculating the repayment instalments and interest of each of the selected mortgage loans and credits (first drawdowns);
- Mortgage Credit portfolio delinquency: 0.47% of the Outstanding Balance of the Mortgage Credits - BANKINTER's mortgage delinquency rate at September 2008-, 0.40% being recovered, with 100% recoveries within 18 months of becoming delinquent, and the remaining 0.07% becoming doubtful from April 2010, with 90% recoveries within 18 months of becoming doubtful;

- that the Mortgage Credit prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is November 13, 2008; and
- that there is no extension of the term of any of the selected mortgage loans and credits (first drawdowns) and no repayment and interest exclusion periods are established for the selected mortgage credits (first drawdowns).

The actual adjusted life and the yield or return on the Bonds will also depend on their interest rate, which floats. The following nominal interest rates are assumed for each Series for the first Interest Accrual Period, resulting from a straight-line interpolation bearing in mind the number of days in the first Interest Accrual Period between 2-month Euribor (4.655%) and 3-month Euribor (4.733%) as at November 3, 2008 and the margins set for each Series in accordance with section 4.8.1.2 of this Securities Note:

	<b>Series A Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
<b>Nominal interest rate</b>	4.984%	5.184%	5.384%

For subsequent Interest Accrual Periods, the floating interest rate of the Bonds in each Series is assumed to be constant as follows, resulting from 3-month Euribor (4.733%) as at November 3, 2008 and the same margins for each Series:

	<b>Series A Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
<b>Nominal interest rate</b>	5.033%	5.233%	5.433%

The weighted average interest rate of the mortgage loans and credits (first drawdowns) selected as at October 2, 2008, as detailed in section 2.2.2.g) of the Building Block, is 5.28%, which is above the 5.00% weighted average interest rate of the Bonds for the first Interest Accrual Period.

#### 4.10.1 Estimated average life, yield or return, duration and final maturity of the Bonds.

Assuming that the Management Company shall exercise the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option provided in section 4.4.3.1(i) of the Registration Document when the Outstanding Balance of the Mortgage Credits is less than 10% of their initial Outstanding Balance upon the Fund being established, the average life, return (IRR) for the Bond subscriber, duration and final maturity of the Bonds for different CPRs, would be as follows:

<b>% CPR:</b>	<b>6.00%</b>	<b>8.00%</b>	<b>10.00%</b>
<b>Series A</b>			
<b>Average life (years)</b>	8.99	7.55	6.46
<b>IRR</b>	5.200%	5.200%	5.200%
<b>Duration (years)</b>	6.24	5.47	4.85
<b>Final maturity</b>	23 07 2030	23 07 2027	23 01 2025
<b>(in years)</b>	21.70	18.70	16.21
<b>Series B</b>			
<b>Average life (years)</b>	15.06	12.75	10.95
<b>IRR</b>	5.411%	5.411%	5.411%
<b>Duration (years)</b>	9.67	8.64	
<b>Final maturity</b>	23 07 2030	23 07 2027	23 01 2025
<b>(in years)</b>	21.70	18.70	16.21

<b>% CPR:</b>	<b>6.00%</b>	<b>8.00%</b>	<b>10.00%</b>
	<b>Series C</b>		
<b>Average life (years)</b>	15.06	12.75	10.95
<b>IRR</b>	5.622%	5.622%	5.622%
<b>Duration (years)</b>	9.52	8.52	7.65
<b>Final maturity</b>	23 07 2030	23 07 2027	23 01 2025
<b>(in years)</b>	21.70	18.70	16.21

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

- Whereas CPRs are assumed to be constant respectively at 6.00%, 8.00% and 10.00% throughout the life of the Bond Issue, as explained above actual prepayment changes continually.
- The Outstanding Principal Balance of the Bonds on each Payment Date and hence interest payable on each such dates shall depend on actual Mortgage Credit prepayment, delinquency and default rates.
- Whereas Bond nominal interest rates are assumed to be constant for each Series from the second Interest Accrual Period, the interest rate in all Series is known to be variable.
- The assumed values referred to at the beginning of this section 4.10 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 Credits is less than 10% of the Initial Outstanding Balance upon the Fund being set up, as provided in section 4.4.3 of the Registration Document.
- In this scenario, the Conditions for Pro Rata Amortisation apply.
- These are all reasonable assumptions based on the historical performance of the mortgage loans and credits (first drawdowns) granted by BANKINTER to individuals.

**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 Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
<b>TOTALS</b>	<b>100,000.00</b>	<b>45,851.01</b>	<b>145,851.01</b>	<b>100,000.00</b>	<b>79,908.81</b>	<b>179,908.81</b>	<b>100,000.00</b>	<b>82,963.22</b>	<b>182,963.22</b>
13/11/2008									
23/01/2009	1,286.12	982.96	2,269.08	0.00	1,022.40	1,022.40	0.00	1,061.84	1,061.84
23/04/2009	2,150.99	1,242.07	3,393.06	0.00	1,308.25	1,308.25	0.00	1,358.25	1,358.25
23/07/2009	2,135.13	1,228.50	3,363.64	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
23/10/2009	2,118.75	1,214.54	3,333.29	0.00	1,337.32	1,337.32	0.00	1,388.43	1,388.43
25/01/2010	2,085.84	1,213.10	3,298.94	0.00	1,366.39	1,366.39	0.00	1,418.62	1,418.62
23/04/2010	2,021.29	1,110.01	3,131.30	0.00	1,279.18	1,279.18	0.00	1,328.07	1,328.07
23/07/2010	2,012.77	1,122.13	3,134.90	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
25/10/2010	2,000.02	1,132.67	3,132.69	0.00	1,366.39	1,366.39	0.00	1,418.62	1,418.62
24/01/2011	1,967.00	1,071.08	3,038.07	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
25/04/2011	1,902.94	1,046.05	2,948.99	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
25/07/2011	1,885.60	1,021.84	2,907.44	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
24/10/2011	1,867.45	997.86	2,865.31	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
23/01/2012	1,834.76	974.10	2,808.85	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
23/04/2012	1,789.21	950.75	2,739.96	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
23/07/2012	1,758.56	927.99	2,686.55	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
23/10/2012	1,740.88	915.57	2,656.45	0.00	1,337.32	1,337.32	0.00	1,388.43	1,388.43
23/01/2013	1,711.31	893.18	2,604.49	0.00	1,337.32	1,337.32	0.00	1,388.43	1,388.43
23/04/2013	1,658.18	852.23	2,510.41	0.00	1,308.25	1,308.25	0.00	1,358.25	1,358.25
23/07/2013	1,642.00	840.60	2,482.60	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
23/10/2013	1,624.79	828.72	2,453.51	0.00	1,337.32	1,337.32	0.00	1,388.43	1,388.43
23/01/2014	1,596.07	807.82	2,403.89	0.00	1,337.32	1,337.32	0.00	1,388.43	1,388.43
23/04/2014	1,544.58	770.18	2,314.76	0.00	1,308.25	1,308.25	0.00	1,358.25	1,358.25
23/07/2014	1,527.69	759.09	2,286.78	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
23/10/2014	1,510.18	747.78	2,257.95	0.00	1,337.32	1,337.32	0.00	1,388.43	1,388.43
23/01/2015	1,483.92	728.35	2,212.27	0.00	1,337.32	1,337.32	0.00	1,388.43	1,388.43
23/04/2015	1,437.08	693.85	2,130.93	0.00	1,308.25	1,308.25	0.00	1,358.25	1,358.25
23/07/2015	1,421.37	683.28	2,104.65	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
23/10/2015	1,404.78	672.50	2,077.28	0.00	1,337.32	1,337.32	0.00	1,388.43	1,388.43
25/01/2016	1,378.65	668.66	2,047.31	0.00	1,366.39	1,366.39	0.00	1,418.62	1,418.62
25/04/2016	1,343.29	629.78	1,973.07	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
25/07/2016	1,317.33	612.69	1,930.02	0.00	1,322.79	1,322.79	0.00	1,373.34	1,373.34
24/10/2016	1,165.16	595.93	1,761.09	1,998.60	1,322.79	3,321.39	1,998.60	1,373.34	3,371.95
23/01/2017	1,114.46	581.11	1,695.57	2,391.15	1,296.35	3,687.50	2,391.15	1,345.89	3,737.05
24/04/2017	1,078.68	566.93	1,645.61	2,314.38	1,264.72	3,579.10	2,314.38	1,313.06	3,627.43
24/07/2017	1,066.47	553.21	1,619.67	2,288.17	1,234.10	3,522.27	2,288.17	1,281.27	3,569.44
23/10/2017	1,052.16	539.64	1,591.80	2,257.47	1,203.84	3,461.31	2,257.47	1,249.85	3,507.32
23/01/2018	1,030.35	532.04	1,562.38	2,210.68	1,186.88	3,397.56	2,210.68	1,232.24	3,442.92
23/04/2018	994.00	507.50	1,501.51	2,132.70	1,132.15	3,264.85	2,132.70	1,175.42	3,308.12
23/07/2018	978.59	500.50	1,479.08	2,099.62	1,116.52	3,216.14	2,099.62	1,159.19	3,258.81
23/10/2018	967.12	493.41	1,460.53	2,075.02	1,100.71	3,175.74	2,075.02	1,142.78	3,217.80
23/01/2019	949.75	480.97	1,430.72	2,037.75	1,072.96	3,110.72	2,037.75	1,113.97	3,151.72
23/04/2019	919.62	458.57	1,378.18	1,973.09	1,022.98	2,996.07	1,973.09	1,062.08	3,035.17
23/07/2019	908.07	451.96	1,360.03	1,948.33	1,008.25	2,956.57	1,948.33	1,046.78	2,995.11
23/10/2019	896.36	445.25	1,341.61	1,923.20	993.27	2,916.47	1,923.20	1,031.23	2,954.43
23/01/2020	878.28	433.72	1,312.00	1,884.40	967.55	2,851.95	1,884.40	1,004.53	2,888.93
23/04/2020	855.40	417.83	1,273.23	1,835.31	932.11	2,767.42	1,835.31	967.73	2,803.04
23/07/2020	838.54	406.95	1,245.49	1,799.15	907.83	2,706.98	1,799.15	942.53	2,741.68
23/10/2020	826.73	400.63	1,227.37	1,773.81	893.75	2,667.56	1,773.81	927.90	2,701.71
25/01/2021	809.88	398.48	1,208.36	1,737.64	888.94	2,626.58	1,737.64	922.91	2,660.55
23/04/2021	784.70	363.08	1,147.78	1,683.63	809.97	2,493.60	1,683.63	840.93	2,524.55
23/07/2021	774.01	365.48	1,139.48	1,660.68	815.31	2,475.99	1,660.68	846.47	2,507.15
25/10/2021	763.18	367.35	1,130.53	1,637.45	819.50	2,456.95	1,637.45	850.82	2,488.27
24/01/2022	747.07	345.92	1,092.99	1,602.89	771.68	2,374.58	1,602.89	801.18	2,404.07
25/04/2022	722.35	336.41	1,058.77	1,549.86	750.48	2,300.34	1,549.86	779.16	2,329.02
25/07/2022	711.33	327.22	1,038.56	1,526.21	729.98	2,256.19	1,526.21	757.88	2,284.09
24/10/2022	698.24	318.17	1,016.41	1,498.11	709.79	2,207.91	1,498.11	736.92	2,235.03
23/01/2023	680.07	309.29	989.37	1,459.14	689.97	2,149.12	1,459.14	716.34	2,175.49
24/04/2023	654.57	300.64	955.21	1,404.42	670.67	2,075.09	1,404.42	696.31	2,100.72
24/07/2023	640.66	292.31	932.97	1,374.58	652.10	2,026.68	1,374.58	677.02	2,051.60
23/10/2023	632.60	284.16	916.76	1,357.28	633.91	1,991.19	1,357.28	658.14	2,015.42
23/01/2024	621.24	279.15	900.39	1,332.92	622.73	1,955.65	1,332.92	646.53	1,979.45
23/04/2024	605.97	268.21	874.18	1,300.14	598.33	1,898.46	1,300.14	621.19	1,921.33
23/07/2024	594.59	260.50	855.09	1,275.74	581.13	1,856.87	1,275.74	603.34	1,879.08
23/10/2024	586.46	255.71	842.17	1,258.28	570.45	1,828.73	1,258.28	592.26	1,850.53
23/01/2025	575.57	248.17	823.74	1,234.91	553.63	1,788.54	1,234.91	574.79	1,809.70
23/04/2025	558.41	235.53	793.95	1,198.11	525.44	1,723.55	1,198.11	545.52	1,743.63
23/07/2025	550.61	231.05	781.66	1,181.37	515.43	1,696.80	1,181.37	535.12	1,716.50
23/10/2025	541.64	226.50	768.15	1,162.13	505.29	1,667.42	1,162.13	524.60	1,686.73
23/01/2026	530.08	219.54	749.62	1,137.32	489.75	1,627.07	1,137.32	508.47	1,645.78
23/04/2026	513.82	208.10	721.91	1,102.43	464.22	1,566.65	1,102.43	481.97	1,584.39
23/07/2026	505.64	203.87	709.51	1,084.87	454.80	1,539.67	1,084.87	472.18	1,557.05
23/10/2026	496.45	199.61	696.06	1,065.17	445.29	1,510.46	1,065.17	462.31	1,527.48
25/01/2027	485.60	197.42	683.02	1,041.88	440.41	1,482.29	1,041.88	457.25	1,499.13
23/04/2027	470.08	178.85	648.93	1,008.60	398.98	1,407.57	1,008.60	414.22	1,422.82
23/07/2027	461.78	178.96	640.74	990.77	399.24	1,390.00	990.77	414.49	1,405.26
25/10/2027	448.83	178.79	627.63	963.00	398.86	1,361.86	963.00	414.10	1,377.10
24/01/2028	432.42	167.38	599.79	927.78	373.39	1,301.17	927.78	387.66	1,315.44
24/04/2028	412.77	161.88	574.65	885.63	361.12	1,246.75	885.63	374.92	1,260.55
24/07/2028	396.85	156.63	553.48	851.47	349.40	1,200.88	851.47	362.76	1,214.23
23/10/2028	390.52	151.58	542.10	837.88	338.14	1,176.02	837.88	351.06	1,188.95
23/01/2029	383.41	148.22	531.63	822.64	330.65	1,153.29	822.64	343.29	1,165.93
23/04/2029	372.40	140.17	512.57	799.01	312.70	1,111.71	799.01	324.65	1,123.66
23/07/2029	367.05	136.99	504.04	787.52	305.61	1,093.13	787.52	317.29	1,104.81
23/10/2029	361.62	133.78	495.39	775.87	298.43	1,074.30	775.87	309.84	1,085.71







#### 4.11 Representation of security holders.

No syndicate of bondholders will be set up for the securities included in this Bond Issue.

On the terms provided for in article 12 of Royal Decree 926/1998, it is the Management Company's duty, as the manager of third-party portfolios, to represent and enforce the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors. Consequently, the Management Company shall make its actions conditional on their protection and observe the provisions established for that purpose from time to time.

#### 4.12 Resolutions, authorisations and approvals for issuing the securities.

##### a) Corporate resolutions.

###### ***Resolution to set up the Fund and issue the Bonds:***

At a meeting held on October 16, 2008, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN resolved that:

- i) BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS be set up in accordance with the legal system for which provision is made in Royal Decree 926/1998 and in Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, and all other legal and statutory provisions in force and applicable from time to time.
- ii) Pass-through certificates issued by BANKINTER on loans and the first drawdowns of credit facility agreements owned by BANKINTER granted to individuals with senior-ranked real estate mortgage security on properties located in Spain, be pooled in the Fund, in accordance with the provisions of Mortgage Market Regulation Act 2/1981, March 25 ("Act 2/1981") and Additional Provision Five of Act 3/1994, as they are currently worded.
- iii) The Bonds be issued by the Fund.

###### ***Resolution to assign mortgage loans and credits by issuing pass-through certificates:***

At a meeting held on June 14, 2006, the Board of Directors of BANKINTER resolved that the assignment of loans and credits and the issue of pass-through certificates to be subscribed for by one or several Securitisation Funds be authorised.

##### b) Registration by the CNMV.

There is a condition precedent for the Fund to be established and the Bonds to be issued that this Prospectus and all other supporting documents be entered in the Official Registers of the CNMV, in accordance with the provisions of article 5.1.e) of Royal Decree 926/1998.

This Prospectus regarding the establishment of the Fund and issue of the Bonds has been entered in the CNMV's Official Registers.

##### c) Execution of the Fund public deed of constitution.

Once the CNMV has registered this Prospectus, the Management Company shall, with the presence of BANKINTER, as Originator of the Mortgage Credit receivables by issuing the Pass-Through Certificates, proceed to execute on November 10, 2008 a public deed whereby BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BANKINTER will issue and the Fund will subscribe for the Pass-Through Certificates, and the Fund will issue the Asset-Backed Bonds, on the terms provided for in article 6 of Royal Decree 926/1998.

The Management Company represents that the contents of the Deed of Constitution shall match the draft Deed of Constitution it has submitted to the CNMV and the terms of the Deed of Constitution shall at no event contradict, change, alter or invalidate the regulations contained in this Prospectus.

The Management Company shall submit a copy of the Deed of Constitution to the CNMV to be entered in the Official Registers by November 12, 2008.

**4.13 Issue date of the securities.**

The Bond issue date shall be November 10, 2008, the date of establishment of the Fund.

**4.13.1 Potential investors to whom the Bonds are offered.**

The Bond Issue shall be fully subscribed for by BANKINTER.

**4.13.2 Bond Issue subscription payment method and dates.**

The Subscriber shall subscribe for the Bond Issue on November 12, 2008 and pay to the Fund by 2pm (CET) on November 13, 2008 (the “**Closing Date**”), for same day value, the issue price comprising the face value of all the Bonds subscribed for.

**4.14 Restrictions on the free transferability of the securities.**

There are no restrictions on the free transferability of the Bonds. They may be freely transferred by any means admissible at Law and in accordance with the rules of the AIAF market where they will be traded. A transfer in the accounts (book entry) 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.

**5 ADMISSION TO TRADING AND DEALING ARRANGEMENTS.**

**5.1 Market where the securities will be traded.**

In fulfilment of the provisions of article 2.3 of Royal Decree 926/1998, the Management Company shall, once the Bonds have been paid up, apply for this Bond Issue to be listed on AIAF Mercado de Renta Fija (“**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, and a regulated market, as contained in the Annotated List of Regulated Markets and Additional Provisions under the Investment Services Directive 93/22, published in the Official Journal of the European Communities on March 1, 2008. The Management Company undertakes to do whatever may be necessary in order that definitive admission to trading is achieved not later than one month after the Closing Date.

The Management Company expressly represents that it is aware of 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 end of the one-month period referred to in the first paragraph of this section, the Bonds should not be admitted to trading on the AIAF, the Management Company shall forthwith proceed to notify Bondholders thereof, moreover advising of the reasons resulting in such breach, using the extraordinary notice procedure provided for in section 4.1.2 of the Building Block. This shall be without prejudice to the Management Company being held to be contractually liable, as the case may be, if the delay is for reasons attributable to the same.

## **5.2 Paying agents and depository agents.**

### **5.2.1 Paying Agent of the Bond Issue.**

The Bond Issue will be serviced through BANKINTER as Paying Agent. Interest payment and repayments shall be notified to Bondholders in the events and in such advance as may be provided for each case in section 4.1.1 of the Building Block. Interest payment and repayments shall be made to Bondholders by the relevant members and to the latter in turn by Iberclear, the institution responsible for the accounting record.

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER into a paying agent agreement to service the Bond Issue, the most significant terms of which are given in section 3.4.7.2 of the Building Block.

## **6 EXPENSE OF THE OFFERING AND OF ADMISSION TO TRADING.**

The expected expenses deriving from setting up the Fund and issue and admission to trading of the Bond Issue are EUR five hundred and eleven thousand and twenty (511,020.00). These expenses include, inter alia, the initial Management Company fee, notary's fees, rating and legal advice fees, CNMV fees, AIAF and Iberclear fees, Prospectus translation and printing expenses.

## **7 ADDITIONAL INFORMATION.**

### **7.1 Statement of the capacity in which the advisors connected with the issue mentioned in the Securities Note have acted.**

RAMÓN & CAJAL, as independent advisers, have provided legal advice for establishing the Fund and the Bond issue and have reviewed the tax implications thereof.

BANKINTER and EUROPEA DE TITULIZACIÓN have structured the financial terms of the Fund and of the Bond Issue.

### **7.2 Other information in the Securities Note which has been audited or reviewed by auditors.**

Not applicable.

### **7.3 Statement or report attributed to a person as an expert.**

PRICEWATERHOUSECOOPERS has audited the selected mortgage loans and credits (first drawdowns) and specifically certain features and attributes of a sample of all of BANKINTER's selected mortgage loans and credits (first drawdowns) on the terms set forth in section 2.2 of the Building Block and has audited BANKINTER's annual accounts for the year ended as of December 31, 2005 and previous years.

### **7.4 Information sourced from a third party.**

Within its duties to verify the information contained in this Prospectus, the Management Company has received confirmation from BANKINTER as to the truthfulness of the characteristics of BANKINTER as Originator, of the Mortgage Credits and of the Pass-Through Certificates given in section 2.2.8 of the Building Block, and of the remaining information on BANKINTER, on the Mortgage Credits and on the Pass-Through Certificates given in this Prospectus.

In the Deed of Constitution of the Fund, BANKINTER shall reaffirm to the Management Company the fulfilment of those characteristics on the date on which the Fund is established.

The Management Company confirms that the information from BANKINTER on the mortgage loans and credits (first drawdowns) from which the Mortgage Credits will be taken has been accurately reproduced and, to the best of its knowledge and ability to determine based on that information provided by BANKINTER, no fact has been omitted which might result in the information reproduced being inaccurate or deceptive.

#### **7.5 Credit ratings assigned to the securities by rating agencies.**

On November 4, 2008, Moody's and S&P have assigned the following provisional ratings to each Bond Series, and expects to assign the same final ratings by November 12, 2008.

<b>Bond Series</b>	<b>Moody's Rating</b>	<b>S&amp;P Rating</b>
Series A	Aaa	AAA
Series B	Aa3	A
Series C	A2	BBB

If the Rating Agencies should not confirm any of the assigned provisional ratings as final, this circumstance would forthwith be notified to the CNMV and be publicised in the manner for which provision is made in section 4.1.2.2 of the Building Block. Furthermore, this circumstance would result in the establishment of the Fund, the Bond Issue and the issue of and subscription for the Pass-Through Certificates terminating, as provided for in section 4.4.4.(v) of the Registration Document.

#### **Rating considerations.**

The ratings assigned to each Bond Series by Moody's measure the expected loss before the Final Maturity Date. In Moody's opinion, the structure allows timely interest and principal payment during the life of the transaction and, in any event, before the Final Maturity Date.

Moody's ratings only measure credit risks inherent in the transaction; other risk types which may materially impact investors' return are not measured.

The ratings assigned to each Bond Series by S&P are an opinion as to the Fund's ability to pay interest on a timely basis and pay principal throughout the life of the transaction and, in any event, before the Final Maturity Date.

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 in 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.

In carrying on the rating and monitoring process, the Rating Agencies rely on the accuracy and wholeness of the information they are provided by BANKINTER, the Management Company and PRICEWATERHOUSECOOPERS as auditors of certain features and attributes of a sample of the selected mortgage loans and credits (first drawdowns), as well as the legal opinion issued by RAMÓN & CAJAL upon the Fund being established.

The ratings take into account the structure of the Bond Issue, the legal aspects thereof and of the issuing Fund, the characteristics of the selected mortgage loans and credits (first drawdowns) whose receivables shall be mostly assigned to the Fund and the regularity and continuity of the operating flows.

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 be notified to both the CNMV and Bondholders, in accordance with the provisions of section 4.1 of the Building Block.

## **SECURITIES NOTE BUILDING BLOCK**

**(Annex VIII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)**

### **1. SECURITIES**

#### **1.1 Minimum denomination of the issue.**

The Fund shall be set up by pooling the Mortgage Credit Pass-Through Certificates which BANKINTER shall issue to be subscribed for by the Fund upon being established and their total principal or capital shall be equal to or slightly above EUR one billion five hundred million (1,500,000,000.00), the face value amount of the Bond Issue.

#### **1.2 Confirmation that the information relating to an undertaking or obligor not involved in the issue has been reproduced.**

Not applicable.

### **2. UNDERLYING ASSETS**

#### **2.1 Confirmation that the securitised assets have capacity to produce funds to service any payments due and payable on the securities.**

In accordance with the information supplied by the Originator on the Mortgage Credits, the Management Company confirms that, based on their contractual characteristics, the flows of principal, interest and any other amounts generated by the securitised Mortgage Credit receivables allow the payments due and payable on the Bonds issued to be distinctly satisfied.

Nevertheless, in order to cover for potential defaults on payment by the Obligors of the securitised Mortgage Credits, a number of credit enhancement transactions have been arranged allowing the amounts payable on the Bonds in each Series to be covered to a different extent and mitigating interest risk due to the different terms of the interest clauses of the Mortgage Credits and of the Bonds in each Series. In exceptional circumstances, the enhancement transactions could actually fall short. The credit enhancement transactions are described in sections 3.4.2, 3.4.3, 3.4.4 and 3.4.7 of this Building Block.

Not all the Bonds issued have the same risk of default. Hence the credit ratings assigned by the Rating Agencies to the Bonds in each Series, detailed in section 7.5 of the Securities Note.

Upon the occurrence of a (i) substantial alteration or permanent financial imbalance of the Fund due to any event or circumstance whatsoever unrelated to the Fund's operations or (ii) default indicating a serious permanent imbalance in relation to any of the Bonds issued or any unsubordinated credit or suggesting that it will occur, the Management Company may proceed to Early Liquidation of the Fund and thereby Early Amortisation of the Bond Issue on the terms laid down in section 4.4.3 of the Registration Document.

#### **2.2 Assets backing the issue.**

The receivables to be pooled in the Fund, represented by the Management Company, upon being established, shall exclusively consist of the Pass-Through Certificates issued by BANKINTER on the Mortgage Credits (loans and first drawdowns under credit facility agreements granted by BANKINTER to individuals for buying or renovating homes or other purposes, with senior-ranked real estate mortgage security on finished properties -homes, parking spaces, business premises or offices- located in Spain).

Part of the Mortgage Credits are first drawdowns under credit facility agreements in which the credit limit is equivalent to the first drawdown amount (the "**First Drawdown**") and allow the obligor or borrower to make subsequent drawdowns subject to certain limits as to minimum and maximum amount and provided however that the total sum of subsequent drawdowns shall at all times be less than or equal to the part repaid on the first drawdown. Subsequent drawdowns other than the First Drawdown are not the subject of



an assignment upon the issue of the Pass-Through Certificates pooled in the Fund, although they share the mortgage security with the subsequent drawdowns under those mortgage credit facility agreements. BANKINTER may freely and unilaterally refuse new drawdowns requested under each of those mortgage credit facility agreements. The maximum term of each subsequent drawdown shall be the lower of ten years and the term to the maturity date of the First Drawdown.

Moreover, the contract terms of the mortgage credit facilities provide in respect of the First Drawdown the possibility of agreeing with the obligor or borrower to:

- (i) Extend the date of maturity on the terms provided for in section 2.2.4.1 of this Building Block.
- (ii) Establish or suppress repayment and interest exclusion periods, subject to the following limitations:
  - a) During the first ten years and after the first three years from the date of execution of the public deed recording the mortgage credit facility, possibility of reducing not more than three monthly payments, consecutively or otherwise, per annum, up to not more than twelve payments during that period, and
  - b) From the tenth year and for each ten-year period during the term of the transaction, the possibility of reducing not more than three monthly payments, consecutively or otherwise, per annum, up to not more than 12 payments during that period.
  - c) The obligor or borrower shall be in good standing in respect of all payments accrued and shall not be in breach of any of the duties described in the public deed recording the credit facility.

Interest accrued on the capital outstanding upon a request for reduction of payments being made shall be fully collected with the first instalment after the repayment exclusion period.

The portfolio of selected mortgage loans and credits (first drawdowns) from which the Mortgage Credits will be taken to be assigned to the Fund upon being established comprises 11,003 mortgage loans and credits (first drawdowns), the outstanding principal as at October 2, 2008 being EUR 1,655,631,059.12.

Of the portfolio of selected mortgage loans and credits (first drawdowns), 97.04%, in terms of outstanding principal, is financing granted by BANKINTER to individual obligors residing in Spain. The remaining 2.96% of the portfolio of selected mortgage loans and credits (first drawdowns), in terms of outstanding principal, is financing granted by BANKINTER to individual obligors not resident in Spain.

***Audit of the assets securitised through the Fund.***

PRICEWATERHOUSECOOPERS have audited the aforementioned selected mortgage loans and credits (first drawdowns).

That audit was made using sampling techniques consisting of analysing a number of mortgage loans and credits (first drawdowns) fewer -sample- than the full selection of mortgage loans and credits (first drawdowns) (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative attributes regarding the sample mortgage loans and credits (first drawdowns) and specifically regarding: origination of the loan or credit and the mortgage, nature of the loan or credit and the borrower, identification of the borrower or obligor, date of origination of the loan or credit and initial drawdown, due date of the loan or of the first credit drawdown, initial amount of the loan or credit, current balance of the loan or credit, reference rate or benchmark index, interest rate spread, interest rate applied, mortgaged property, address of the mortgaged property, appraisal value, ratio of the current balance of the loan or credit to the appraisal value, mortgage security, arrears in payment, damage insurance and loan transfer. Mortgage loans and credits (first drawdowns) in respect of which errors are detected in verifying the sample shall not be included by BANKINTER for issuing the Pass-Through Certificates.

The audit results shall be set out in a report prepared by PRICEWATERHOUSECOOPERS.

## 2.2.1 Legal jurisdiction by which the pool of assets is governed.

The securitised assets are governed by Spanish Law.

## 2.2.2 Description of the general characteristics of the obligors and the economic environment, as well as global statistical data referred to the securitised assets.

### a) Number of mortgage loans and credits (first drawdowns) and their amount or outstanding balance at present.

The portfolio of selected mortgage loans and credits (first drawdowns) from which the Mortgage Credits backing the issue of the Pass-Through Certificates shall be taken, comprises 11,003 mortgage loans and credits (first drawdowns), the outstanding principal as at October 2, 2008 being EUR 1,655,631,059.12.

### b) Information as to number and distribution of the obligors of the selected mortgage loans and credits (first drawdowns).

The following table gives the concentration of the ten obligors weighing most in the portfolio of selected mortgage loans and credits (first drawdowns) as at October 2, 2008.

Selected mortgage loans and credits (first drawdowns) portfolio at 2/10/2008				
Classification by Obligor				
	Loans		Outstanding principal	
		%	(EUR)	%
Obligor 1	1	0.01	1,000,000.00	0.06
Obligor 2	1	0.01	1,000,000.00	0.06
Obligor 3	1	0.01	975,437.93	0.06
Obligor 4	1	0.01	923,205.57	0.06
Obligor 5	1	0.01	909,977.98	0.05
Obligor 6	1	0.01	895,198.55	0.05
Obligor 7	1	0.01	892,577.70	0.05
Obligor 8	1	0.01	890,891.55	0.05
Obligor 9	1	0.01	878,878.50	0.05
Obligor 10	1	0.01	857,936.83	0.05
Rest: 10,937 Obligor	10,993	99.91	1,646,406,954.51	99.44
<b>Total: 10,947 obligors</b>	<b>11,003</b>	<b>100.00</b>	<b>1,655,631,059.12</b>	<b>100.00</b>

The outstanding principal of each obligor is the result of the sum of the outstanding principal of each of the selected mortgage loans and credits (first drawdowns) granted to a same obligor.

### c) Information regarding distribution of selected mortgage loans and credits (first drawdowns).

The following table gives the distribution of the outstanding principal of the mortgage loans and credits (first drawdowns).

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008				
	Loans / Credits		Outstanding principal	
	No.	%	(EUR)	%
Mortgage loans	8,643	78.55	1,288,403,550.09	77.82
Mortgage credits (first drawdown)	2,360	21.45	367,227,509.03	22.18
<b>Total</b>	<b>11,003</b>	<b>100.00</b>	<b>1,655,631,059.12</b>	<b>100.00</b>

**d) Information regarding type of property mortgaged as security for the selected mortgage loans and credits (first drawdowns).**

The following table gives the distribution by type of property mortgaged as security for the selected mortgage loans and credits (first drawdowns). In the case of mortgage loans and credits (first drawdowns) with several mortgaged properties, the type of property having the highest appraisal value has been taken.

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008				
Classification by type of mortgaged property				
Type of mortgaged property	Loans / Credits		Outstanding principal	
		%	(EUR)	%
Homes	10,533	95.73	1,615,227,993.08	97.56
Parking spaces	3	0.03	142,440.20	0.01
Business premises	442	4.02	37,726,562.04	2.28
Offices	25	0.23	2,534,063.80	0.15
<b>Total</b>	<b>11,003</b>	<b>100.00</b>	<b>1,655,631,059.12</b>	<b>100.00</b>

In addition to mortgage security, 10.34% of the selected mortgage loans and credits (first drawdowns). In terms of outstanding principal, include third-party personal guarantees.

**e) Information regarding purpose of the selected mortgage loans and credits (first drawdowns).**

The following table gives the various purposes of the selected mortgage loans and credits (first drawdowns).

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008				
	Loans / Credits		Outstanding principal	
		%	(EUR)	%
Buying a home	7,663	69.64	1,269,317,979.42	76.67
Renovating a home	360	3.27	24,803,240.48	1.50
Retail	372	3.38	38,334,108.87	2.32
Investments	270	2.45	27,711,318.42	1.67
Other	2,338	21.25	295,464,411.93	17.84
<b>Total</b>	<b>11,003</b>	<b>100.00</b>	<b>1,655,631,059.12</b>	<b>100.00</b>

**f) Information regarding outstanding principal of the selected mortgage loans and credits (first drawdowns).**

The outstanding principal of the selected mortgage loans and credits (first drawdowns) as at October 2, 2008 ranges between EUR 5,117.67 and EUR 1,000,000.00.

The following table gives the distribution of the outstanding principal of the selected mortgage loans and credits (first drawdowns) by EUR 50,000.00 intervals. No details are given for intervals without contents.

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008				
Classification by outstanding principal				
Outstanding principal interval (in EUR)	Loans / Credits		Outstanding principal	
	No.	%	(EUR)	%
0.00 - 49,999.99	2,186	19.87	75,953,886.87	4.59
50,000.00 - 99,999.99	2,089	18.99	147,955,730.71	8.94
100,000.00 - 149,999.99	1,847	16.79	236,197,785.76	14.27
150,000.00 - 199,999.99	1,903	17.30	334,851,557.54	20.23
200,000.00 - 249,999.99	1,316	11.96	295,299,867.85	17.84

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008				
Classification by outstanding principal				
Outstanding principal interval (in EUR)	Loans / Credits		Outstanding principal (EUR)	
	No.	%		%
250,000.00 - 299,999.99	768	6.98	210,588,608.25	12.72
300,000.00 - 349,999.99	415	3.77	134,486,014.70	8.12
350,000.00 - 399,999.99	207	1.88	77,549,829.64	4.68
400,000.00 - 449,999.99	85	0.77	36,019,704.06	2.18
450,000.00 - 499,999.99	73	0.66	34,399,017.17	2.08
500,000.00 -- 549,999.99	33	0.30	17,339,500.49	1.05
550,000.00 -- 599,999.99	22	0.20	12,799,879.05	0.77
600,000.00 - 649,999.99	25	0.23	15,612,176.56	0.94
650,000.00 - 699,999.99	11	0.10	7,443,982.21	0.45
700,000.00 - 749,999.99	7	0.06	5,106,747.47	0.31
750,000.00 - 799,999.99	3	0.03	2,320,255.90	0.14
800,000.00 - 849,999.99	3	0.03	2,482,410.28	0.15
850,000.00 - 899,999.99	5	0.05	4,415,483.13	0.27
900,000.00 - 949,999.99	2	0.02	1,833,183.55	0.11
950,000.00 - 999,999.99	1	0.01	975,437.93	0.06
1,000,000.00 - 1,049,999.99	2	0.02	2,000,000.00	0.12
<b>Total</b>	<b>11,003</b>	<b>100.00</b>	<b>1,655,631,059.12</b>	<b>100.00</b>
	<b>Average principal:</b>		<b>150,470.88</b>	
	<b>Minimum principal:</b>		<b>5,117.67</b>	
	<b>Maximum principal:</b>		<b>1,000,000.00</b>	

**g) Information regarding applicable nominal interest rates.**

The nominal interest rates applicable to the selected mortgage loans and credits (first drawdowns) as at October 2, 2008 range between 4.53% and 7.86%, the average nominal interest rate weighted by the outstanding principal being 5.28%.

The following table gives the distribution of the mortgage loans and credits (first drawdowns) by 0.25% nominal interest rate intervals. No details are given for intervals without contents.

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008					
Classification by nominal interest rates					
% Interest Rate Interval	Loans / Credits		Outstanding principal (EUR)		% Interest Rate*
		%		%	
4.50 - 4.74	92	0.84	18,392,317.55	1.11	4.69
4.75 - 4.99	2,090	18.99	388,589,587.24	23.47	4.88
5.00 - 5.24	2,999	27.26	456,724,207.27	27.59	5.11
5.25 - 5.49	1,565	14.22	171,029,213.77	10.33	5.35
5.50 - 5.74	2,623	23.84	468,268,415.42	28.28	5.56
5.75 - 5.99	964	8.76	101,505,932.38	6.13	5.84
6.00 - 6.24	375	3.41	28,689,461.04	1.73	6.09
6.25 - 6.49	144	1.31	11,445,579.83	0.69	6.35
6.50 - 6.74	46	0.42	3,790,162.07	0.23	6.60
6.75 - 6.99	88	0.80	6,052,842.91	0.37	6.86
7.00 - 7.24	5	0.05	416,483.98	0.03	7.09
7.25 - 7.49	11	0.10	667,794.02	0.04	7.36
7.75 - 7.99	1	0.01	59,061.64	0.00	7.86
<b>Total</b>	<b>11,003</b>	<b>100.00</b>	<b>1,655,631,059.12</b>	<b>100.00</b>	
		<b>Weighted average:</b>		<b>5.28</b>	
		<b>Simple average:</b>		<b>5.35</b>	
		<b>Minimum:</b>		<b>4.53</b>	
		<b>Maximum:</b>		<b>7.86</b>	

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

**h) Information regarding benchmark indices applicable for determining the floating interest rates applicable to the selected mortgage loans and credits (first drawdowns).**

The interest of all the selected mortgage loans and credits (first drawdowns) floats. The following table gives the distribution of the mortgage loans and credits (first drawdowns) according to benchmark indices applicable to them for determining the nominal interest rate, indicating the weighted average margin that is added to the relevant benchmark index for that determination.

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008					
Classification by interest rate benchmark index					
Benchmark index	Credits		Outstanding principal		%Margin * o/index
		%	(EUR)	%	
1-year EURIBOR/MIBOR	11,003	100.00	1,655,631,059.12	100.00	0.37
<b>Total</b>	<b>11,003</b>	<b>100.00</b>	<b>1,655,631,059.12</b>	<b>100.00</b>	

\*Average margin weighted by the outstanding principal.

**i) Information regarding selected mortgage loan and credit (first drawdown) origination dates.**

The provisional portfolio mortgage loans and credits (first drawdowns) were originated on dates comprised between January 15, 2003 and April 30, 2008, average portfolio age being 1.31 years as at October 2, 2008.

The following table gives the distribution of selected mortgage loans and credits (first drawdowns) according to origination date by six-monthly intervals, and the maximum and minimum average weighted age.

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008					
Classification by mortgage loan origination date					
Date interval	Loans / Credits		Outstanding principal		
		%	(EUR)	%	
01/01/2003 to 30/06/2003	51	0.46	2,732,036.41	0.17	
01/07/2003 to 31/12/2003	176	1.60	9,825,741.15	0.59	
01/01/2004 to 30/06/2004	354	3.22	21,160,828.92	1.28	
01/07/2004 to 31/12/2004	278	2.53	17,979,221.61	1.09	
01/01/2005 to 30/06/2005	482	4.38	34,659,188.27	2.09	
01/07/2005 to 31/12/2005	592	5.38	45,296,391.68	2.74	
01/01/2006 to 30/06/2006	570	5.18	52,970,081.07	3.20	
01/07/2006 to 31/12/2006	810	7.36	77,299,401.35	4.67	
01/01/2007 to 30/06/2007	1,577	14.33	258,216,760.02	15.60	
01/07/2007 to 31/12/2007	4,324	39.30	842,147,581.12	50.87	
01/01/2008 to 30/06/2008	1,789	16.26	293,343,827.52	17.72	
<b>Total</b>	<b>11,003</b>	<b>100.00</b>	<b>1,655,631,059.12</b>	<b>100.00</b>	
<b>Weighted average age</b>			<b>1.31</b>	<b>Years</b>	
<b>Maximum age</b>	<b>15/01/2003</b>		<b>5.72</b>	<b>Years</b>	
<b>Minimum age</b>	<b>30/04/2008</b>		<b>0.42</b>	<b>Years</b>	

**j) Information regarding selected mortgage loan and credit (first drawdown) principal repayment exclusion period.**

The following table gives the selected mortgage loan and credit (first drawdown) distribution according to expiration of the loan principal repayment exclusion period. No details are given of intervals with no contents.

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008				
Classification by principal repayment exclusion period				
Expiration of the principal exclusion period	Loans / Credits		Outstanding principal	
	No.	%	(EUR)	%
No Exclusion	10,778	97.96	1,609,264,425.88	97.20
01/10/2008 to 31/12/2008	62	0.56	14,537,615.63	0.88
01/01/2009 to 31/03/2009	59	0.54	12,059,698.76	0.73
01/04/2009 to 30/06/2009	24	0.22	4,585,582.00	0.28
01/7/2009 to 30/09/2009	14	0.13	3,758,925.67	0.23
01/10/2009 to 31/12/2009	29	0.26	5,365,873.50	0.32
01/01/2010 to 31/03/2010	23	0.21	3,444,137.68	0.21
01/04/2010 to 30/06/2010	11	0.10	1,828,500.00	0.11
01/7/2010 to 30/09/2010	2	0.02	479,300.00	0.03
01/10/2010 to 31/12/2010	1	0.01	307,000.00	0.02
<b>Total</b>	<b>11,003</b>	<b>100.00</b>	<b>1,655,631,059.12</b>	<b>100.00</b>

**k) Information regarding selected mortgage loan and credit (first drawdown) final maturity date.**

Final maturity of the selected mortgage loans and credits (first drawdowns) falls on dates comprised between March 13, 2009 and July 15, 2048.

The selected mortgage loans and credits (first drawdowns) are repaid throughout the life remaining until fully repaid, during which period mortgagors must pay capital repayment and interest instalments.

Obligors may, at any time during the life of the selected mortgage loans and credits (first drawdowns), prepay all or part of the outstanding capital, in which case the accrual of interest on the part prepaid will cease as of the date on which repayment occurs.

The following table gives the distribution of the selected mortgage loans and credits (first drawdowns) according to final maturity date by yearly intervals, and total weighted average residual life and first and last maturity dates.

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008						
Classification by final maturity date						
Final maturity year	Loans / Credits		Outstanding principal		Residual life <sub>wa</sub> *	
	No.	%	(EUR)	%	Years	Date
2009	7	0.06	147,561.34	0.01	0.84	6/08/2009
2010	26	0.24	602,692.34	0.04	2.05	20/10/2010
2011	69	0.63	1,750,271.95	0.11	2.84	5/08/2011
2012	69	0.63	1,831,988.75	0.11	3.70	15/06/2012
2013	96	0.87	3,271,545.93	0.20	4.82	28/07/2013
2014	146	1.33	5,022,360.54	0.30	5.69	12/06/2014
2015	183	1.66	6,881,119.54	0.42	6.79	16/07/2015
2016	201	1.83	9,560,704.07	0.58	7.74	28/06/2016
2017	209	1.90	13,235,389.77	0.80	8.85	8/08/2017
2018	194	1.76	13,496,184.26	0.82	9.61	14/05/2018
2019	220	2.00	13,175,979.53	0.80	10.79	19/07/2019
2020	247	2.24	14,985,358.31	0.91	11.74	30/06/2020
2021	271	2.46	17,395,407.23	1.05	12.79	18/07/2021
2022	348	3.16	34,290,573.74	2.07	13.80	23/07/2022
2023	235	2.14	22,799,355.45	1.38	14.52	11/04/2023
2024	140	1.27	11,287,426.32	0.68	15.73	26/06/2024
2025	243	2.21	19,204,887.96	1.16	16.77	11/07/2025
2026	267	2.43	26,497,779.42	1.60	17.76	6/07/2026
2027	561	5.10	73,583,969.92	4.44	18.87	18/08/2027
2028	330	3.00	44,717,384.34	2.70	19.47	24/03/2028
2029	122	1.11	14,121,563.77	0.85	20.80	21/07/2029

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008						
Classification by final maturity date						
Final maturity year	Loans / Credits		Outstanding principal		Residual life <sup>wa</sup> *	
		%	(EUR)	%	Years	Date
2030	181	1.65	19,326,377.33	1.17	21.78	15/07/2030
2031	197	1.79	22,082,881.53	1.33	22.79	17/07/2031
2032	628	5.71	100,111,760.72	6.05	23.88	17/08/2032
2033	347	3.15	53,212,765.10	3.21	24.50	3/04/2033
2034	154	1.40	23,830,738.41	1.44	25.77	10/07/2034
2035	251	2.28	39,571,318.09	2.39	26.84	4/08/2035
2036	270	2.45	41,794,276.19	2.52	27.78	13/07/2036
2037	1,341	12.19	267,719,712.26	16.17	28.90	28/08/2037
2038	387	3.52	68,866,313.86	4.16	29.46	19/03/2038
2039	87	0.79	18,320,394.69	1.11	30.82	27/07/2039
2040	126	1.15	22,327,402.22	1.35	31.77	8/07/2040
2041	189	1.72	33,841,278.97	2.04	32.79	18/07/2041
2042	957	8.70	212,360,915.93	12.83	33.89	23/08/2042
2043	255	2.32	50,816,530.29	3.07	34.48	28/03/2043
2044	37	0.34	8,079,762.75	0.49	35.86	14/08/2044
2045	55	0.50	11,857,101.65	0.72	36.83	31/07/2045
2046	119	1.08	25,149,893.91	1.52	37.88	20/08/2046
2047	1,003	9.12	239,213,896.54	14.45	38.89	25/08/2047
2048	235	2.14	49,288,234.20	2.98	39.40	27/02/2048
<b>Total</b>	<b>11,003</b>	<b>100.00</b>	<b>1,655,631,059.12</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>28.25</b>	<b>2/01/2037</b>
	<b>Simple average:</b>				<b>24.20</b>	<b>15/12/2032</b>
	<b>Minimum:</b>				<b>0.44</b>	<b>13/03/2009</b>
	<b>Maximum:</b>				<b>39.78</b>	<b>15/07/2048</b>

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

As set out in section 2.2.4.1 of this Building Block, the terms of the mortgage credits allow the maturity date to be extended.

**I) Specification of maximum, minimum and average value of the “current principal/appraisal value” ratio.**

The ratio at October 2, 2008, expressed as a percentage, of (i) the outstanding principal amount of the loans, or (ii) the outstanding principal of the first drawdown of the credit, plus the outstanding principal of subsequent drawdowns, if any, to the appraisal value of all the mortgaged properties of those selected mortgage loans and credits (first drawdowns) included in the provisional portfolio ranged between 1.68% and 99.93%, the weighted average ratio being 57.81%.

The following table gives the distribution of the selected mortgage loans and credits (first drawdowns) according to 5.00% ratio intervals.

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008					
Classification by Principal-to-Value Ratio					
Ratio Intervals	Loans / Credits		Outstanding Principal		Aggregate outstanding principal*-to-value** (%)
		%	(EUR)	%	
0.01 - 5.00	58	0.53	1,178,413.64	0.07	3.97
5.01 - 10.00	299	2.72	8,884,994.18	0.54	8.14
10.01 - 15.00	505	4.59	20,967,826.94	1.27	12.61
15.01 - 20.00	548	4.98	28,495,636.92	1.72	17.78
20.01 - 25.00	607	5.52	39,542,194.55	2.39	22.58
25.01 - 30.00	595	5.41	46,141,394.62	2.79	27.60
30.01 - 35.00	642	5.83	67,365,238.34	4.07	32.57

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008					
Classification by Principal-to-Value Ratio					
Ratio Intervals	Loans / Credits		Outstanding Principal		Aggregate outstanding principal*-to-value** (%)
		%	(EUR)	%	
35.01 - 40.00	656	5.96	79,279,713.49	4.79	37.74
40.01 - 45.00	746	6.78	102,634,576.10	6.20	42.57
45.01 - 50.00	776	7.05	115,894,830.36	7.00	47.57
50.01 - 55.00	804	7.31	141,435,545.97	8.54	52.61
55.01 - 60.00	927	8.42	168,986,156.84	10.21	57.64
60.01 - 65.00	854	7.76	167,071,185.24	10.09	62.46
65.01 - 70.00	842	7.65	175,898,675.65	10.62	67.59
70.01 - 75.00	659	5.99	145,706,846.61	8.80	72.65
75.01 - 80.00	1,267	11.52	295,017,581.41	17.82	78.02
80.01 - 85.00	89	0.81	20,214,571.60	1.22	82.31
85.01 - 90.00	48	0.44	11,027,136.16	0.67	87.32
90.01 - 95.00	35	0.32	8,540,929.27	0.52	92.30
95.01 - 100.00	46	0.42	11,347,611.23	0.69	97.95
<b>Total</b>	<b>11,003</b>	<b>100.00</b>	<b>1,655,631,059.12</b>	<b>100.00</b>	
	<b>Weighted average:</b>				<b>57.81 %</b>
	<b>Simple Average:</b>				<b>48.58 %</b>
	<b>Minimum:</b>				<b>1.68 %</b>
	<b>Maximum:</b>				<b>99.93 %</b>

\* Aggregate outstanding principal: outstanding principal of the loans, or outstanding principal of the first drawdown of the credit, plus the outstanding principal of subsequent drawdowns, if any.

\*\*Aggregate Principal-to-Value Ratio lists averages weighted by the outstanding principal.

**m) Information regarding geographical distribution by Autonomous Communities where the real properties securing the selected mortgage loans and credits (first drawdowns) are located.**

The following table gives the geographical distribution of the selected mortgage loans and credits (first drawdowns) arranged by Autonomous Communities in which the properties securing the same are located.

Portfolio of mortgage loans and credits (first drawdowns) at 2/10/2008					
Classification by Autonomous Communities					
Autonomous Communities	Loans / Credits		Outstanding principal		
		%	(EUR)	%	
Andalusia	1,722	15.65	239,242,484.09	14.45	
Aragón	186	1.69	24,839,169.11	1.50	
Asturies	168	1.53	20,243,810.81	1.22	
Balearic Isles	370	3.36	69,105,718.62	4.17	
Canary Islands	592	5.38	72,337,128.44	4.37	
Cantabria	291	2.64	31,206,377.18	1.88	
Catalonia	1,687	15.33	317,087,483.93	19.15	
Ceuta	1	0.01	244,709.34	0.01	
Basque Country	574	5.22	97,788,167.11	5.91	
Extremadura	157	1.43	18,797,819.02	1.14	
Galicia	346	3.14	40,500,395.40	2.45	
Castile-León	474	4.31	59,351,386.70	3.58	
Madrid	1,566	14.23	296,323,450.51	17.90	
Castile La Mancha	509	4.63	70,361,593.01	4.25	
Murcia	372	3.38	47,065,395.55	2.84	
Navarre	56	0.51	10,718,530.51	0.65	
La Rioja	54	0.49	7,190,294.21	0.43	
Valencian Community	1,878	17.07	233,227,145.58	14.09	
<b>Total</b>	<b>11,003</b>	<b>100.00</b>	<b>1,655,631,059.12</b>	<b>100.00</b>	



Madrid is the province with the highest concentration, in terms of outstanding principal, at 17.14% of the total selected portfolio.

**n) Information regarding delays in collecting selected mortgage loan and credit (first drawdown) principal instalments.**

The following table gives the number of selected mortgage loans and credits (first drawdowns), the outstanding principal and the overdue principal of selected mortgage loans and credits (first drawdowns) in arrears as at October 2, 2008 in payment of amounts due.

<b>Arrears in payment of instalments due at 2/10/2008</b>				
<b>Interval Days</b>	<b>Mortgage loans</b>	<b>Outstanding principal</b>	<b>Overdue principal % on Total outstanding principal</b>	
In good standing	10,586	1,594,872,507.76		
1 to 15 days	276	38,910,607.11	63,855.66	0.0039
16 to 30 days	141	21,847,944.25	33,104.33	0.0020
<b>Total</b>	<b>11,003</b>	<b>1,655,631,059.12</b>	<b>96,959.99</b>	<b>0.0039</b>

As described in section 2.2.8 (25) of the Building Block, none of the Mortgage Credits that will finally be the subject of the issue of the Pass-Through Certificates for the Fund to be established shall have any payments more than one (1) month overdue on their issue date.

**2.2.3 Legal nature of the pool of assets.**

The mortgage loans and credits (first drawdowns) were originated in a public deed subject to the Civil Code, the Mortgage Act, February 8, 1956, mortgage market regulation rules and supplementary laws.

Mortgage Credit receivables shall be assigned to the Fund upon BANKINTER issuing and the Fund subscribing for Pass-Through Certificates subject to the provisions of Act 2/1981 and Additional Provision Five of Act 3/1994, as worded by Act 41/2007, and other applicable laws, on the terms provided for in section 3.3 of this Building Block.

Subject to the representations given in section 2.2.8.2 of this Building Block, the First Drawdowns of the mortgage credits meet the following requirements:

- i) The mortgage credit (the First Drawdown and subsequent drawdowns, if any) is secured with a senior real estate mortgage in the legal and beneficial ownership of the entire mortgaged property.
- ii) The mortgage credits are secured with a safety or maximum mortgage, and a record is made of the First Drawdown in the public deed granting the mortgage credit for the purpose of entering the debt undertaken in the relevant Land Registry.
- iii) The mortgage credit capital (the First Drawdown and subsequent drawdowns, if any) does not exceed 80 percent of the appraisal value of the mortgaged property.
- iv) The properties mortgaged as security for the mortgage credits all have at least damage risk cover under valid insurance policies naming BANKINTER as the beneficiary and the insured sum thereunder is not less than the appraisal value of the mortgaged property or mortgaged properties, excluding elements that cannot by nature be insured, or that BANKINTER has taken out a secondary general insurance policy ensuring damage insurance cover in the event of that insurance not existing or of the insured sums falling short of the lower of: (i) the current mortgage credit balance, or (ii) the appraisal value of the mortgaged property or properties, excluding elements that are uninsurable by nature.

#### **2.2.4 Expiry or maturity date(s) of the assets.**

The selected mortgage loans and credits (first drawdowns) each have a final maturity date without prejudice to periodic partial repayment instalments, on the specific terms applicable to each of them.

Obligors may at any time during the life of the mortgage loans and credits (first drawdowns) prepay all or part of the outstanding capital, in which case the accrual of interest on the part prepaid will cease as of the date on which repayment occurs.

The final maturity date of the selected mortgage loans and credits (first drawdowns) as at October 2, 2008 lies between March 13, 2009 and July 15, 2048. Section 2.2.2.k) above contains a table giving the distribution of the selected mortgage loans and credits (first drawdowns) based on the final maturity date for each one.

##### **2.2.4.1 Extending the maturity date of the assets.**

The public deeds originating the mortgage credits provide that the obligor or borrower and BANKINTER may agree to extend the maturity date of the first drawdown if the obligor or borrower is in good standing in payment of all instalments due and is not in breach of any of the duties laid down in the public deed, subject to the following limitations:

- a) The extension may not be agreed before the 24-month period after the date of execution of the origination public deed.
- b) The maturity date may be extended for the shorter of the following periods:
  - i) Up to a period of not more than 40 years from the date of execution of the origination public deed.
  - ii) An extended period of 6 months for every 12 months paid and elapsed after the first 24 months.
- c) The mortgage cover shall be equal to or less than 80 percent.

Based on the above terms for extending the maturity date of the first drawdown, the last maturity date of the selected mortgage loans and credits (first drawdowns) as at October 2, 2008 if extended could actually be July 15, 2048. The maturity date of the first drawdown of the mortgage credits may at no event extend beyond the latter date.

#### **2.2.5 Amount of the assets.**

The Fund shall be set up with the Pass-Through Certificates to be issued by BANKINTER on the Mortgage Credits to be subscribed for by the Fund upon being established and their total principal or capital shall be equal to or slightly above EUR one billion five hundred million (1,500,000,000.00), the face value amount of the Bond Issue.

The portfolio of selected mortgage loans and credits (first drawdowns) from which the Mortgage Credits will be taken to be assigned to the Fund upon being established comprises 11,003 mortgage loans and credits (first drawdowns), the outstanding principal as at October 2, 2008 being EUR 1,655,631,059.12.

#### **2.2.6 Loan to value ratio or level of collateralisation.**

The loan to value ratio or level of collateralisation ratio is given in section 2.2.2 l).

#### **2.2.7 Method of creation of the assets.**

Credit risk decisions are made at BANKINTER by means two approval systems:

- Automatic approval
- Manual approval

Broadly, and saving the peculiarities of certain processes, the risks process begins at the branch or centre upon the customer applying for a credit facility and the customer's signature being obtained.

Both where the approval is automatic and where it becomes manual, a proposal is drawn up by the branch through an electronic file. The proposal is the basic support with which to study and analyse a customer and sets in motion the electronic processing of transactions.

### **Automatic approval**

BANKINTER has a system for individuals which captures the necessary data for each transaction and controls the entire process of empowerment and passage of transactions that cannot be approved by the system to subsequent manual approval. It also feeds information to the control and alerts systems and ensures consistency between authorisation and booking of transactions, and has an approval rules control application that allows the same to be duly monitored.

At present, that system is used for processing almost all transactions for individuals.

That transaction approval and authorisation processing system includes since 2005 an objective rating system based on a statistical model in accordance with Basle II regulations.

The prime rating objectives are:

1. Laying down benchmarks for the risks
2. Making provisions in keeping with that rating
3. Proceeding to a proper capital allocation.

Rating is designed to allocate customers a score representing their credit quality. The rating model sorts each risk category into consistent groups arranged hierarchically by the rating.

The rating is used to approve having regard to the risks policy defined for each product and category; in particular for each transaction the rating will:

- authorise,
- refuse or
- leave the transaction in "manual" status in order for the empowered loan committees to make a decision.

The rating model provides a rating, 1 being the worst score and 9 being the best score. Transactions included within each rating have a similar default frequency and meet the same requirements of the prevailing model.

After assessing the default probabilities of each rating, each group is assigned an assessed DP (default probability).

The score, which is the result of weighting a number of objective and subjective variables:

- Allows the portfolio to be ordered and rated.
- Boosts the control and monitoring tools.
- Assists decision-making.

The selection of objective variables that are finally weighted for rating purposes originates in a great many factors and ratios relating to the financial status and development of the customers and/or the transaction.

Along with the rating, other elements subsist for decision-making. Such are capacity modules relating to the characteristics of the product and security (maturity, amount...), appraisal value -in the case of homes eligible for the official protection system BANKINTER's policy is that these loans or credits be granted

based on the maximum legal value applicable to the home-, etc., the individual's economic and financial status, and the risks policy at BANKINTER.

In drawing up the statistical rating models, payment defaults have been used based on the standards set by the Bank of Spain.

Moreover, as required by Bank of Spain regulations, in accordance with the Basle II Accord, rating models calculate the default probability within the next 12 months, over a five-year period.

The calculations and functions implemented are regularly reviewed, taking to the historic file data from manually approved transactions refused by the automatic system, and analysing the results obtained in different simulations having regard to delinquency and profitability.

### **Manual approval**

Decisions at BANKINTER by manual approval are collegially made through loan committees. Moreover, those committees are empowered to approve transactions outside the automatic systems based on certain empowerment levels.

In order to go about this type approval BANKINTER has established two stages:

#### **1. Risks file**

Analysing and reporting on manual approval requires having for every customer the mandatory risks file containing all information concerning the customer and the transaction, which includes documents supporting the customer's activity, such as repayment capacity, credit standing, payment history and experience with the Bank and all other financial institutions, risks at the Bank of Spain's Risks Centre, and all such information as must be available, as directed by the different internal and external audits and the Bank of Spain.

#### **2. Committee Approval**

Once the branch completes the electronic file, the transaction at issue shall be cleared by the relevant Committee in accordance with the empowerment table, following approval by the lower level Committees.

Five decision levels may be singled out having regard to the powers with which each of the following committees are entrusted:

##### Branch Loan Committee

The Branch Manager acts as Committee Chair. The level of powers entrusted to this Committee varies according to the Manager's experience, the investment figure and delinquency, and the staff number.

##### Organisation Loan Committee

There are a certain number of Organisations established by geographic criteria. The powers allocated to each Organisation are conferred by the Risks Committee. Those powers vary depending on the characteristics of the Organisations.

##### Risks Management Loan Committee

This body has powers authorised by the Risks Committee.

##### Risks Committee

This Committee also has powers conferred by the Board of Directors. Beyond that amount, the actual Board of Directors shall be the duly empowered body.

##### Board of Directors

This is the highest approval body.

In all cases, the decisions made must all be set down in minutes signed by all members of the relevant Committee.

In transactions controlled by the Authorisations system, in addition to the above, it is necessary to transmit an automated risk application file by means of purposely enabled transactions. Once the Authorisations system has obtained the relevant authorisation, the transaction can be concluded, and the file number covering the transaction must be reported.

### **2.2.8 Indication of representations and collaterals given to the Issuer relating to the assets.**

The Management Company reproduces below the representations and warranties that BANKINTER shall give and make, as holder of the Mortgage Credits until assigned to the Fund and as issuer of the Pass-Through Certificates, in the Deed of Constitution of the Fund, to the Management Company, on the Fund's behalf.

#### **1. In relation to BANKINTER.**

- (1) That BANKINTER is a credit institution duly incorporated in accordance with the laws in force for the time being and entered in the Companies Register and in the Bank of Spain's Register of Credit Institutions, and is authorised to operate in the mortgage market.
- (2) That neither at today's date nor at any time since it was incorporated has BANKINTER had a creditors' meeting called or been insolvent, in receivership or bankrupt, nor in any circumstance generating a liability which might result in the credit institution authorisation being revoked.
- (3) That BANKINTER has obtained all necessary authorisations from both the administration and its corporate bodies and third parties, if any, potentially affected by the assignment of the Mortgage Credits to the Fund and the issue of the Pass-Through Certificates, to validly execute the Deed of Constitution, for the undertakings made therein and to execute the agreements relating to the establishment of the Fund.
- (4) That BANKINTER has audited accounts for the years 2007, 2006 and 2005 with a favourable opinion and without any negative provisos from the auditors in any of those years, and they have been filed with the CNMV and with the Companies Register.

#### **2. In relation to the Pass-Through Certificates and the Mortgage Credits.**

- (1) That the Pass-Through Certificates are issued in the ordinary course of business of BANKINTER and they are issued at arm's length and in accordance with Act 2/1981, Royal Decree 685/1982, amended by Royal Decree 1289/1991, and the provisions of Additional Provision Five of Act 3/1994, as worded by Act 41/2007 and other applicable laws, and satisfy all the requirements established therein and are susceptible of being included in an Asset Securitisation Fund.
- (2) That the Pass-Through Certificates are issued for the same term remaining until maturity and for the same interest rate of each of the underlying Mortgage Credits.
- (3) That the Mortgage Credits exist and are valid and enforceable in accordance with the applicable laws, and all applicable laws have also been observed in granting the same.
- (4) That BANKINTER is the legal and beneficial owner of all the Mortgage Credits and of the relevant mortgages and there is no obstacle whatsoever for the Pass-Through Certificates to be issued.
- (5) That the details and information of the mortgage loans and credits (first drawdowns) selected for the Pass-Through Certificates to be issued given in section 2 of the Prospectus Building Block, accurately reflect their status on the relevant date and are correct.
- (6) That the Pass-Through Certificate and Mortgage Credit details included in the schedules to the Deed of Constitution accurately reflect the current status of those Mortgage Credits and Pass-Through Certificates and are complete and accurate, and match the data files sent to the Management Company on those Mortgage Credits.

- (7) That the Mortgage Credits underlying the Pass-Through Certificates are part of the mortgage loans and credits (first drawdowns) selected for the Pass-Through Certificates to be issued, the characteristics of which are given in section 2 of the Prospectus Building Block.
- (8) That the Pass-Through Certificate and Mortgage Credit information given in the Prospectus is accurate and fairly reflects their real status.
- (9) That the Mortgage Credits are secured with a senior-ranked real estate mortgage established on the legal and beneficial ownership of each and every one of the mortgaged properties. Moreover, the Mortgage Credits are not encumbered by restrictions on disposal, conditions subsequent, or any restriction on ownership. Nevertheless, the Mortgage Credits originating in the first drawdowns of credit facilities shall share the mortgage security with subsequent drawdowns granted by BANKINTER to the obligors of the credit facility from which the Mortgage Credits derive.
- (10) That the Mortgage Credits are all originated in a public deed, and the mortgages are all duly granted 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 laws.
- (11) That the Mortgage Credits all stand as a valid and binding payment obligation for the relevant Obligor and are enforceable on their own terms.
- (12) That the Mortgage Credits are all denominated and payable exclusively in euros, and the capital or principal has been fully drawn down.
- (13) That all the Mortgage Credit payment obligations are satisfied by directly debiting a bank account opened at BANKINTER.
- (14) That the Mortgage Credit Obligors are all individuals and are not employees, officers or directors of BANKINTER.
- (15) That the Mortgage Credits have been granted to individuals both directly and through subrogations of financing granted to developers for building homes.
- (16) That the mortgages are granted on finished real properties that are wholly legally and beneficially owned by the respective mortgagor and meet the requirements established by article 27 of Royal Decree 685/1982, and BANKINTER is not aware of the existence of litigation over the ownership of those properties which might detract from the mortgages.
- (17) That the mortgaged properties underlying the Mortgage Credits are not, and are not ineligible as, assets excluded for standing as security under article 31 of Royal Decree 685/1982, nor do the Mortgage Credits have any of the credit features excluded or restricted under article 32 of Royal Decree 685/1982.
- (18) That the mortgaged properties (homes, parking spaces, lumber rooms, business premises or offices) are all finished and located in Spain and have been appraised by duly qualified institutions approved by the 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.
- (19) That in the case of Mortgage Credits secured with officially protected homes, the appraisal value considered and reported for all calculation purposes was the maximum legal value under the official protection system.
- (20) That (i) the outstanding principal balance of each mortgage loan does not exceed 100%, or (ii) in the case of mortgage credits the aggregate outstanding principal of the first drawdown and subsequent drawdowns, if any, does not exceed 80% of the appraisal value of the properties mortgaged as security for the relevant Mortgage Credit.

- (21) That BANKINTER is not aware of there having been any fall in the value of any of the properties mortgaged as security for the Mortgage Credits in excess of 20% of the appraisal value.
- (22) That the properties mortgaged as security for the mortgage credits all have at least damage risk cover under valid insurance policies naming BANKINTER as the beneficiary and the insured sum thereunder is not less than the appraisal value of the mortgaged property or mortgaged properties, excluding elements that cannot by nature be insured, or that BANKINTER has taken out a secondary general insurance policy ensuring damage insurance cover in the event of that insurance not existing or of the insured sums falling short of the lower of: (i) the current Mortgage Credit balance, or (ii) the appraisal value of the mortgaged property or properties, excluding elements that are uninsurable by nature.
- (23) That BANKINTER is not aware of the premiums accrued heretofore by the insurance taken out referred to in paragraph (22) above not having been paid in full.
- (24) That the Mortgage Credits are not represented by such instruments as registered, negotiable or bearer securities, other than the Pass-Through Certificates issued to be pooled in the Fund.
- (25) That none of the Pass-Through Certificates have any payments more than one (1) month overdue on the date of issue of the Pass-Through Certificates.
- (26) That BANKINTER is not aware that any Mortgage Credit Obligor 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 Pass-Through Certificates.
- (27) That BANKINTER has strictly adhered to the policies for granting credit in force at the time in granting each and every one of the Mortgage Credits and in accepting, as the case may be, the subrogation of subsequent borrowers in the position of the initial borrower, and in that respect a summary description by BANKINTER of BANKINTER's policies for granting credits and loans with real estate security to individuals, currently in force, is given in section 2.2.7 of the Building Block to the Prospectus and is attached to the Deed of Constitution.
- (28) That the deeds for the mortgages granted on the properties mortgaged by the Mortgage Credits 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 Mortgage Credits are all clearly identified both in data files and by means of their deeds.
- (29) That the outstanding capital balance of each Mortgage Credit on the issue date is equivalent to the principal figure of the relevant Pass-Through Certificate and that, in turn, the total capital of the Pass-Through Certificates shall be at least equal to EUR one billion five hundred million (1,500,000,000.00).
- (30) That the final maturity date of the Mortgage Credits (including potential extensions of the maturity date of the first drawdowns of mortgage credits) is at no event after July 15, 2048.
- (31) That, after being granted, the Mortgage Credits have been serviced and are still being serviced by BANKINTER in accordance with its set customary procedures.
- (32) That BANKINTER is not aware of the existence of any litigation whatsoever in relation to the Mortgage Credits 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 property mortgaged as security for the Mortgage Credits being ineffective.
- (33) That BANKINTER is not aware of any Obligor being able to make any objection whatsoever to paying any Mortgage Credit amount.
- (34) That, on the issue date, BANKINTER has received no notice whatsoever of full prepayment of any Mortgage Credit.

- (35) That the Mortgage Credit payment frequency is monthly.
- (36) That, on the issue date, no Mortgage Credit has any clauses establishing interest rate floors and ceilings limiting the floating interest rate amount applicable to the Mortgage Credit.
- (37) That, on the issue date, at least one interest payment has fallen due on each Mortgage Credit.
- (38) That BANKINTER is not aware of the existence of any circumstance whatsoever which might prevent the mortgage security from being enforced.
- (39) That the Mortgage Credits are not earmarked for any issue whatsoever of mortgage debentures, mortgage bonds, mortgage participation certificates or pass-through certificates, other than the issue of the Pass-Through Certificates, and after their issue the Mortgage Credits shall not be earmarked for any issue whatsoever of mortgage debentures, mortgage bonds, mortgage participation certificates or pass-through certificates other than the Pass-Through Certificates in force.
- (40) That nobody has a preferred right over the Fund in and to the Mortgage Credits, as holder of the Pass-Through Certificates.
- (41) That, on the issue date, BANKINTER has had no notice that any Mortgage Credit Obligor has been decreed insolvent.
- (42) That, as of the issue date, the Mortgage Credits are not in a repayment and interest exclusion period.
- (43) That the Mortgage Credits are financing granted by BANKINTER to individuals in order to buy or renovate homes or other purposes or for individuals to be subrogated to financing granted to real estate developers for building homes.

#### **2.2.9 Substitution of the securitised assets.**

##### **Set rules for substituting the Pass-Through Certificates or otherwise repayment to the Fund.**

1. In the event of early amortisation of the Pass-Through Certificates upon prepayment of the relevant Mortgage Credit capital, there will be no substitution of the affected Pass-Through Certificates.
2. In the event that it should be observed throughout the life of the Pass-Through Certificates that any of them or of the underlying Mortgage Credits fails to meet the representations contained in section 2.2.8 of this Building Block upon the Fund being set up, BANKINTER agrees, subject to the Management Company's consent, to proceed forthwith to remedy and, if that is not possible, to a substitution or, as the case may be, early amortisation of the Pass-Through Certificate in that situation, subject to the following rules:
  - a) The party becoming aware of the existence of a non-conforming Pass-Through Certificate, whether BANKINTER or the Management Company, shall notify the other party of this circumstance. BANKINTER shall have fifteen (15) Business Days from said notice to proceed to remedy that circumstance if it may be remedied or to proceed to replace or redeem the affected Pass-Through Certificates.
  - b) Substitution shall be made for the outstanding principal plus interest accrued and not paid and any amount owing to the Fund until that date on the relevant Mortgage Credit underlying the substituted Pass-Through Certificate.

In order to proceed to substitution, BANKINTER shall notify the Management Company of the characteristics of the mortgage loans or credits (first drawdowns) proposed to be assigned under new Pass-Through Certificates satisfying the representations made in section 2.2.8 of this Building Block and similarly characterised as to residual term, interest rate, outstanding principal value, ranking of the collateral and credit quality construed as the existing ratio of the outstanding mortgage loan or credit principal to the appraisal value of the property mortgaged as security, in



order for the financial balance of the Fund, and indeed the Bond rating given by the Rating Agencies, to be unaffected by substitution. Once the Management Company has checked that the substitute mortgage loan is appropriate, because it may be included in the Fund, and the Management Company has expressly agreed to it, BANKINTER shall proceed to issue the new replacement Pass-Through Certificate(s).

- c) Substitution shall be made in a public deed and be subject to the same formalities set for issuing the Pass-Through Certificates upon the Fund being established and shall be notified to the CNMV and the Rating Agencies. The Management Company shall deliver a copy of the public deed to the CNMV, the institution in charge of the Bond accounting record, and the Rating Agencies.
  - d) In the event that any Pass-Through Certificate should not be substituted by issuing new ones on the terms set in rule b) of this section, BANKINTER shall proceed to early amortisation of the affected Pass-Through Certificate. That early amortisation shall take place by a repayment in cash to the Fund of the outstanding principal, interest accrued and not paid, and any other amount owing to the Fund until that date on the Mortgage Credit underlying the affected Pass-Through Certificate.
  - e) In the event of early amortisation of Pass-Through Certificates by BANKINTER due to both substitution and repayment, BANKINTER shall be vested in all the rights attaching to those Mortgage Credits accruing from the amortisation date or accrued but not due and payable, and overdue amounts on that same date.
3. In particular, the amendment by the Originator during the life of the Mortgage Credits of their terms without regard to the limits established in the special laws applicable and, in particular, to the terms agreed between the Fund, represented by the Management Company, and the Originator in this Prospectus, in the Deed of Constitution and in the Servicing Agreement, which would therefore be an absolutely exceptional amendment, would constitute a unilateral breach by the Originator of its duties which should not be borne by either the Fund or the Management Company.

Upon any such breach occurring, the Fund may, through the Management Company: (i) demand payment of the relevant damages and losses and (ii) request replacement or repayment of the affected Pass-Through Certificates, in accordance with the procedure provided for in paragraph 2 above, which shall not result in the Originator guaranteeing that the transaction will be successfully completed, but only the requisite redress of the effects resulting from the breach of its duties, in accordance with article 1124 of the Civil Code.

The expenses originated by the actions to remedy the Originator's breach shall be borne by the Originator and cannot be charged to the Fund or the Management Company. The latter shall notify the CNMV of replacements of Pass-Through Certificates in accordance with the procedure provided for in paragraph 2.c) above.

#### **2.2.10 Relevant insurance policies relating to the securitised assets.**

In accordance with the Originator's representation (22) given in section 2.2.8.2 of this Building Block, the properties mortgaged as security for the Mortgage Credits all have at least damage risk cover under valid insurance policies naming BANKINTER as the beneficiary and the insured sum thereunder is not less than the appraisal value of the mortgaged property or mortgaged properties, excluding elements that cannot by nature be insured, or BANKINTER has taken out a secondary general insurance policy ensuring damage insurance cover in the event of that insurance not existing or of the insured sums falling short of the lower of: (i) the current Mortgage Credit balance, or (ii) the appraisal value of the mortgaged property or properties, excluding elements that are uninsurable by nature. Additionally, 0.11%, in terms of outstanding principal, of the portfolio of selected mortgage loans and credits (first drawdowns) as at October 2, 2008 from which the Mortgage Credits will be taken to issue the Pass-Through Certificates have mortgage credit insurance taken out with Genworth Financial Mortgage Insurance Limited.

No details are included regarding concentration of the insurers because the current status of the insurance policies taken out by the Obligors and their data is not entirely supported or updated in the Originator's computer records. The Originator shall concurrently perfect the assignment attached to the issue of the Pass-Through Certificates of the rights available to the Originator as the beneficiary of the damage

insurance contracts made by the Obligors or any other insurance policy providing equivalent cover (in particular, the general insurance policy taken out by BANKINTER, with GROUPAMA SEGUROS Y REASEGUROS, S.A., in the event of the damage insurance policy taken out by the Obligor not existing, falling short or being ineffective). As the holder of the Pass-Through Certificates, the Fund shall be entitled to all the amounts the Originator would have received under such insurance.

**2.2.11 Information relating to the obligors where the securitised assets comprise obligations of 5 or fewer obligors which are legal persons or where an obligor accounts for 20% or more of the assets, or where an obligor accounts for a material portion of the assets.**

Not applicable.

**2.2.12 Details of the relationship, if it is material to the issue, between the Issuer, guarantor and obligor.**

There are no relationships between the Fund, the Originators, the Management Company and other parties involved in the transaction other than as set forth in sections 5.2 and 6.7 of the Registration Document and in section 3.2 of this Building Block.

**2.2.13 Where the assets comprise fixed income securities, a description of the principal terms.**

Not applicable.

**2.2.14 Where the assets comprise equity securities, a description of the principal terms.**

Not applicable.

**2.2.15 If the assets comprise equity securities that are not traded on a regulated or equivalent market, where they represent more than ten (10) per cent of the securitised assets, a description of the principal terms.**

Not applicable.

**2.2.16 Valuation reports relating to the property and cash flow/income streams where a material portion of the assets are secured on real property.**

The appraisal values of the properties securing the selected mortgage loans and credits (first drawdowns) correspond to appraisals made by appraisers for the purpose of granting and arranging the same. No details are included regarding concentration of appraisal firms because this aspect has not been considered significant.

**2.3 Actively managed assets backing the issue.**

Not applicable.

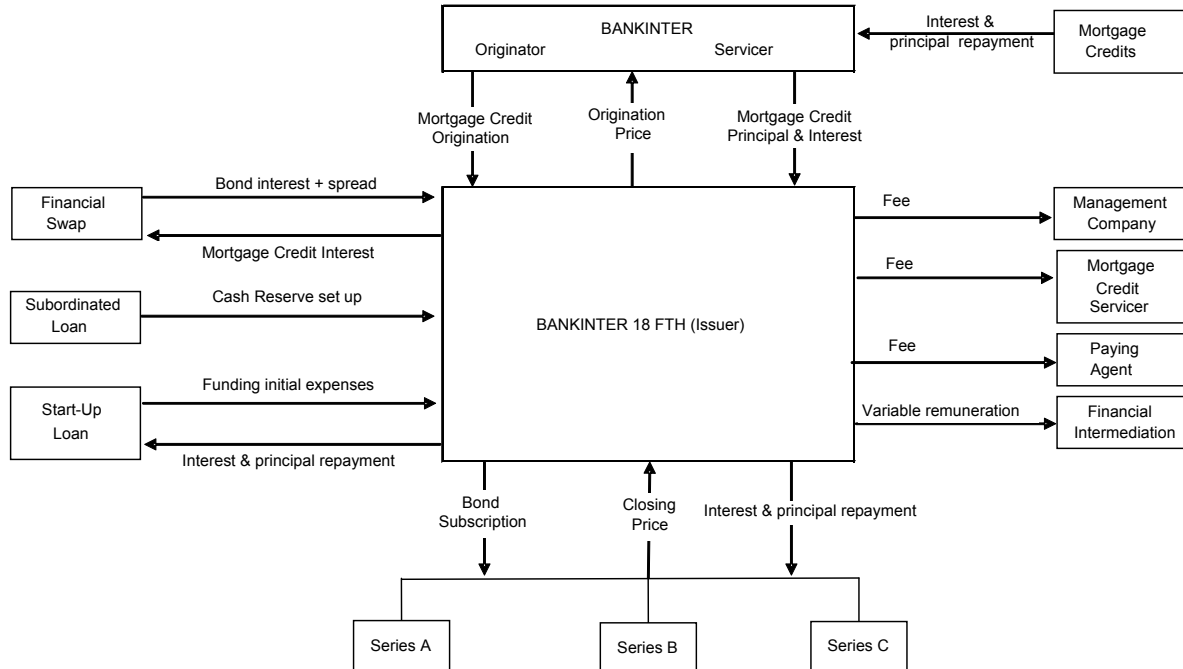
**2.4 Where the Issuer proposes to issue further securities backed by the same assets, statement to that effect and description of how the holders of that class will be informed.**

Not applicable.

### 3. STRUCTURE AND CASH FLOW

#### 3.1 Description of the structure of the transaction, including if necessary, a diagram.

##### Transaction structure diagram.



##### Initial balance sheet of the Fund.

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

ASSETS		LIABILITIES	
<b>Fixed Assets</b>	<b>1,500,700,000.00</b>	<b>Bond Issue</b>	<b>1,500,000,000.00</b>
Pass-Through Certificates	1,500,188,980.00	Series A Bonds	1,404,700,000.00
(adjustment excess to EUR 188,980.00)		Series B Bonds	65,300,000.00
Set-up, issue and admission expenses*	511,020.00	Series C Bonds	30,000,000.00
<b>Current assets</b>	<b>to be determined</b>	<b>Other long-term liabilities</b>	<b>45,700,000.00</b>
Treasury Account*	45,000,000.00	Subordinated Loan	45,000,000.00
Accrued interest receivable**	to be determined	Start-Up Loan	700,000.00
		<b>Short-term creditors</b>	<b>to be determined</b>
		Mortgage Credit interest accrued **	to be determined
<b>Total assets</b>	<b>1,545,700,000.00</b>	<b>Total liabilities</b>	<b>1,545,700,000.00</b>
<b>MEMORANDUM ACCOUNTS</b>			
Cash Reserve	45,000,000.00		
Financial Swap collections	to be determined		
Financial Swap payments	to be determined		

##### (Amounts in EUR)

\* Assuming that all Fund set-up and Bond issue and admission expenses are met on the Closing Date and that they amount to EUR 511,020.00 as detailed in section 6 of the Securities Note.

\*\* As set forth in section 3.3.3 of this Building Block.

### **3.2 Description of the entities participating in the issue and of the functions to be performed by them.**

- (i) EUROPEA DE TITULIZACIÓN is the Fund Management Company that will establish, manage and be the authorised representative of the Fund and has, together with BANKINTER, structured the financial terms of the Fund and the Bond Issue.
- (ii) BANKINTER is the Originator of the Mortgage Credits to be assigned to the Fund upon being established by issuing the Pass-Through Certificates and shall be the Lead Manager and the Bond Issue Subscriber.

Out of the functions and activities that Lead Managers may discharge in accordance with article 35.1 of Royal Decree 1310/2005, BANKINTER has, together with the Management Company, structured the financial terms of the Fund and the Bond Issue.

In addition, BANKINTER shall be the Fund's counterparty under the Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Financial Swap, Mortgage Credit Servicing and Pass-Through Certificate Custody, Bond Paying Agent and Financial Intermediation Agreements.

- (iii) RAMÓN & CAJAL, as independent advisers, have provided legal advice for establishing the Fund and the Bond Issue and have reviewed the tax implications thereof.
- (iv) PRICEWATERHOUSECOOPERS has audited certain features and attributes of a sample of all of BANKINTER's selected mortgage loans and credits (first drawdowns) from which the Mortgage Credits will be taken to be assigned to the Fund upon being established.
- (v) Moody's and S&P are the Rating Agencies that have rated each Bond Series.

A detailed description of the institutions referred to in the preceding paragraphs is given in section 5.2 of the Registration Document.

The Management Company represents that the summary descriptions of those agreements, contained in the relevant sections of this Prospectus, which it shall enter into, for and on the Fund's behalf, give the most substantial and relevant information on each of the agreements, and no information has been omitted which might affect the contents of the Prospectus.

### **3.3 Description of the method and date of the sale, transfer, novation or assignment of the assets or of any rights and/or obligations in the assets to the Issuer.**

#### **3.3.1 Perfecting the assignment of the Mortgage Credit receivables.**

The Deed of Constitution shall perfect the issue by BANKINTER of the Pass-Through Certificates which shall be the instruments for assigning the Mortgage Credit receivables effective upon the very date on which the Fund is established, and their subscription by the Fund, represented by the Management Company.

The Pass-Through Certificates will be issued in accordance with the provisions of Act 2/1981 and Additional Provision Five of Act 3/1994, as currently worded, and other applicable laws.

The Pass-Through Certificates may be transferred by a written statement on the very certificate and, in general, by any of the means admitted by Law. Transfer of the Pass-Through Certificate and the new holder's address shall be notified by the transferee to the issuer. They may only be acquired or be held by institutional or professional investors, and may not be acquired by the unspecialised public.

BANKINTER, as the issuer, shall keep a special book in which it shall enter the Pass-Through Certificates issued and the changes of address notified by Pass-Through Certificate holders, moreover including therein (i) Mortgage Credit origination and maturity dates, Mortgage Credit amount and settlement method; and (ii) registration particulars of the mortgage securing the Mortgage Credit.

Given that the Fund is an institutional investor and that the Fund has subscribed for the Pass-Through Certificates, for the purposes of paragraph two of article 64.1.6 of Royal Decree 685/1982, the issue of the Pass-Through Certificates shall not be subject to a marginal note on each entry of the mortgage underlying each of the Mortgage Credits in the Land Registry.

The assignment by BANKINTER to the Fund of the Mortgage Credit receivables, upon the Pass-Through Certificates being issued and subscribed for, shall not be notified to the Obligors. However, in the event of insolvency, or indications thereof, administration by the Bank of Spain, liquidation of the Originator or substitution of the Originator as Servicer, or because the Management Company deems it reasonably justified, the Management Company may demand the Servicer to notify Obligors (and guarantors, and the insurers providing insurance covering damages to the mortgaged properties or mortgage credit insurance, if any) of the transfer to the Fund of the outstanding Mortgage Credits, and that payments thereunder will only be effective as a discharge if made into the Treasury Account opened in the name of the Fund. However, both in the event of the Servicer failing to notify Obligors, within five (5) Business Days of receiving the request, and in the event of the Servicer becoming insolvent, the Management Company itself shall directly or, as the case may be, through a new Servicer it shall have designated, notify Obligors (and guarantors, and the insurers providing insurance covering damages to the mortgaged properties or mortgage credit insurance, if any).

### **3.3.2 Pass-Through Certificate issue and subscription terms.**

1. The Mortgage Credit receivables will be fully and unconditionally assigned, perfected by BANKINTER issuing and the Fund subscribing for the Pass-Through Certificates, for the entire term remaining until maturity of each Mortgage Credit.
2. The Pass-Through Certificates shall be represented by means of registered individual or multiple certificates as established in section 3.3.4 below.
3. BANKINTER shall be liable to the Fund for the existence and lawfulness of the Mortgage Credits, to the same extent determined in articles 348 of the Commercial Code and 1529 of the Civil Code, and for the personality with which the issue of the Pass-Through Certificates is made, but shall not be liable for Obligors' creditworthiness.

Moreover, BANKINTER shall not bear the risk of default on the Mortgage Credits and shall therefore have no liability whatsoever for default by the Obligors of principal, interest or any other Mortgage Credit amount owing by the Obligors, and shall not be answerable either for the enforceability of the securities collateral thereto. 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 Pass-Through Certificates, saving as provided for in section 2.2.9 of this Building Block.

4. The Pass-Through Certificates will be issued in respect of 100 percent of the outstanding principal, interest not due and overdue interest and all and any other amounts, assets or rights attaching to each of the relevant Mortgage Credits, excluding the fees established in each Mortgage Credit, which shall remain for the benefit of BANKINTER.

Specifically, the Pass-Through Certificates shall confer on the Fund as their holder the following rights in relation to each Mortgage Credit:

- a) To receive all Mortgage Credit capital or principal repayment amounts accrued.
- b) To receive all Mortgage Credit principal ordinary interest amounts accrued.
- c) To receive all Mortgage Credit late-payment interest amounts accrued.
- d) To receive any other amounts, properties, assets, securities or rights received as payment of Mortgage Credit principal, interest or expenses, either in the form of knock-down price or amount determined by a court decision or notarial procedure in enforcing the mortgage securities, on the sale or utilisation of properties, assets or securities awarded or, upon foreclosing, in the

administration or interim possession of the properties in foreclosure proceedings, and for first drawdowns under credit facility agreements, proportionally to the first drawdown assigned.

- e) To receive all possible rights or compensations accruing for BANKINTER, including not only those derived from the insurance contracts attached to the Mortgage Credits, which are also assigned to the Fund, but also those derived from any right collateral to the Mortgage Credit, and for first drawdowns under credit facility agreements, proportionally to the first drawdown assigned, excluding fees established for each Mortgage Credit, which shall remain for the benefit of BANKINTER.

The above-mentioned rights will all accrue for the Fund from the Pass-Through Certificate issue date. Interest shall moreover include interest accrued and not due since the last interest settlement date on each Mortgage Credit, on or before the Pass-Through Certificate issue date, and interest due and not paid on that same date.

- 5. Until the execution of the Deed of Constitution, BANKINTER shall be the beneficiary of the damage insurance contracts taken out by Obligors in relation to the properties mortgaged as security for the Mortgage Credits, up to the insured amount, and each of the Mortgage Credit deeds 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.

BANKINTER shall concurrently perfect the assignment attached to the issue of the Pass-Through Certificates of the rights available to BANKINTER as the beneficiary of those damage insurance contracts taken out by the Obligors or any other insurance policy providing equivalent cover (in particular, the general insurance policy taken out by BANKINTER in the event of the damage insurance policy taken out by the Obligor not existing, falling short or being ineffective) and the mortgage credit insurance taken out. As the holder of the Pass-Through Certificates, the Fund shall be entitled to all the amounts BANKINTER would have received under such insurance and, for first drawdowns under credit facility agreements, proportionally to the first drawdown assigned.

- 6. In the event of prepayment of the Mortgage Credits upon a full or partial repayment of the principal, there will be no direct substitution of the affected Pass-Through Certificates.
- 7. The Fund's rights resulting from the Pass-Through Certificates shall be linked to the payments made by the Obligors and are therefore directly affected by the evolution, late payments, prepayments or any other incident in connection with the Mortgage Credits.
- 8. The Fund shall defray any and all expenses or costs resulting for the Originator derived from recovery actions in the event of a breach by the Mortgage Credit Obligors of their obligations, including enforcement proceedings against the same and, for first drawdowns under credit facility agreements, proportionally to the first drawdown assigned.
- 9. In the event of renegotiation consented to by the Management Company, for and on behalf of the Fund, of the Mortgage Credits, or their due dates, the change in the terms shall affect the Fund.

### **3.3.3 Pass-Through Certificate issue price.**

The issue price of the Pass-Through Certificates shall be at par with the face value of the Mortgage Credit capital. The aggregate price payable by the Fund for subscribing for the Pass-Through Certificates shall be an amount equivalent to the sum of (i) the face value of the capital or principal outstanding on each Mortgage Credit, and (ii) ordinary interest accrued and not due and overdue interest, if any, on each Mortgage Credit on the issue date of the Pass-Through Certificates (the "**accrued interest**").

The Management Company shall pay the total Pass-Through Certificate subscription payment amount on behalf of the Fund as follows:

- (i) The part consisting of the face value of the capital of all Mortgage Credits, item (i) of paragraph one of this section, shall be paid by the Fund on the Closing Date, for same day value, upon subscription for

the Bond Issue being paid up. The Originator shall receive no interest on the deferment of payment until the Closing Date.

- (ii) The part consisting of payment of interest accrued on each Mortgage Credit, item (ii) of paragraph one of this section, shall be paid by the Fund on the first interest settlement date for each one, and will not be subject to the Fund Priority of Payments.

If the establishment of the Fund and consequently the issue of and subscription for the Pass-Through Certificates should terminate, as provided for in section 4.4.4 (v) of the Registration Document, (i) the Fund's obligation to pay for the Pass-Through Certificates shall terminate, and (ii) the Management Company shall be obliged to restore to BANKINTER any rights whatsoever accrued for the Fund upon the Pass-Through Certificates being subscribed for.

### **3.3.4 Pass-Through Certificate representation and custody.**

The Pass-Through Certificates shall be represented by means of registered individual or multiple certificates which shall contain the minimum data provided for in article 64 of Royal Decree 685/1982, along with the registered particulars of the properties mortgaged as security for the Mortgage Credits. The Pass-Through Certificates which shall be issued to be pooled in the Fund upon being established shall be represented by means of a registered multiple certificate.

Both in the event that any Pass-Through Certificate should be substituted, as prescribed in section 2.2.9 of this Building Block, and in the event that the Management Company, acting for and on behalf of the Fund, should proceed to foreclose a Mortgage Credit, as prescribed in section 3.7.2.1.8 of this Building Block, and moreover if, upon Early Liquidation of the Fund, in the events and on the terms of section 4.4.3 of the Registration Document, said Pass-Through Certificates have to be sold, BANKINTER agrees to split, as the case may be, any multiple certificate into such individual or multiple certificates as may be necessary, or to substitute or exchange the same for the above purposes.

The multiple certificate representing the Pass-Through Certificates and the individual or multiple certificates, if any, into which it is split shall be kept by BANKINTER and relations between the Fund and BANKINTER shall be governed by the Mortgage Credit Servicing and Pass-Through Certificate Custody Agreement to be entered into by BANKINTER and the Management Company for and on behalf of the Fund. That custody shall be established for the benefit of the Fund and BANKINTER shall therefore be custodian for the Pass-Through Certificate supporting documents deposited, as directed by the Management Company.

## **3.4 Explanation of the flow of funds.**

### **3.4.1 How the cash flow from the assets will meet the Issuer's obligations to holders of the securities.**

Mortgage Credit amounts received by the Servicer will be paid by the Servicer into the Fund's Treasury Account on the seventh business day, for same day value, after the date on which they are received by the Servicer. Therefore, the Fund shall be receiving almost daily income into the Treasury Account on the amounts received from the assets.

The weighted average interest rate of the selected mortgage loans and credits (first drawdowns) as at October 2, 2008, as detailed in section 2.2.2.g) of this Building Block, is 5.28%, which is above the 5.00% weighted average nominal interest rate of the Bonds that has been presumed for hypothetical purposes in the table contained in section 4.10 of the Securities Note.

The Financial Swap mitigates the interest rate risk occurring in the Fund because Mortgage Credit interest floats initially benchmarked to 1-year Euribor and reset and settlement periods differing from the floating interest established for the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods and the risk deriving from potential Mortgage Credit interest rate renegotiations to a fixed rate.

Quarterly, on each Payment Date, Bondholders will be paid interest accrued and principal repayment on the Bonds in each Series on the terms set for each of them and in the Priority of Payments given in section 3.4.6.2 of this Building Block.

### 3.4.2 Information on any credit enhancement.

#### 3.4.2.1 Description of the credit enhancement.

The following credit enhancement transactions are incorporated to the financial structure of the Fund:

- (i) Cash Reserve set up upon the Subordinated Loan being drawn down.  
Mitigates the Mortgage Credit delinquency and default credit risk.
- (ii) Financial Swap:  
Mitigates the interest rate risk occurring in the Fund because Mortgage Credit interest floats initially benchmarked to 1-year Euribor and reset and settlement periods differing from the floating interest established for the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods and the risk deriving from potential Mortgage Credit interest rate renegotiations which may even result in their novation to a fixed rate. Additionally, a 0.30% excess margin is included.
- (iii) Treasury Account.  
Partly mitigates the loss of return on the liquidity of the Fund due to the timing difference between Mortgage Credit income received daily and until Bond interest payment and principal repayment on the next succeeding Payment Date.
- (iv) Subordination and deferment in interest payment and principal repayment between the Bonds in the different Series, derived from their place in the application of the Available Funds as well as the rules for Distribution of Available Funds for Amortisation in the Priority of Payments, or in the application of the Liquidation Available Funds in the Liquidation Priority of Payments, are a means for distinctly hedging the different Series.

#### 3.4.2.2 Cash Reserve.

The Management Company shall set up on the Closing Date a cash reserve (the “**Cash Reserve**”) upon the Subordinated Loan principal being drawn down and shall subsequently, on each Payment Date, keep the Required Cash Reserve amount provisioned in the Fund Priority of Payments.

The characteristics of the Cash Reserve shall be as follows:

##### **Cash Reserve amount.**

1. The Cash Reserve shall be set up on the Closing Date in an initial amount equal to EUR forty-five million (45,000,000.00) (the “**Initial Cash Reserve**”).
2. Subsequently to being set up, on each Payment Date, the Cash Reserve shall be provisioned up to the Required Cash Reserve amount established hereinafter out of the Available Funds in the Priority of Payments of the Fund.

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

- (i) EUR forty-five million (45,000,000.00).
  - (ii) The higher of:
    - a) 6.00% of the Outstanding Principal Balance of the Bond Issue.
    - b) EUR twenty-two million five hundred thousand (22,500,000.00).
3. Notwithstanding the above, the Required Cash Reserve shall not be reduced on the relevant Payment Date and shall remain at the Required Cash Reserve amount on the preceding Payment Date whenever any of the following circumstances concur on the Payment Date:



- i) That on the Determination Date preceding the relevant Payment Date the amount of the Outstanding Balance of Delinquent Mortgage Credits is equal to or greater than 1.00% of the Outstanding Balance of Non-Doubtful Mortgage Credits.
- ii) That on the Payment Date preceding the relevant Payment Date the Cash Reserve was not provisioned up to the Required Cash Reserve amount on that Payment Date.
- iii) That the average margin added to the relevant benchmark index for determining the nominal interest rate of the Mortgage Credits, weighted by the outstanding principal of the Mortgage Credits, is equal to or less than 0.30%.
- iv) That three (3) years have not elapsed since the date of establishment of the Fund.

#### **Yield.**

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

#### **Application.**

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

### **3.4.3 Details of any subordinated finance.**

#### **3.4.3.1 Subordinated Loan.**

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER into a commercial loan agreement amounting to EUR forty-five million (45,000,000.00) (the "**Subordinated Loan Agreement**"). The subordinated loan (the "**Subordinated Loan**") amount shall be delivered on the Closing Date and be allocated to setting up the Initial Cash Reserve on the terms for which provision is made in section 3.4.2.2 of this Building Block, although granting of the Loan by no means guarantees performance of the securitised Mortgage Credits.

Subordinated Loan principal shall be repaid on each Payment Date in an amount equal to the positive difference existing between the outstanding Subordinated Loan principal at the Determination Date preceding the relevant Payment Date and the Required Cash Reserve amount at the relevant Payment Date, and in the application priority established for that event in the application of Available Funds in the Priority of Payments.

In the event that the Fund should not have sufficient liquidity to proceed to the relevant Subordinated Loan repayment on a Payment Date, in the Priority of Payments, the portion of principal not repaid shall be repaid on the next succeeding Payment Date along with the amount, if any, that should be repaid on that same Payment Date, until fully repaid.

The Subordinated Loan shall at all events be finally due on the Final Maturity Date or, as the case may be, on the date on which the Management Company proceeds to Early Liquidation subject to the Liquidation Priority of Payments of the Fund.

The Subordinated Loan will accrue annual nominal interest, determined quarterly for each interest accrual period (which shall exactly match each Interest Accrual Period of the Bonds), which shall be the result of adding: (i) the Reference Rate determined for each Interest Accrual Period of the Bonds, and (ii) a 2.00% margin. Interest shall be settled and be payable upon expiration of each interest accrual period on each payment or settlement date, falling on the Bond Issue Payment Dates (on January 23, April 23, July 23 and October 23 or the following Business Day if any of those is not a Business Day), and 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 January 23, 2009, and interest shall accrue until said day, exclusive, and be paid on the same date. Interest will be payable on the relevant Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

Interest accrued and not paid on a Payment Date will not be accumulated to the Subordinated Loan principal and will not accrue late-payment interest.

All Subordinated Loan amounts due and not paid to BANKINTER because of a shortfall of Available Funds shall be paid on the following Payment Dates on which the Available Funds allow payment in the Priority of Payments. Payment of amounts not paid on preceding Payment Dates shall take precedence over amounts falling due under the Subordinated Loan on that Payment Date, honouring firstly overdue interest and secondly principal repayment, in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments of the Fund.

The Subordinated Loan Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to the Bonds as the final ratings by November 12, 2008.

#### **3.4.3.2 Start-Up Loan.**

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER into a commercial loan agreement amounting to EUR seven hundred thousand (700,000.00) (the "**Start-Up Loan Agreement**"). The start-up loan (the "**Start-Up Loan**") amount shall be delivered on the Closing Date and be allocated to financing the expenses of setting up the Fund and issue and admission of the Bonds and partly financing subscription for the Pass-Through Certificates at the difference between the total face capital of the subscription for and the total face amount of the Bond Issue.

The Start-Up Loan will accrue annual nominal interest, determined quarterly for each interest accrual period (which shall exactly match each Interest Accrual Period of the Bonds), which shall be the result of adding: (i) the Reference Rate determined for each Interest Accrual Period of the Bonds, and (ii) a 2.00% margin. Interest shall be settled and be payable upon expiration of each interest accrual period on each payment or settlement date, falling on the Bond Issue Payment Dates (on January 23, April 23, July 23 and October 23 or the following Business Day if any of those is not a Business Day), and 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 January 23, 2009, and interest shall accrue until said day, exclusive, and be paid on the same date. Interest will be payable on the relevant Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

Interest accrued and not paid on a Payment Date will not be accumulated to the Start-Up Loan principal and will not accrue late-payment interest.

Start-Up Loan principal will be repaid quarterly on each Payment Date as follows:

- (i) The portion of Start-Up Loan principal actually used to finance the Fund set-up and Bond issue and admission expenses 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, January 23, 2009, and the following until the Payment Date falling on October 23, 2013, inclusive.
- (ii) The portion of Start-Up Loan principal used to partly finance subscription for the Pass-Through Certificates and the portion not used, if any, shall be repaid on the first Payment Date, January 23, 2009.

All Start-Up Loan amounts due and not paid because of a shortfall of Available Funds shall be paid on the following Payment Dates on which the Available Funds allow payment in the Priority of Payments. 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, honouring firstly overdue interest and secondly principal repayment, in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments of the Fund.

The Start-Up Loan Agreement shall not be terminated upon the establishment of the Fund terminating in the event that the Rating Agencies should fail to confirm any of the provisional ratings assigned as final for each Series by November 12, 2008. In that event, the Start-Up Loan shall be used to pay the expenses of setting up the Fund and issue and admission of the Bonds and all other obligations undertaken by the Management Company, for and on behalf of the Fund, originated upon the Fund being established and

which are due and payable, and principal repayment shall be deferred and subordinated to satisfaction of those obligations.

#### **3.4.3.3 Subordination of Series B and C Bonds.**

Series B Bond interest payment and principal repayment is deferred with respect to Series A Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

Series C Bond interest payment and principal repayment is deferred with respect to Series A and Series B Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

Sections 4.6.1 and 4.6.2 of the Securities Note detail the order numbers of Bond interest payment and principal repayment in each Series in the priority of payments of the Fund.

#### **3.4.4 Investment parameters for the investment of temporary liquidity surpluses and parties responsible for such investment.**

##### **3.4.4.1 Treasury Account.**

The Management Company, for and on behalf of the Fund, and BANKINTER shall enter into a guaranteed interest rate account agreement (the “**Guaranteed Interest Rate Account (Treasury Account) Agreement**”) whereby BANKINTER will guarantee a variable yield on 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 received upon subscription for the Bond Issue being paid up;
- (ii) Mortgage Credit principal repaid and interest collected;
- (iii) drawdown of Subordinated Loan principal and the Cash Reserve amount;
- (iv) any other Mortgage Credit amounts received owing to the Fund;
- (v) Start-Up Loan principal drawn down;
- (vi) Financial Swap amounts paid to the Fund;
- (vii) the amounts of the returns obtained on the Treasury Account balances; and
- (viii) the amounts, if any, of interim withholdings on 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 shall pay an annual nominal interest rate, variable quarterly and settled quarterly, other than for the first interest accrual period, the duration of and the interest settlement for which shall be based on the duration of that period, applicable for each interest accrual period (differing from the Interest Accrual Period established for the Bonds) to the positive daily balances if any on the Treasury Account, equal to the Reference Rate determined for each Interest Accrual Period substantially matching each Treasury Account interest accrual period, translated to an interest rate based on calendar years (i.e. multiplied by 365, or 366 in leap years, and divided by 360). Interest shall be settled on the date of expiration of each interest accrual period on each Fund Determination Date (the fourth (4<sup>th</sup>) Business Day preceding each Payment Date), and 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 or a three-hundred-and-sixty-six (366-) day year if it is a leap year. The first interest accrual period shall comprise the days elapsed between the date of establishment of the Fund and the first Determination Date, January 19, 2009.

In the event that the rating of the short-term unsecured and unsubordinated debt obligations of BANKINTER or the institution in which the Treasury Account is opened (the “**Treasury Account Provider**”) should, at any time during the life of the Bond Issue, be downgraded below P-1 or A-1 respectively by Moody’s and S&P (in accordance with S&P’s updated counterparty criteria dated May 8, 2007 -*Revised Framework For Applying Counterparty Supporting Party Criteria*-), the Management Company shall, within not more than thirty (30) days for Moody’s or sixty (60) days for S&P, from the time of the occurrence of that circumstance, after notifying the Rating Agencies, do any of the following to allow a suitable level of guarantee to be maintained with respect to the commitments derived from the Guaranteed Interest Rate Account (Treasury Account) Agreement in order for the rating given to the Bonds by the Rating Agencies not to be adversely affected:

- a) Obtaining from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as P-1 and/or A-1 respectively by Moody’s and S&P, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by the Treasury Account Provider of its obligation to repay the amounts credited to the Treasury Account, for such time as the Treasury Account Provider remains downgraded below P1 by Moody’s and A-1 by S&P.
- b) Transferring the Fund’s Treasury Account to an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as P-1 and A-1 respectively by Moody’s and S&P, arranging the highest possible yield for its balances, which may differ from that arranged with the Treasury Account Provider under the Guaranteed Interest Rate Account (Treasury Account) Agreement.
- c) If a) and b) above are not possible, obtaining from the Treasury Account Provider 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*) on the Closing Date and similar liquidity, in an amount sufficient to guarantee the commitments established in the Guaranteed Interest Rate Account (Treasury Account) Agreement.

In the event of b) occurring, and that the ratings of the Treasury Account Provider’s short-term unsecured and unsubordinated debt obligations should subsequently be upgraded back to P-1 and A-1 respectively by Moody’s and S&P, the Management Company shall subsequently transfer the balances back to the Treasury Account Provider under the Guaranteed Interest Rate Account (Treasury Account) Agreement.

All costs, expenses and taxes incurred in connection with putting in place and arranging the above shall be borne by the substituted Treasury Account Provider.

The Treasury Account Provider shall agree, forthwith upon its credit rating being downgraded, to use commercially reasonable efforts in order that the Management Company may adopt any of (a), (b) and (c) above.

### **3.4.5 Collection by the Fund of payments in respect of the assets.**

The Servicer shall manage collection of all amounts payable by Obligors under the Mortgage Credits, and any other item including under the insurance contracts providing mortgaged property damage insurance and mortgage credit insurance as security for the Mortgage Credits. The Servicer shall use every effort in order for payments to be made by the Obligors to be collected in accordance with the contractual terms and conditions of the Mortgage Credits.

Mortgage Credit amounts received by the Servicer shall be paid by the Servicer in full into the Fund’s Treasury Account on the seventh business day, for same day value, after the day on which they were received by the Servicer. In this connection, Saturdays, Sundays and public holidays in the city of Madrid shall not be considered business days.

Nevertheless, in the event that the rating of the Servicer’s short-term unsecured and unsubordinated debt obligations should be downgraded below P-1 or A-2 respectively by Moody’s and S&P, or that the Servicer’s credit quality could result in a downgrade of the ratings given by the Rating Agencies to each Bond Series, the Management Company shall, in a written notice to the Servicer, issue instructions for

those amounts to be paid into the Treasury Account on the first day after the date on which they were received by the Servicer or the following business day, if that is not a business day, for same day value.

If the Servicer's downgrade below A-2 by S&P could result in a downgrade of the ratings given by S&P to each Bond Series, the Servicer shall do any of the following:

- (i) obtain from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as A-1 by S&P within not more than thirty (30) days starting from the time of the occurrence of that circumstance, a first demand guarantee, satisfying the S&P criteria in force from time to time, at such an amount as to allow the ratings given to the Bonds by S&P to be maintained; or
- (ii) post collateral in the form of cash in favour of the Fund in order for there to be no detriment to the rating given to the Bonds by S&P, within not more than ten (10) days starting from the time of the occurrence of the aforesaid circumstance, with an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as A-1 by S&P, at an amount equivalent to the aggregate estimated amount of the Mortgage Credit repayment and interest instalments that would become due during one month, from the date on which the A-2 rating by S&P is lost, and at a CPR based on the historical CPR of the Mortgage Credits assigned to the Fund. The Fund may only draw on the amount of such deposit to the extent of the Mortgage Credit amounts, if any, not received owing to the Fund and received by the Servicer.

All costs, expenses and taxes incurred in connection with doing and arranging the above shall be borne by the Servicer.

The Management Company may issue the same instructions in the event that the Servicer's short-term unsecured and unsubordinated debt obligations should not be rated by Moody's or S&P.

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

### **3.4.6 Order of priority of payments made by the Issuer.**

#### **3.4.6.1 Source and application of funds on the Bond Closing Date and until the first Payment Date, exclusive.**

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 the following funds:
  - a) Bond subscription payment.
  - 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:
  - a) Payment of the subscription price for the Pass-Through Certificates at face value.
  - b) Payment of the Fund set-up and Bond issue and admission expenses.
  - c) Setting up the Initial Cash Reserve.

#### **3.4.6.2 Source and application of funds from the first Payment Date, inclusive, until the last Payment Date or liquidation of the Fund, exclusive. Priority of Payments.**

On each Payment Date, other than the Final Maturity Date or upon Early Liquidation of the Fund, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation in accordance with the order of priority of payments given hereinafter for each of them and to distribute the Available Funds for Amortisation (the "**Priority of Payments**").

### 3.4.6.2.1 Available Funds: source and application.

#### 1. Source.

The available funds on each Payment Date (the “**Available Funds**”) to meet the payment or withholding obligations listed in section 2 below shall be the following amounts credited to the Treasury Account:

- a) Mortgage Credit principal repayment income received during the Determination Period preceding the relevant Payment Date.
- b) Mortgage Credit ordinary and late-payment interest income received during the Determination Period preceding the relevant Payment Date.
- c) The return received on amounts credited to the Treasury Account.
- d) The Cash Reserve amount at the Determination Date preceding the relevant Payment Date.
- e) Net amounts, if any, received by the Fund under the Financial Swap Agreement and settlement payment amounts received by the Fund in the event of termination of that Agreement.
- f) Any other amounts received by the Fund during the Determination Period preceding the relevant Payment Date, including those resulting from the sale or utilisation of properties, assets or securities awarded to the Fund, and for first drawdowns under credit facility agreements proportionally to the first drawdown assigned.
- g) Additionally, on the first Payment Date, the portion of Start-Up Loan Principal not used, if any.

Income under a), b) and f) above received by the Fund and credited to the Treasury Account from the Determination Date, exclusive, preceding the relevant Payment Date, inclusive, shall not be included in the Available Funds on the relevant Payment Date, and that amount shall remain credited to the Treasury Account, to be included in the Available Funds on the following Payment Date.

#### 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 order of priority, irrespective of the time of accrual, other than the application established in the 1<sup>st</sup> place, which may be made at any time as and when due:

1. Payment of the Fund’s properly supported taxes and ordinary<sup>(1)</sup> and extraordinary<sup>(2)</sup> expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, 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 Mortgage Credit amounts reimbursable to the Servicer, provided they are all properly supported, and the servicing fee in the event that BANKINTER should be substituted as Servicer, shall be made to the Servicer under the Servicing Agreement in this priority.
2. Payment of net amounts, if any, payable by the Fund under the Financial Swap Agreement and, only in the event of termination of that Agreement following a breach by the Fund or because the latter is the party affected by objective circumstances subsequently occurring, payment of the settlement payment amounts payable by the Fund.
3. Payment of interest due on Series A Bonds.
4. Payment of interest due on Series B Bonds unless this payment is deferred to 7<sup>th</sup> place in the order of priority.

This payment shall be deferred to 7<sup>th</sup> place when, on the Determination Date preceding the relevant Payment Date, the cumulative Outstanding Balance of Doubtful Mortgage Credits, reckoned at the amount of the Outstanding Balance at the classification date of the Doubtful Mortgage Credit, since the Fund was established, is in excess of 9.77% of the initial Outstanding Balance of the Mortgage Credits upon the Fund being established and provided that Series A Bonds have not been and are not to be fully amortised on the relevant Payment Date.

5. Payment of interest due on Series C Bonds unless this payment is deferred to 8<sup>th</sup> place in the order of priority.

This payment shall be deferred to 8<sup>th</sup> place when, on the Determination Date preceding the relevant Payment Date, the cumulative Outstanding Balance of Doubtful Mortgage Credits, reckoned at the amount of the Outstanding Balance at the classification date of the Doubtful Mortgage Credit, since the Fund was established, is in excess of 7.20% of the initial Outstanding Balance of the Mortgage Credits upon the Fund being established and provided that Series A and Series B Bonds have not been and are not to be fully amortised on the relevant Payment Date.

6. Series A, B and C Bond principal amortisation withholding (“**Amortisation Withholding**”) in an amount equivalent to the positive difference existing at the Determination Date preceding the relevant Payment Date between (i) the Outstanding Principal Balance of the Bond Issue, and (ii) the Outstanding Balance of Non-Doubtful Mortgage Credits.

Depending on the liquidity existing on each Payment Date, the amount actually applied to Amortisation Withholding shall be added to the Available Funds for Amortisation which shall be applied in accordance with the rules for Distribution of Available Funds for Amortisation established in section 4.9.3.5 of the Securities Note.

7. Payment of interest due on Series B Bonds when deferred from 4<sup>th</sup> place in the order of priority as established therein.
8. Payment of interest due on Series C Bonds when deferred from 5<sup>th</sup> place in the order of priority as established therein.
9. Withholding of an amount sufficient for the Required Cash Reserve to be kept duly provisioned.
10. Payment of the settlement payment amounts, if any, payable by the Fund under the Financial Swap Agreement other than in the events provided for in 2<sup>nd</sup> place above.
11. Payment of Subordinated Loan interest due.
12. Repayment of Subordinated Loan principal in the amount repaid.
13. Payment of Start-Up Loan interest due.
14. Repayment of Start-Up Loan principal in the amount repaid.
15. Payment to the Servicer of the fee established under the Servicing Agreement.

In the event that any other institution should replace BANKINTER as Servicer of the Mortgage Credits, payment of the servicing fee accrued by the other institution, to wit the new servicer, shall take the place of paragraph 1 above, along with the other payments included therein.

16. Payment of the Financial Intermediation Margin.

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

- (1) The following shall be considered ordinary expenses of the Fund:
- a) Any expenses deriving from mandatory administrative verifications, registrations and authorisations other than payment of the expenses of setting up the Fund and issue and admission of the Bonds.
  - b) Rating Agency fees for monitoring and maintaining the rating of the Bonds.
  - c) Expenses relating to keeping the Bond accounting record representing the Bonds by means of book entries, admission to trading in organised secondary markets and maintaining all of the foregoing.
  - d) Expenses of auditing the annual accounts.
  - e) Bond amortisation expenses.
  - f) Expenses deriving from announcements and notices relating to the Fund and/or the Bonds.

The Fund's ordinary expenses in its first year, including the management fee due to the Management Company and those derived from the Paying Agent Agreement, are estimated at EUR two hundred and fifty thousand (250,000.00). Because most of those expenses are directly related to the Outstanding Principal Balance of the Bond Issue and those balances shall fall throughout the life of the Fund, the Fund's ordinary expenses will also fall as time goes by.

- (2) The following shall be considered extraordinary expenses of the Fund:
- a) Expenses, if any, deriving from preparing and perfecting an amendment of the Deed of Constitution and of the agreements, and from entering into additional agreements.
  - b) Expenses required to foreclose Mortgage Credits and deriving from any recovery actions required.
  - c) Extraordinary expenses of audits and legal advice.
  - d) The remaining amount, if any, of the initial expenses of setting up the Fund and issue and admission of the Bonds in excess of the Start-Up Loan principal.
  - e) In general, any other extraordinary expenses required borne by the Fund or by the Management Company for and on behalf of the Fund.

#### **3.4.6.2.2 Available Funds for Amortisation.**

##### **1. Source.**

On each Payment Date, the Available Funds for Amortisation shall be the Amortisation Withholding amount actually applied of the Available Funds in sixth (6<sup>th</sup>) place in the order of application of payments on the relevant Payment Date.

##### **2. Distribution of Available Funds for Amortisation.**

The rules for Distribution of Available Funds for Amortisation are given in section 4.9.3.5 of the Securities Note.

#### **3.4.6.3 Fund Liquidation Priority of Payments.**

The Management Company shall proceed to liquidate the Fund upon the Fund being liquidated on the Final Maturity Date or upon Early Liquidation in accordance with the provisions of sections 4.4.3 and 4.4.4 of the Registration Document, applying the following available funds (the "**Liquidation Available Funds**"): (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the Pass-Through Certificates and the remaining assets and, as the case may be, (iii) the amount drawn under a credit facility or the loan to be arranged and used exclusively for amortisation of the Bonds then outstanding, in accordance with the provisions of section 4.4.3.3.(iii) of the Registration Document, in the following order of priority of payments (the "**Liquidation Priority of Payments**"):

1. Reserve to meet the tax, administrative or advertising expenses deriving from Fund termination and liquidation.
2. 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 latter, 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 Mortgage Credit amounts reimbursable to the Servicer, provided they are all properly supported, and the servicing fee



if BANKINTER shall have been replaced as Servicer shall be made to the Servicer under the Servicing Agreement in this priority.

3. Payment of amounts, if any, due upon termination of the Financial Swap and, only in the event of termination of that Agreement following a breach by the Fund or because the Fund is the party affected by objective circumstances subsequently occurring, payment of the settlement payment amounts payable by the Fund.
4. Payment of interest due on Series A Bonds.
5. Repayment of Series A Bond principal.
6. Payment of interest due on Series B Bonds.
7. Repayment of Series B Bond principal.
8. Payment of interest due on Series C Bonds.
9. Repayment of Series C Bond principal.
10. In the event of the credit facility or the loan being arranged as provided for in section 4.4.3.3.(iii) of the Registration Document, payment of financial costs accrued and repayment of principal of the credit facility or of the loan arranged.
11. Payment of the settlement payment amounts payable by the Fund under the Financial Swap Agreement other than in the events provided for in 3<sup>rd</sup> place above.
12. Payment of Subordinated Loan interest due.
13. Repayment of Subordinated Loan principal
14. Payment of Start-Up Loan interest due.
15. Repayment of Start-Up Loan principal.
16. Payment to BANKINTER of the fee established under the Servicing Agreement.

In the event that any other institution should replace BANKINTER as Servicer of the Mortgage Credits, payment of the servicing fee accrued by the other institution, to wit the new Servicer, shall take the place of paragraph 1 above, along with the other payments included therein.

17. Payment of the Financial Intermediation Margin.

Where payables for different items exist in a same priority order number on the Final Maturity Date or on the Payment Date on which Early Liquidation occurs and the Liquidation Available Funds are not sufficient to settle the amounts due under all of them, the application of the remaining Liquidation Available Funds shall be prorated among the amounts payable under each such item, and the amount applied to each item shall be distributed in the priority in which the accounts payable fall due.

#### **3.4.6.4 Financial Intermediation Margin.**

The Management Company shall, for and on behalf of the Fund, enter with the Originator into a financial intermediation agreement (the "**Financial Intermediation Agreement**") designed to remunerate the Originator for the financial intermediation process carried out, enabling the financial transformation defining the Fund's activity, subscription by the Fund for the Pass-Through Certificates and the rating assigned to each Bond Series.

The Originator shall be entitled to receive from the Fund a variable subordinated remuneration (the “**Financial Intermediation Margin**”) which shall be determined and shall accrue upon expiration of every quarterly accrual period, comprising, other than for the first period, the three calendar months preceding each Payment Date, in an amount equal to the positive difference, if any, between the income and expenditure accrued by the Fund, including losses, if any, brought forward from previous years, with reference to its accounts and before the close of the months of March, June, September and December, which are the last calendar month in each quarterly period. Exceptionally, the first period shall be comprised between the date on which the Fund is established and December 31, 2008, inclusive, this being the last day of the calendar month preceding the first Payment Date, January 23, 2009.

The Financial Intermediation Margin accrued at the close of the months of March, June, September and December shall be settled on the Payment Date next succeeding the last day of each of said months, provided that the Fund has sufficient liquidity in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

If the Fund should not have sufficient liquidity on a Payment Date in the Priority of Payments to pay the Financial Intermediation Margin in full, the Financial Intermediation Margin amount accrued and not paid shall accumulate without any penalty whatsoever on the Financial Intermediation Margin, if any, accrued in the following quarterly period and shall be paid on the following Payment Dates on which the Available Funds allow payment in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments. Financial Intermediation Margin amounts not paid on preceding Payment Dates shall be paid with priority over the amount payable on the relevant Payment Date.

The Financial Intermediation Agreement shall be fully terminated in the event that the Rating Agencies should not confirm any of the provisional ratings assigned to each Bond Series as final by November 12, 2008.

### **3.4.7 Other arrangements upon which payments of interest and principal to investors are dependent.**

#### **3.4.7.1 Financial Swap.**

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER into a financial swap agreement (the “**Financial Swap Agreement**” or the “**Financial Swap**”) based on the standard 1992 ISDA Master Agreement (ISDA Master Agreement - Multicurrency - Cross Border) and the year 2006 definitions (ISDA 2006 Definitions), the most relevant characteristics of which are described below.

Under the Financial Swap Agreement, the Fund will make payments to BANKINTER calculated on the Mortgage Credit interest rate, and in consideration BANKINTER will make payments to the Fund calculated on the weighted average Interest Rate of the Bond Series plus a margin, all as described hereinafter.

**Party A :** The Fund, represented by the Management Company.

**Party B :** BANKINTER.

#### **1. Payment dates.**

The payment dates shall fall on the Bond Payment Dates, i.e. on January 23, April 23, July 23 and October 23 in every year, or the next succeeding Business Day if any of these dates is not a Business Day. The first Payment Date shall be January 23, 2009.

The variable amounts payable by Party A and by Party B for each respective calculation period shall be netted and be paid by the paying Party to the receiving Party on each Payment Date.

#### **2. Calculation dates.**

Calculation dates shall fall on the Determination Dates, i.e. the dates falling on the fourth (4<sup>th</sup>) Business Day preceding each Payment Date.

## **2.1 Calculation periods.**

### **Party A:**

The Party A calculation periods shall be the exact number of days elapsed between two consecutive Determination Dates, not including the first but including the last date. Exceptionally, a) the length of the first Party A calculation period shall be equivalent to the exact number of days elapsed between the date of establishment of the Fund, inclusive, and January 19, 2009, the first Determination Date, inclusive, and b) the length of the last Party A settlement period shall be equivalent to the exact number of days elapsed between the Determination Date preceding the date on which the Financial Swap Agreement terminates, exclusive, and the date on which termination occurs, inclusive.

### **Party B:**

The Party B calculation periods shall be the exact number of days elapsed between two consecutive Payment Dates, including the first but not including the last date. Exceptionally, a) the length of the first Party B calculation period shall be equivalent to the exact number of days elapsed between the Bond Issue Closing Date, inclusive, and January 23, 2009, exclusive, and b) the length of the last Party B settlement period shall be equivalent to the exact number of days elapsed between the Payment Date preceding the date on which the Financial Swap Agreement terminates, inclusive, and the date on which termination occurs, exclusive.

## **3. Notional amount for Party A and for Party B.**

This shall be for each calculation period the daily average during the Party A calculation period of the Outstanding Balance of Non-Doubtful Mortgage Credits.

## **4. Variable amount payable by Party A.**

This shall be on each Payment Date and for each Party A calculation period the amount resulting from applying the Party A Interest Rate to the Notional Amount according to the number of days in the Party A calculation period and based on a three-hundred-and-sixty- (360-) day year.

### **4.1 Party A Interest Rate.**

This shall be for each Party A calculation period the annual interest rate resulting from dividing (i) the sum of the total Mortgage Credit ordinary interest amount received and paid into the Fund during the Party A calculation period, excluding Doubtful Mortgage Credits at the relevant calculation date, by (ii) the Notional Amount, multiplied by the result of dividing 360 by the number of days in the Party A calculation period.

In this connection:

- (i) Ordinary interest received will be reduced in the interest accrued payable by the Fund for subscribing for the Pass-Through Certificates.
- (ii) As the case may be, ordinary interest received will also be deemed to comprise the accrued interest received by the Fund both on the sale of Pass-Through Certificates and on their early amortisation by the Originator in accordance with the rules laid down for substituting the Pass-Through Certificates.

## **5. Variable amount payable by Party B.**

This shall be on each Payment Date and for each Party B calculation period the amount resulting from applying the Party B Interest Rate to the Notional Amount according to the number of days in the Party B calculation period and based on a three-hundred-and-sixty- (360-) day year.

### **5.1 Party B Interest Rate.**

For each Party B calculation period this shall be the annual interest rate resulting from adding (i) the average Nominal Interest Rate applicable to each Series A, B and C determined for the then-current Interest Accrual Period coinciding with each Party B calculation period, weighted by the Outstanding

Principal Balance of each Series A, B and C during the then-current Interest Accrual Period and (ii) 0.30%.

**6. Maturity Date.**

This shall be the earlier of the dates on which any of the circumstances listed in (i) to (iv) occur for the termination of the Fund in accordance with the provisions of section 4.4.4 of the Registration Document.

**7. Events of default specific to the Financial Swap Agreement.**

If on a Payment Date the Fund (Party A) should not have sufficient liquidity to make payment of the aggregate net amount, if any, payable to Party B, the portion of this amount not paid shall be settled on the following Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments. Should such event of non-payment occur on two consecutive Payment Dates, Party B may choose to terminate the Financial Swap Agreement. In the event of termination, the Fund (Party A) shall take over the obligation to pay the settlement amount established to which it is bound on the terms of the Financial Swap Agreement, all in the Priority of Payments, unless payment of the settlement amount is for Party B and not for the Fund (Party A), Party B shall take over the obligation to pay the settlement amount provided for in the Financial Swap Agreement.

If on a Payment Date Party B should not make payment of the aggregate amount payable to Party A, the Management Company may, on behalf of the Fund, choose to terminate the Financial Swap Agreement. In the event of termination, Party B shall take over the obligation to pay the settlement amount established on the terms of the Financial Swap Agreement, unless payment of the settlement amount is for Party A, who shall pay it subject to the Priority of Payments or, as the case may be, the Liquidation Priority of Payments.

Subject to the above, other than in an extreme event of permanent financial imbalance of the Fund, the Management Company shall endeavour, for and on behalf of the Fund, to enter into a new Financial Swap agreement.

**8. Actions in the event of change in the rating of Party B.**

**(i) Moody's Criteria**

Party B shall irrevocably agree as follows under the Financial Swap Agreements:

- (1) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has the First Required Rating Threshold ("First Rating Default"), then Party B shall within thirty (30) Business Days of the occurrence of that circumstance, do one of the following:
  - a) Obtain a Replacement with the First Required Rating Threshold (or a Replacement with a Credit Support Provider having the First Required Rating Threshold).
  - b) Obtain a Credit Support Provider with the First Required Rating Threshold,
  - c) Post collateral in the form of cash or securities in favour of the Fund with an institution with short-term unsecured and unsubordinated debt obligations rated P-1 by Moody's, on the terms of the Credit Support Annex.
- (2) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has the Second Required Rating Threshold ("Second Rating Default"), then Party B shall, on a best efforts basis and as soon as possible (A) obtain a Credit Support Provider with the Second Required Rating Threshold, or (B) obtain a Replacement with the Second Required Rating Threshold, (or a Replacement with a Credit Support Provider having the Second Required Rating Threshold).

While none of the actions specified above have been taken, Party B shall, within thirty (30) Business Days of the occurrence of the Second Rating Default, post collateral in the form of

cash or securities in favour of the Fund with an institution with short-term unsecured and unsubordinated debt obligations rated at least P-1 by Moody's, on the terms of the Credit Support Annex.

Party B's obligations under (1) and (2) above, and the Termination events deriving therefrom, shall only apply during such time as the events respectively prompting the First Required Rating Default or the Second Required Rating Default are in place. The collateral transferred by Party B pursuant to (1) and (2) above will be retransferred to Party B upon cessation of the causes resulting in the First Rating Default or the Second Rating Default, respectively.

All costs, expenses and taxes incurred in connection with fulfilment of the preceding obligations shall be payable by Party B.

In the above connection, "Credit Support Provider" shall mean an institution providing an unconditional, irrevocable and first demand guarantee with respect to present and future obligations of Party B under the Financial Swap Agreements (the "Guarantee"), and provided that (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A under the Guarantee results in any requirement for deduction or withholding for or on account of any tax; or (B) the Guarantee determines that, if there is any such deduction or withholding, the payment made by that institution shall be increased by whatever amount is necessary in order for the net payment received by Party A to be equal to such other amount as Party A would have received had there been no such deduction or withholding; and "Replacement" shall mean any institution taking over the contractual position of Party B under the Financial Swap Agreements or entering into a new swap agreement with Party A, on terms substantially identical with the Financial Swap Agreements (which shall be confirmed by Party A, on a best efforts basis), and provided that (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A results in any requirement for deduction or withholding for or on account of any tax; or (B) if there is any such deduction or withholding, the payment made by that institution shall be increased by whatever amount is necessary in order for the net payment received by Party A to be equal to such other amount as Party A would have received had there been no such deduction or withholding. That institution shall thereafter, to all intents and purposes, be considered Party B under the Financial Swap Agreements or in the new swap agreement to be entered into.

An entity shall have the "First Required Rating Threshold" (A) in the event that the short-term unsecured and unsubordinated debt obligations of that entity are rated P-1 by Moody's and its long-term unsecured and unsubordinated debt obligations are rated at least as high as A2 by Moody's, and (B) in the event that the short-term unsecured and unsubordinated debt obligations of that entity are not rated by Moody's, if its long-term unsecured and unsubordinated debt obligations are rated at least as high as A1 by Moody's.

An entity shall have the "Second Required Rating Threshold" (A) in the event that the short-term unsecured and unsubordinated debt obligations of that entity are rated P-2 by Moody's and its long-term unsecured and unsubordinated debt obligations are rated at least as high as A3 by Moody's, and (B) in the event that the short-term unsecured and unsubordinated debt obligations of that entity are not rated by Moody's, if its long-term unsecured and unsubordinated debt obligations are rated at least as high as A3 by Moody's.

#### **(ii) S&P Criteria**

In the event that, in accordance with S&P's updated counterparty criteria dated May 8, 2007 - *Revised Framework For Applying Counterparty Supporting Party Criteria*- and S&P's updated counterparty criteria dated October 22, 2008 -*Updated Counterparty Criteria for Derivatives*-, the rating of the short-term unsecured and unsubordinated debt obligations of Party B (or its successor) are downgraded below A-1 (or its equivalent) by S&P, or the rating of the long-term unsecured and unsubordinated debt obligations of Party B (or its successor) are downgraded below A+ (or its equivalent) by S&P, if the short-term unsecured and unsubordinated debt obligations of Party B (or its successor) are not rated by S&P ("the Required Ratings"), then Party B (or its successor) shall, within 60 calendar days, at its own cost:

- (i) transfer all of its rights and obligations with respect to the Financial Swap Agreement to a replacement institution with the Required Ratings by S&P; or
- (ii) procure a third party suitable for S&P and with the Required Ratings by S&P to become co-obligor in respect of the obligations of Party B under the Financial Swap Agreement.

While either of the above is put in place, Party B (or its successor) will, within not more than 10 Business Days, at its own cost, post cash or securities as collateral to Party A, at an amount covering 125% of the mark-to-market value of the Financial Swap, in accordance with the criteria then in force published by S&P.

All costs, expenses and taxes incurred in connection with fulfilment of the preceding obligations shall be payable by Party B (or its successor).

#### **9. Other characteristics of the Financial Swap Agreement.**

- 9.1 In the event of termination, in the events set out and defined in the Financial Swap Agreement, Party B shall accept the obligation to pay the settlement amount provided for in the Financial Swap Agreement. Should the settlement amount under the Financial Swap Agreement be due by the Fund (Party A) and not by Party B, payment thereof by the Fund (Party A) shall be made in the Priority of Payments or in the Liquidation Priority of Payments, as the case may be.
- 9.2 Party B may only assign all its rights and obligations under the Financial Swap Agreement, subject to Party A's written consent, subject to notice to the Rating Agencies and to the CNMV.
- 9.3 The Financial Swap Agreement shall be submitted to Spanish laws.
- 9.4 The occurrence, as the case may be, of Termination of the Financial Swap Agreement will not in itself be an Early Amortisation event of the Bond Issue and an Early Liquidation event of the Fund referred to in sections 4.9.4 of the Securities Notes and 4.4.3 of the Registration Document, 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 Financial Swap Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each Series as final ratings by November 12, 2008.

#### **3.4.7.2 Bond Issue Paying Agent.**

The Bond Issue will be serviced through BANKINTER as Paying Agent. Interest payment and repayments shall be notified to Bondholders in the events and in such advance as may be provided for each case in section 4.1.1 of the Building Block. Interest payment and repayments shall be made to Bondholders by the relevant members and to the latter in turn by Iberclear, the institution responsible for the accounting record.

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER into a paying agent agreement to service the Bonds issued by the Fund (the "**Paying Agent Agreement**").

The obligations to be taken on by BANKINTER (the "**Paying Agent**") under this Paying Agent Agreement are summarily as follows:

- (i) On each Bond Payment Date, paying interest and, as the case may be, repaying Bond principal through Iberclear, after deducting the total amount of the interim tax withholding for return on investments to be made by the Management Company, on behalf of the Fund, in accordance with applicable tax laws.
- (ii) On each Interest Rate Fixing Date, notifying the Management Company of the Reference Rate determined to be used as the basis for the Management Company to calculate the Nominal Interest Rate applicable to each Bond Series.

In the event that the rating of BANKINTER's short-term unsecured and unsubordinated debt obligations should, at any time during the life of the Bond Issue, be downgraded below P-1 or A-2 respectively by Moody's and S&P, the Management Company shall, within not more than thirty (30) days for Moody's and sixty (60) calendar days for S&P from the time of the occurrence of any such circumstance, do any of the following: (i) obtain from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as P-1 and/or A-2 respectively by Moody's and S&P, an unconditional and irrevocable first demand guarantee securing payment to the Fund, merely upon the Management Company so requesting, of the commitments made by the Paying Agent, for such time as the Paying Agent remains downgraded below P-1 or A-2, or (ii) revoke BANKINTER's designation as Paying Agent and thereupon designate another institution with short-term unsecured and unsubordinated debt obligations rated at least as high as P-1 and A-2 respectively by Moody's and S&P to take its place before terminating the Paying Agent Agreement, or, as the case may be, under a new payment agent agreement, and subject to prior notice being served on the Rating Agencies. Should BANKINTER be replaced as Paying Agent, the Management Company shall be entitled to change the fee payable to the substitute institution, which may be higher than that established with BANKINTER under the Paying Agent Agreement. All Paying Agent substitution costs, expenses and taxes incurred shall be borne by the substituted institution.

BANKINTER shall agree, forthwith upon its credit rating being downgraded, to use commercially reasonable efforts in order that the Management Company may do any of the above and, in any event, replace it as Paying Agent.

In consideration of the services provided by the Paying Agent, the Fund shall pay it on each Payment Date during the term of the agreement, a fee of EUR 1,502.53, inclusive of taxes as the case may be. This fee shall be paid on the same Payment Date provided that the Fund has sufficient liquidity and in the Priority of Payments or, as the case may be, the Liquidation Priority of Payments.

In the event that, in the Priority of Payments, 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 following Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until fully paid on the Payment Date on which they are settled, in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

The Paying Agent Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each Series as final ratings by November 12, 2008.

### **3.5 Name, address and significant business activities of the originator of the securitised assets.**

The Originator and assignor of the Mortgage Credits securitised is BANKINTER S.A.

Registered office: Paseo de la Castellana number 29, Madrid (Spain).

#### **Significant economic activities of BANKINTER.**

BANKINTER, a financial Group, is mainly in the Banking business though it has interests in the field of insurance, unit trust and pension fund management, stock broking, global custody, asset management and broking in major cash, capital and currency markets.

The following is selected consolidated financial information as at September 30, 2008, December 31, 2007 and September 30, 2007, and how the information as at the first date compares to the information as at the third date. Only the financial information as at December 31, 2007 has been audited. The information has been prepared by Bankinter in accordance with International Financial Reporting Standards applicable to it under Regulation EC 1606/2002 and Bank of Spain Circular 4/2004.

	30.09.2008 (A)	30.09.2007 (B)	31.12.2007	Year-on-year change $\Delta\% ((A)-(B))/(B)$
<b>BALANCE SHEET (EUR thousand)</b>				
Total assets	49,521,618	47,911,061	49,648,680	3.36
Total average assets	51,203,242	47,427,368	48,126,612	7.96
Customer credit	39,595,718	36,283,902	37,580,125	9.13
Customer credit	41,689,476	38,733,492	39,923,558	7.63
Customer resources	39,163,222	38,414,958	38,774,288	1.95
Off-balance sheet funds managed	9,067,535	11,824,139	11,350,919	-23.31
Investment and pension funds	7,125,332	9,981,799	9,468,367	-28.62
<b>PROFIT AND LOSS ACCOUNT (EUR thousand)</b>				
Intermediation margin	490,008	439,485	587,894	11.50
Ordinary margin	764,691	711,340	949,854	7.50
Operating margin	379,838	340,565	430,376	11.53
Pre-tax profit	273,238	418,184	484,462	-34.66
Net Profit attributed to the Group	201,786	314,605	361,863	-35.86
<b>RATIOS (%)</b>				
Delinquency rate	0.91%	0.33%	0.36%	177.20
Mortgage delinquency rate	0.47%			
Delinquency coverage rate	162.54%	399.68%	370.25%	-59.33
Efficiency ratio	48.57%	51.41%	53.94%	-5.52
ROE	15.05%	27.14%	23.46%	-44.55
ROA	0.53%	0.89%	0.75%	-40.64
Capital ratio	9.26%	10.03%	9.55%	-7.69
Tier 1 (* BIS II Regulations)	* 6.78%	6.67%	6.32%	1.65
<b>BANKINTER SHARES</b>				
Number of shares	405,893,880	396,876,110	396,876,110	2.27
Latest price	8.76	10.11	12.55	-13.35
BPA	0.50	0.79	0.92	-36.71
DPA	0.22	0.21	0.29	4.79
<b>BRANCHES &amp; CENTRES</b>				
Branches	369	347	360	6.34
Commercial management centres				
Corporate	51	51	51	0.00
SMEs	158	152	161	3.95
Private Banking	51	46	47	10.87
Virtual branches	569	546	552	4.21
Number of Agents	1,012	979	996	3.37
Telephone and Internet branches	3	3	3	0.00
<b>STAFF</b>				
Employees (full-time)	4,598	4,371	4,530	5.19

### 3.6 Return on and/or repayment of the securities linked to others which are not assets of the Issuer.

Not applicable.

### 3.7 Administrator, calculation agent or equivalent.

#### 3.7.1 Management, administration and representation of the Fund and of the holders of the securities.

The Management Company, EUROPEA DE TITULIZACIÓN, shall be responsible for managing and being the authorised representative of the Fund, on the terms set in Royal Decree 926/1998, Act 19/1992 and other applicable laws from time to time, and on the terms of the Deed of Constitution and this Prospectus.

The Management Company shall discharge for the Fund the functions attributed to it in Royal Decree 926/1998 and, to the extent applicable, in Act 19/1992,



It is also the Management Company's duty, as the manager of third-party portfolios, to represent and enforce the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors. Consequently, the Management Company shall make its actions conditional on their protection and observe the provisions established for that purpose from time to time. Bondholders and all other ordinary creditors of the Fund shall have no recourse against the Fund Management Company, other than for a breach of its duties or failure to observe the provisions of the Deed of Constitution and the Prospectus.

### **3.7.1.2 Administration and representation of the Fund.**

The Management Company's obligations and actions in fulfilment of its duty to manage and be the authorised representative of the Fund are the following, for illustrative purposes only and without prejudice to any other actions provided in this Prospectus:

- (i) 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.
- (ii) Making such decisions as may be appropriate in connection with the liquidation of the Fund, including the decision to proceed to Early Liquidation of the Fund and Early Amortisation of the Bond Issue, in accordance with the provisions of the Deed of Constitution and this Prospectus. Moreover, making all appropriate decisions in the event of the establishment of the Fund terminating.
- (iii) Complying with its formal, documentary and reporting duties to the CNMV, the Rating Agencies and any other supervisory body.
- (iv) Appointing and, as the case may be, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts.
- (v) Providing Bondholders, the CNMV and the Rating Agencies 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 Prospectus.
- (vi) Complying with the calculation duties provided for and taking the actions laid down in the Deed of Constitution and in this Prospectus and in the various Fund transaction agreements or in such others as the Management Company may enter into in due course for and on behalf of the Fund.
- (vii) The Management Company may extend or amend the agreements entered into on behalf of the Fund, and substitute, as the case may be, each of the Fund service providers on the terms provided for in each agreement, and indeed, if necessary, enter into additional agreements, including a credit facility or loan agreement in the event of Early Liquidation of the Fund, and amend the Deed of Constitution, provided that circumstances preventing the foregoing in accordance with the laws and regulations in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify and secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such actions are not detrimental to the rating assigned to the Bonds by the Rating Agencies. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.
- (viii) Exercising the rights attaching to the ownership of the Pass-Through Certificates acquired by the Fund and, in general, carrying out all such acts of administration and disposition as may be required for properly managing and being the authorised representative of the Fund.
- (ix) Checking that the Mortgage Credit income amount actually received by the Fund matches the amounts that must be received by the Fund, on the terms of issue of the Pass-Through Certificates and on the terms of the relevant Mortgage Credits, and that the Mortgage Credit amounts receivable are provided by the Servicer to the Fund within the time-periods and on the terms provided for under the Servicing Agreement.
- (x) Determining on each Interest Rate Fixing Date and for each Interest Accrual Period thereafter, the Nominal Interest Rate to be applied for each Bond Series and calculating and settling the accrued interest amounts payable on each Payment Date.

- (xi) Calculating and determining on each Determination Date the principal to be amortised and repaid on each Bond Series on the relevant Payment Date.
- (xii) Determining the interest rate applicable to each of the relevant borrowing, lending and hedge transactions and calculating and settling the interest and fee amounts receivable and payable by the Fund under the same, and the fees payable for the various financial services arranged for.
- (xiii) Taking the actions for which provision is made in relation to the debt ratings or the financial position of the Fund's counterparties under the financial and service provision agreements listed in section 3.2 of this Building Block.
- (xiv) Watching that the amounts credited to the Treasury Account return the yield set in the Agreement.
- (xv) Calculating the Available Funds, the Available Funds for Amortisation, the Liquidation Available Funds and the payment or withholding obligations to be complied with, and applying the same in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.
- (xvi) Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those allocated to servicing the Bonds.

### **3.7.1.3 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 authorised representative duties 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) 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 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 where the Bonds issued by the Fund are listed. Furthermore, the Management Company shall notify the Rating Agencies of that substitution.

#### *Forced substitution.*

- (i) In the event that the Management Company should be adjudged 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 triggering 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 Early Amortisation of the Bond Issue, in accordance with the provisions of sections 4.4.3 and 4.4.4 of the Registration Document of this Prospectus and 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 this Prospectus. 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.

#### **3.7.1.4 Subcontracting.**

The Management Company shall be entitled to subcontract or subdelegate 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 this Prospectus, 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 Bond Series being downgraded, and (iv) shall be notified to the CNMV and, where statutorily required, first be authorised by the CNMV. Notwithstanding any subcontracting or subdelegation, the Management Company shall not be exonerated or released, under that subcontract or subdelegation, from any of the liabilities undertaken in this Prospectus which may legally be attributed or ascribed to it.

#### **3.7.1.5 Management Company's remuneration.**

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 which shall accrue upon the Fund being established and be payable on the Closing Date.
- (ii) A periodic fee on the Outstanding Principal Balance of the Bond Issue, which shall accrue daily from the establishment of the Fund until it terminates and shall be settled and paid by Interest Accrual Periods in arrears on each Payment Date subject to the Priority of Payments or, as the case may be, the Liquidation Priority of Payments. The periodic fee amount on each Payment Date may not be respectively higher or lower than the maximum and minimum amounts determined. The minimum amount shall be cumulatively reset in the same proportion, from the year 2010, inclusive, and effective as of January 1 of each year.

If on a Payment Date, in the Priority of Payments, the Fund should not have sufficient liquidity to settle the above-mentioned fee, the amount due shall accrue interest equal to the Bond Reference Rate for the relevant Interest Accrual Period. The unpaid amount and interest due shall build up for payment on the fee payable on the following Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until fully paid on the Payment Date on which they are settled, in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

#### **3.7.2 Servicing and custody of the securitised assets.**

BANKINTER, Originator of the Mortgage Credits by issuing the Pass-Through Certificates to be subscribed for by the Fund, as established in article 61.3 of Royal Decree 685/1982 and article 2.2.b) of Royal Decree 926/1998, shall agree to be Mortgage Credit custodian and servicer, and relations between BANKINTER and the Fund, represented by the Management Company, shall be governed by the Mortgage Credit servicing and Pass-Through Certificate custody agreement (the "**Servicing Agreement**") in relation to custody and servicing of the Mortgage Credits and custody of the documents representing the Pass-Through Certificates.

BANKINTER (the "**Servicer**" in the Servicing Agreement) shall accept the appointment received from the Management Company and thereby agrees as follows:

- (i) To be Mortgage Credit custodian and servicer subject to the system terms and ordinary servicing and custody procedures established in the Servicing Agreement.
- (ii) To continue servicing the Mortgage Credits, devoting the same time and efforts to them as it would devote and use to service its own mortgage loans and credits and in any event on the terms for which provision is made in the Servicing Agreement.
- (iii) That the procedures it applies and will apply to service and custody the Mortgage Credits are and will continue to be in accordance with the laws and statutory regulations in force applicable thereto.
- (iv) To full faithfully observe the instructions issued by the Management Company.
- (v) To pay the Fund any damages and losses arising out of a breach of the obligations undertaken, although the Servicer shall not be liable for things done on the Management Company's instructions.

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 Mortgage Credits, and custodian of the relevant Pass-Through Certificates and agreements, 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 most relevant terms of the Servicing Agreement are given hereinafter in the following paragraphs of this section.

### **3.7.2.1 Ordinary system and procedures for servicing and managing the Mortgage Credits.**

#### **1. Custody of deeds, policies, agreements, documents and files.**

The Servicer shall keep all Mortgage Credit deeds, documents and data files and mortgage property damage insurance policies or mortgage credit insurance policies securing the Mortgage Credits under safe custody and shall not give up their possession, custody or control other than with the Management Company's prior written consent for it to do so, unless a document should be required to institute proceedings to claim a Mortgage Credit, or any other competent authority should so require 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 the said deeds, documents, records and policies. Furthermore, whenever it is required to do so by the Management Company, it shall provide within two (2) Business Days of that request and clear of expenses, a copy or photocopy of any of such deeds and documents.

#### **2. Collection management.**

The Servicer shall continue managing collection of all Mortgage Credit amounts payable by Obligors and any other item including under the insurance contracts providing mortgaged property damage insurance or mortgage credit insurance as security for the Mortgage Credits. The Servicer shall use all reasonable efforts for payments to be made by the Obligors to be collected in accordance with the contractual terms and conditions of the Mortgage Credits.

Mortgage Credit amounts received by the Servicer and owing to the Fund shall be paid in full into the Fund's Treasury Account on the seventh business day, for same day value, after the day on which they are received by the Servicer, in accordance with the set terms and conditions. In this connection, Saturdays, Sundays and public holidays in the city of Madrid shall not be considered business days.

Nevertheless, in the event that the rating of the Servicer's short-term unsecured and unsubordinated debt obligations should be downgraded below P-1 or A-2 respectively by Moody's and S&P, the Management Company shall, in a written notice to the Servicer, issue instructions for those amounts to be paid into the Treasury Account on the first day after the date on which they were received by the Servicer or the following business day, if that is not a business day, for same day value.

If the Servicer's downgrade below A-2 by S&P could result in a downgrade of the ratings given by S&P to each Bond Series, the Servicer shall do any of the following:

- (i) obtain from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as A-1 by S&P within not more than thirty (30) days starting from the time of the occurrence of that circumstance, a first demand guarantee, satisfying the S&P criteria in force from time to time, at such an amount as to allow the ratings given to the Bonds by S&P to be maintained; or
- (ii) post collateral in the form of cash in favour of the Fund in order for there to be no detriment to the rating given to the Bonds by S&P, within not more than ten (10) days starting from the time of the occurrence of the aforesaid circumstance, with an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as A-1 by S&P, at an amount equivalent to the aggregate estimated amount of the Mortgage Credit repayment and interest instalments that would become due during one month, from the date on which the A-2 rating by S&P is lost, and at a CPR based on the historical CPR of the Mortgage Credits assigned to the Fund. The Fund may only draw on the amount of such deposit to the extent of the Mortgage Credit amounts, if any, not received owing to the Fund and received by the Servicer.

All costs, expenses and taxes incurred in connection with doing and arranging the above shall be borne by the Servicer.

The Management Company may issue the same instructions in the event that the Servicer's short-term unsecured and unsubordinated debt obligations should not be rated by Moody's or S&P.

The Servicer may at no event pay any Mortgage Credit payment amount whatsoever to the Fund not previously received from the Obligor.

### **3. Fixing the interest rate.**

Because Mortgage Credit interest floats, notwithstanding a possible renegotiation to a fixed rate, the Servicer shall continue fixing the interest rates applicable in each interest period as established in the relevant agreements underlying each Mortgage Credit, submitting such communications and notices as may be established therein.

### **4. Extended mortgage.**

If the Servicer should actually become aware at any time that for any reason the value of a mortgaged property securing a Mortgage Credit shall have fallen in excess of the percentages permitted by law, it shall, in accordance with the provisions of article 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 of the value of the asset to the Mortgage Credit secured thereby, or
- ii) repay all or such portion of the Mortgage Credit 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 (2) months of being requested to extend the Obligor should fail to do so or repay the portion of the Mortgage Credit referred to in the preceding paragraph, the Obligor shall be deemed to have chosen to repay the Mortgage Credit fully, which the Servicer shall forthwith require the Obligor to do.

### **5. Information.**

The Servicer shall regularly communicate to the Management Company the information concerning the individual characteristics of each Mortgage Credit, fulfilment by the Obligor of their Mortgage Credit obligations, Mortgage Credit delinquency status and ensuing changes in the characteristics of the Mortgage Credits, and actions to demand payment in the event of late payment, court actions and auction of properties, the foregoing using the procedures and with the frequency established in the Servicing Agreement.

Furthermore, the Servicer shall prepare and hand to the Management Company such additional information relating to the Mortgage Credits 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.

#### **6. Mortgage Credit subrogation.**

The Servicer shall be authorised to permit substitutions in the Obligor's position under the Mortgage Credit agreements, exclusively where the characteristics of the new obligor are of no less credit rating than those of the former Obligor and those characteristics observe the policies for granting mortgage loans and credits described in section 2.2.7 of this Building Block, and further provided that the expenses derived from that change are fully borne by the Obligors. The Management Company may limit this authority of the Servicer in full or in part or set conditions therefor, in the event that those substitutions might adversely affect the ratings accorded to the Bonds by the Rating Agencies.

The Obligor may apply to the Servicer for Mortgage Credit subrogation pursuant to Mortgage Loan Subrogation and Amendment Act 2/1994. Subrogation of a new creditor under the Mortgage Credit and the ensuing payment of the amount due shall result in prepayment of the Mortgage Credit and early amortisation of the respective Pass-Through Certificate.

#### **7. Authorities and actions in relation to Mortgage Credit renegotiation procedures.**

The Servicer may not voluntarily cancel the Mortgage Credits or their mortgages and securities for any reason other than payment of the Mortgage Credit, relinquish or settle in regard thereto, forgive the Mortgage Credits in full or in part or extend the same, or in general do anything that may diminish the ranking of the mortgage, legal effectiveness or economic value of the Mortgage Credits or of the mortgages, although it may heed Obligors' requests using the same efforts and procedure as if they were own mortgage loans and credits (first drawdowns).

Notwithstanding the above, the Management Company, as manager of third-party portfolios and having regard to Obligors' requests to the Servicer directly or under Act 2/1994, may instruct or previously authorise the Servicer to agree with the Obligor, subject to the terms and conditions for which provision is made in this section, for a novation changing the relevant Mortgage Credit, either by interest rate renegotiation or by extension of the maturity period, provided that those novations are not detrimental to the ranking of the mortgage.

Subject to the provisions hereinafter, any interest rate renegotiation by the Servicer shall be exclusively undertaken with the prior 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 renegotiation. The Management Company may nevertheless initially authorise the Servicer to entertain and accept Mortgage Credit interest rate and extended term renegotiations, requested by the Obligors, without requiring the Management Company's prior consent, subject to the following general enabling requirements:

##### **a) Renegotiating the interest rate.**

Mortgage Credit interest rate may be renegotiated subject to the following rules and limitations:

1. 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 Mortgage Credit. In any event, any Mortgage Credit interest rate renegotiation shall be taken up bearing in mind the Fund's interests and the Servicer shall, without encouraging the interest rate renegotiation, act in relation to such renegotiation bearing in mind the Fund's interests at all times.

Subject to the provisions of paragraphs 2 and 3 below, the Servicer may renegotiate the interest rate clause of the Mortgage Credits on terms that are deemed to be at arm's length and that do not differ from those applied by the actual Servicer in renegotiating or granting its floating- and fixed-rate mortgage loans and credits (first drawdowns). In this connection, arm's length interest rate shall be deemed to be the rate offered by the Servicer in the Spanish market for mortgage loans or credits granted to individuals with senior-ranked real estate

mortgage security in finished properties (homes, parking spaces, business premises or offices) located in Spanish territory in an amount and on terms substantially similar to the renegotiated Mortgage Credit.

2. The margin applicable to a Mortgage Credit (including the margin if any resulting from a fixed-rate renegotiation as provided for in section 3 below) shall under no circumstances be decreased in being renegotiated where the average margin weighted by the outstanding Mortgage Credit principal is less than 0.30%. For the purposes prescribed in this section, the provisions of section 3 below shall govern in the case of renegotiated fixed-rate Mortgage Credits for homogenisation in regard to margin over a benchmark index.
3. For the purposes of paragraph 2 above the novated fixed-rate Mortgage Credit margin shall be deemed to be the difference between the fixed rate applicable to the Mortgage Credit and the EURIBOR BASIS fixed rate on Reuters' ISDAFIX2 screen, or any other replacement screen, at 11:00AM CET on the effective date of the new fixed rate for the term of the average life of the Mortgage Credit based on its new repayment schedule. In the absence of a EURIBOR BASIS, the latter shall be calculated by a straight-line interpolation between the EURIBOR BASIS fixed rates for the lower and higher terms closest to the average life of the Mortgage Credit.

**Calculation of the average life of a novated fixed-rate Mortgage Credit:** average of the time periods from the effective date of the novation until each Mortgage Credit settlement date, using for weighting purposes the weights the principal to be repaid on each settlement date has, in accordance with the applicable repayment system, on the outstanding principal amount, in accordance with the following expression:

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

Where:

*V = Average life of the novated fixed-rate Mortgage Credit expressed in years.*

*P = Principal to be repaid on each settlement date under the applicable repayment system.*

*d = Number of days elapsed between the effective date of the novation and the relevant settlement date.*

*T = Outstanding principal at the effective date of the novation.*

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

The final maturity or final amortisation date of the Mortgage Credits may be extended or deferred ("**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 Mortgage Credit which may result in an extension thereof. 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 amount of the sum of the capital or principal assigned to the Fund of the Mortgage Credits in respect of which the maturity term is extended may not exceed 10.00% of the Mortgage Credit capital or principal assigned to the Fund. In this connection, extension of the term of the Mortgage Credits shall not be considered on the terms laid down in the public deeds originating the Mortgage Credits to extend the maturity date if the obligor or borrower is in good standing in respect of all payments due and is not in breach of any obligations established in the public deed, a summary of which terms is given in section 2.2.4.1 of this Building Block.
- (iii) The term of a specific Mortgage Credit may be extended provided that the following requirements are satisfied:

- a) That the Mortgage Credit capital or principal repayment instalment frequency is at all events maintained or increased, albeit maintaining the same repayment system.
- b) That the new final maturity or final amortisation date does not extend beyond July 15, 2048.
- (iv) The Management Company may, on the Fund's behalf, at any time during the term of the Servicing Agreement, cancel or suspend or amend the Servicer's power to extend the term.

If there should be any Mortgage Credit interest rate or due date renegotiation, the Servicer shall forthwith notify the Management Company of the terms resulting from each renegotiation. Such notice shall be given using the software or data file provided for the terms of the Mortgage Credits to be updated.

In the event of a Mortgage Credit interest rate or due date renegotiation, with the consent of the Management Company, for and on behalf of the Fund, the change in the terms shall affect the Fund.

The contractual documents supporting novation of the renegotiated Mortgage Credits will be kept by the Servicer, in accordance with the provisions of paragraph 1 of this section.

#### **8. Action against Obligors in the event of default on the Mortgage Credits and powers of the holder of the Pass-Through Certificates.**

##### ***Actions in the event of late payment.***

The Servicer shall use the same efforts and procedure for claiming overdue Mortgage Credit amounts as it uses with the rest of its portfolio mortgage credits and loans.

In the event of default by the Obligor of the payment obligations, the Servicer shall do the same things it would ordinarily do if they were its own portfolio mortgage loans and credits and in accordance with standard banking usage and practice for collecting overdue amounts, and shall be bound to advance such expenses as may be necessary for those actions to be taken, without prejudice to its right to be reimbursed by the Fund. Needless to say, these actions include all such legal and other actions as the Servicer may deem necessary to claim and collect amounts due by the Obligors.

##### ***Legal actions.***

The Servicer shall, using its fiduciary title to the Mortgage Credits or using the power referred to in the following paragraph, take all relevant actions against Obligors failing to meet their Mortgage Credit payment obligations and guarantors, if any. Such action shall be brought using the appropriate court enforcement procedures prescribed in articles 517 et seq. of the Civil Procedure Act.

In the above connection and for the purposes prescribed in articles 581.2 and 686.2 of the Civil Procedure Act, and if this should be necessary, the Management Company shall confer in the Deed of Constitution as full and extensive a power of attorney as may be required at Law on BANKINTER in order that the latter may, acting through any of its attorneys properly empowered for those purposes, on the Management Company's instructions, for and on behalf of the latter, or in its own name but for the Management Company as the Fund's authorised representative, demand by any judicial or other means any Mortgage Credit Obligor and guarantors, if any to pay the debt and take legal action against the same, in addition to other authorities required to discharge its duties as Servicer. These authorities may be extended by means of a deed if necessary or advisable.

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 a Mortgage Credit Obligor who failed to honour his payment obligations should not resume payments and the Servicer, with the Management Company's consent, should not obtain a payment commitment satisfactory to the Fund's interests. The Servicer shall in any event forthwith proceed to apply for such foreclosure if the Management Company, acting for the Fund, and after analysing the specific circumstances of the case, should deem this necessary.



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 for mortgage participation certificates in article 66 of Royal Decree 685/1982 and which also apply to Pass-Through Certificates in accordance with the provisions of article 18 of Act 44/2002:

- (i) To demand the Servicer to apply for foreclosure.
- (ii) To take part on an equal standing with the Originator, as issuer of the Pass-Through Certificates, in the foreclosure the latter shall have instituted against the Obligor, intervening to that end in any foreclosure proceedings commenced by the former, and to share in the proceeds of the knock-down pro rata to its respective percentage in the foreclosed mortgage credit.
- (iii) If the Servicer 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 shall, for and on behalf of the Fund, be secondarily entitled to bring the foreclosure action on the Mortgage Credit in the amount of its percentage share for both principal and interest.

In this event, the part of the mortgage credit not participated in and shares not foreclosed shall remain as subsequent preferred encumbrances, the understanding being that the successful bidder accepts them and shall remain subrogated in respect of the liability therein, and the knock-down price shall not be used for paying and extinguishing the same.

- (iv) In the event that the proceedings instituted by the Servicer 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.

In (iii) and (iv) above, the Management Company may, for and on behalf of the Fund, apply to the Judge or Notary with jurisdiction to commence or continue with the respective foreclosure proceedings, attaching to the application the original Pass-Through Certificate, the notice served through a Notary Public provided for in section (iii) above and an office certificate as to the registration and subsistence of the mortgage. The Servicer shall be bound to issue a certification of the balance outstanding on the Mortgage Credit.

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 by the Obligor and guarantors, if any, of the debt under any Mortgage Credit.

The Management Company may also, for and on behalf of the Fund as holder of the Pass-Through Certificates, 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 Mortgage Credit. The Management Company shall proceed, directly or through the Servicer, to sell the property awarded within the shortest possible space of time and at arm's length.

The Servicer agrees to promptly advise of payment demands, legal actions and any and all other circumstances affecting collection of overdue Mortgage Credit amounts. Furthermore, the Servicer will provide the Management Company with all such documents as the latter may request in relation to said Mortgage Credits and in particular the documents required for the Management Company to take legal actions, as the case may be.

#### **9. Insurance for mortgaged properties or as security for the Mortgage Credits.**

The Servicer shall not take or fail to take any action resulting in cancellation of any insurance policy covering damages to the mortgaged properties or mortgage credit insurance policy as security for the Mortgage Credits or reducing the amount payable in any claim thereunder. The Servicer shall use all reasonable efforts and in any event use the rights conferred under the insurance policies or the Mortgage Credits in order to keep those policies in full force and effect relative to each Mortgage Credit and the respective mortgaged property.

Whenever the Servicer receives notice of non-payment of policy premiums by any Obligor the Servicer may demand the Obligor to pay the same and indeed take out damage insurance on the Obligor's behalf where it is able to do so under the Mortgage Credit deed, advancing payment of the premiums, without prejudice to its right to be ultimately reimbursed by the Obligor for amounts paid.

In the event of a claim, each Servicer shall coordinate actions for collecting compensations under the mortgage property damage insurance policies or mortgage credit insurance policies securing the Mortgage Credits on the terms and conditions of the Mortgage Credits and the actual policies, paying the amounts received to the Fund.

In the event of insolvency, or indications thereof, administration by the Bank of Spain, liquidation or substitution of the Servicer or because the Management Company deems this reasonably justified, the Management Company may demand the Servicer, at any time and at its cost, and for the purposes of the provisions of the second paragraph of article 40 of Insurance Contract Act 50/1980, October 8, as currently worded, to notify the relevant insurers of the assignment of the Mortgage Credits, and that the indemnity payments under the relevant insurance policies covering damages or as security for the Mortgage Credits will only be effective as a discharge if made into the Treasury Account opened in the name of the Fund. However, both in the event of the Servicer failing to notify insurers within five (5) Business Days of receiving the request and in the event of insolvency or liquidation of the Servicer, the Management Company itself shall notify the insurers directly or, as the case may be, through a new Servicer it shall have designated, observing insolvency rules, as the case may be.

#### **10. Set-off.**

In the exceptional event that any Mortgage Credit Obligor should have a liquid credit right, due and payable vis-à-vis the Servicer, and because the assignment is made without the Obligor being aware, any of the Mortgage Credits should be fully or partially set-off against that credit right, the Servicer shall remedy that circumstance or, if it cannot be remedied, the Servicer shall proceed to pay to the Fund the amount set off plus 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 Mortgage Credit.

#### **11. 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 in 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 Bond Series by the Rating Agencies being downgraded. Notwithstanding any subcontracting or subdelegation, the Servicer shall not be excused or released under that subcontract or subdelegation from any of the liabilities undertaken in the Servicing Agreement which may legally be attributed or ascribed to it.

#### **12. Auction of real property.**

The Servicer agrees to notify the Management Company of the places, dates, terms and valuation of the properties mortgaged as security for the Mortgage Credits and of the other assets as a result of the legal proceedings commenced against the Obligors, auctions scheduled, and proposed action and bid, in suitable advance in order that the Management Company may do such things as it shall see fit and submit instructions on the subject to the Servicer in suitable time.

The Servicer agrees to attend auctions of real property, but shall thereat abide at all times by the instructions it shall have received from the Management Company, and shall therefore only tender a bid or apply for the award of the real property to the Fund, fulfilling the instructions received from the Management Company.

In the event of real estate or other assets being awarded to the Fund, the Management Company shall proceed, directly or through the Servicer, to sell the same within the shortest possible space of time and at arm's length and the Servicer shall actively assist in expediting their disposal.

### **3.7.2.2 Term and substitution.**

The services shall be provided by the Servicer until all obligations undertaken by the Servicer as Originator of the Mortgage Credits terminate, once all the Mortgage Credits have been repaid, or when liquidation of the Fund concludes after it terminates, without prejudice to the possible early revocation of its appointment under the Servicing Agreement.

In the event of a breach by the Servicer of the obligations imposed on the Servicer under the Servicing Agreement or of the Servicer's credit rating falling or being lost or its financial circumstances changing to an extent detrimental to or placing the financial structure of the Fund or Bondholders' rights and interests at risk, the Management Company shall, in addition to demanding the Servicer to fulfil the obligations laid down in the Servicing Agreement, proceed, where this is legally possible, inter alia and after notifying the Rating Agencies, to do any of the following in order for there to be no detriment to the rating assigned to the Bonds by the Rating Agencies: (i) demand the Servicer to subcontract or subdelegate to another institution performance of the obligations and undertakings made in the Servicing Agreement; (ii) have another institution with a sufficient credit rating and quality secure all or part of the Servicer's obligations; (iii) terminate the Servicing Agreement, in which case the Management Company shall first designate a new Servicer having a sufficient credit quality that is not detrimental to the rating given to the Bonds by the Rating Agencies and accepting the obligations contained in the Servicing Agreement or, as the case may be, under a new servicing agreement. In the event of insolvency of the Servicer, only (iii) above will be valid.

Furthermore, in the event of insolvency, or indications thereof, administration by the Bank of Spain, liquidation or substitution of the Servicer or because the Management Company deems this reasonably justified, the Management Company may demand the Servicer to notify Obligors (and third-party guarantors and insurers, if any, providing insurance covering damages to the mortgaged properties or mortgage credit insurance as security for the Mortgage Credits) of the transfer to the Fund of the outstanding Mortgage Credits, and that payments thereunder will only be effective as a discharge if made into the Treasury Account opened in the name of the Fund. However, both in the event of the Servicer failing to notify Obligors within five (5) Business Days of receiving the request and in the event of insolvency or liquidation of the Servicer, the Management Company itself shall notify Obligors (and guarantors, and the insurers providing insurance covering damages to the mortgaged properties or mortgage credit insurance as security for the Mortgage Credits, if any) directly or, as the case may be, through a new Servicer it shall have designated observing, as the case may be, insolvency rules.

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

The Servicing Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each Series as final ratings by November 12, 2008.

### **3.7.2.3 Liability of the Servicer and indemnity.**

The Servicer shall at no time have any liability whatsoever in relation to the Management Company's obligations as manager of the Fund and manager of Bondholders' interests, nor in relation to Obligors' Mortgage Credit obligations, notwithstanding the liabilities accepted thereby in the Deed of Constitution as Originator of the Mortgage Credits acquired by the Fund by subscribing for the Pass-Through Certificates.

The Servicer takes on the obligation to indemnify the Fund or its Management Company for any damage, loss or expense arising for the same out of any breach by the Servicer of its obligations to custody, service and report on the Mortgage Credits and custody the Pass-Through Certificates, established under the Servicing Agreement or in the event of breach of the provisions of paragraph 3 of section 2.2.9 of this Building Block.

The Management Company shall, for and on behalf of the Fund, have an executive action against the Servicer to enforce the principal and interest due on the Pass-Through Certificates where the breach of the obligation to pay those items does not result from default by the Obligors.

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

Neither Bondholders nor any other creditor of the Fund shall have any direct right of action whatsoever against the Servicer; that action shall lie with the Management Company, as the representative of the Fund, who shall have that action on the terms described in this section.

#### **3.7.2.4 Servicer's remuneration.**

In consideration of the custody, servicing and management of the Mortgage Credits and custody of the documents representing the Pass-Through Certificates, the Servicer shall be entitled to receive in arrears on each Payment Date during the term of the Servicing Agreement, a 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 in each Determination Period preceding the Payment Date and on the mean daily Outstanding Balance of the Mortgage Credits serviced during that Determination Period. If BANKINTER should be replaced in that servicing task, the Management Company will be entitled to change the above percentage fee for the new Servicer, which may be in excess of that agreed with BANKINTER under the Servicing Agreement. The servicing fee will be paid on the relevant Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

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

Furthermore, on each Payment Date, the Servicer shall be entitled to reimbursement of all Mortgage Credit servicing and management expenses of an exceptional nature incurred, such as in connection with legal and/or recovery actions, including procedural expenses and costs, mortgage foreclosure, or managing and overseeing the sale of properties and assets awarded to the Fund, after first justifying the same. Those expenses will be paid whenever the Fund has sufficient liquidity and in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

#### **3.8 Name, address and brief description of any swap, credit, liquidity or account counterparties.**

BANKINTER is the Fund's counterparty under the transactions listed below. The details relating to BANKINTER and its activities are given in section 3.5 of this Building Block.

- (i) Treasury Account:  
Guaranteed Interest Rate Account (Treasury Account) Agreement  
Description in section 3.4.4.1 of this Building Block.
- (ii) Subordinated Loan:  
Subordinated Loan Agreement  
Description in section 3.4.3.1 of this Building Block.
- (iii) Start-Up Loan:  
Start-Up Loan Agreement  
Description in section 3.4.3.2 of this Building Block.
- (iv) Financial Swap:  
Financial Swap Agreement  
Description in section 3.4.7.1 of this Building Block.

#### **4. POST-ISSUANCE REPORTING**

##### **4.1 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 as promptly as possible or by the deadlines given, the information described hereinafter and such additional information as may be reasonably required of it.

##### **4.1.1 Ordinary information.**

The Management Company agrees to give the notices detailed below, observing the recurrence provided in each case.

##### **a) Notices to Bondholders referred to each Payment Date.**

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 Rate resulting for each Bond Series, and for the Interest Accrual Period after that Payment Date.
2. Quarterly, at least one (1) calendar day in advance of each Payment Date, it shall proceed to notify Bondholders of the following information:
  - i) Interest resulting from the Bonds in each Series, along with the amortisation of the Bonds.
  - ii) Furthermore, and if appropriate, interest and amortisation amounts accrued thereby and not settled due to a shortfall of Available Funds, in accordance with the rules of the Priority of Payments.
  - iii) The Outstanding Principal Balances of the Bonds in each Series, after the amortisation to be settled on each Payment Date, and the ratios of such Outstanding Principal Balances to the initial face amount of each Bond.
  - iv) Obligors' Mortgage Credit principal prepayment rate during the calendar quarter preceding the Payment Date.
  - v) The average residual life of the Bonds in each Series estimated assuming that Mortgage Credit principal prepayment rates shall be maintained and making all other assumptions as provided in section 4.10 of the Securities Note.

The foregoing notices shall be given in accordance with the provisions of section 4.1.3 below and will also be notified to the CNMV, the Paying Agent, AIAF and Iberclear, within not more than one (1) Business Day before each Payment Date.

##### **b) Information referred to each Payment Date:**

In relation to the Mortgage Credits:

1. Outstanding Balance.
2. Interest and principal amount of instalments in arrears.
3. Interest rate and, if the interest floats, benchmark indices of the Mortgage Credits.
4. Mortgage Credit maturity dates.
5. Outstanding Balance of Doubtful Mortgage Credits and cumulative amount of Doubtful Mortgage Credits from the date of establishment of the Fund.

In relation to the economic and financial status of the Fund:

- Report on the source and subsequent application of the Available Funds and the Available Funds for Amortisation in accordance with the Priority of Payments of the Fund.

This information shall be submitted to the CNMV.

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

Annual Accounts (balance sheet, profit & loss account and management report) and audit report within four (4) months of the close of each financial year, which shall also be filed with the CNMV.

**4.1.2 Extraordinary notices.**

The following shall be the subject of an extraordinary notice:

1. The Nominal Interest Rate determined for each Bond Series for the first Interest Accrual Period.
2. Other:

Any relevant event occurring in relation to the Mortgage Credits or the Pass-Through Certificates, the Bonds, the Fund and the Management Company proper, which may materially influence trading of the Bonds and, in general, any relevant change in the Fund's assets or liabilities, change in the Deed of Constitution, or in the event of termination of the establishment of the Fund or a decision in due course to proceed to Early Liquidation of the Fund and Early Amortisation of the Bond Issue in any of the events provided in this Prospectus. In the latter event, the Management Company shall send to the CNMV the notarial certificate of termination of the Fund and the liquidation procedure followed will be as referred to in section 4.4.4 of the Registration Document.

**4.1.3 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 publication in the daily bulletin of AIAF Mercado de Renta Fija or any other replacement or similarly characterised bulletin, or by 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 using 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 the daily bulletin of AIAF Mercado de Renta Fija or any other replacement or similarly characterised bulletin, or 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 Prospectus) being valid for such notices.

Exceptionally, the Nominal Interest Rate for each Series shall be notified in writing by the Management Company by November 12, 2008 to the Bond Issue Subscriber. The Management Company will also notify this to the CNMV, the Paying Agent, AIAF and Iberclear.

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 teletransmission means.

**4.1.4 Information to the CNMV.**

The Management Company shall proceed to advise the CNMV of the periodic and extraordinary notices and information given in accordance with the provisions of the preceding sections, and of such other information as may be required of it by the CNMV or by the laws in force from time to time, irrespective of the above.

**4.1.5 Information to the Rating Agencies.**

The Management Company shall provide the Rating Agencies with periodic information as to the status of the Fund and the performance of the Mortgage Credits in order that they may monitor the Bond rating, and with extraordinary notices. The Management Company shall also provide that information when it is reasonably required to do so and, in any event, whenever there is a significant change in the conditions of the Fund, in the agreements entered into by the Fund through its Management Company or in the interested parties.

**Mario Masiá Vicente, as General Manager for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN signs this Prospectus at Madrid, on November 4, 2008.**

## GLOSSARY OF DEFINITIONS

“**Act 19/1992**” shall mean Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7.

“**Act 2/1981**” shall mean Mortgage Market Regulation Act 2/1981, March 25.

“**Act 2/1994**” shall mean Mortgage Loan Subrogation and Amendment Act 2/1994, March 30.

“**Act 3/1994**” shall mean Act 3/1994, April 14, adapting Spanish laws in the matter of credit institutions to the Second Banking Coordination Directive and introducing other changes in relation to the financial system.

“**AIAF**” shall mean AIAF Fixed-Income Market (*AIAF Mercado de Renta Fija*).

“**Amortisation Withholding**” shall mean, on each Payment Date, the positive difference if any at the Determination Date preceding the relevant Payment Date between (i) the sum of the Outstanding Principal Balance of the Bond Issue, and (ii) the Outstanding Balance of Non-Doubtful Mortgage Credits.

“**Available Funds for Amortisation**” shall mean the amount to be allocated to Series A, B and C Bond amortisation on each Payment Date and shall be the Amortisation Withholding amount actually applied of the Available Funds in sixth (6<sup>th</sup>) place in the order of priority of payments on the relevant Payment Date.

“**Available Funds**” shall mean on each Payment Date, the amounts to be allocated to meeting the Fund’s payment or withholding obligations, which shall have been paid into the Treasury Account, as established in section 3.4.6.2.1 of the Building Block.

“**BANKINTER**” shall mean BANKINTER S.A.

“**Bankruptcy Act**” shall mean Bankruptcy Act 22/2003, July 9.

“**Bond Issue Management and Subscription Agreement**” shall mean the Bond Issue management and subscription agreement entered into between the Management Company, for and on behalf of the Fund, and BANKINTER, as Lead Manager and Subscriber.

“**Bond Issue**” shall mean the issue of asset-backed bonds issued by the Fund having a face value of EUR one billion five hundred million (1,500,000,000.00), consisting of fifteen thousand (15,000) Bonds comprised of three Series (Series A, Series B and Series C).

“**Bond Paying Agent Agreement**” shall mean the Bond paying agent agreement entered into by the Management Company, for and on behalf of the Fund, and BANKINTER, as Paying Agent.

“**Bonds**” or “**Asset-Backed Bonds**” shall mean Series A Bonds, Series B Bonds and Series C Bonds issued by the Fund.

“**Business Day**” shall mean any day other than a public holiday in the city of Madrid or non-business day in the TARGET calendar (Trans European Automated Real-Time Gross Settlement Express Transfer System) or TARGET 2 calendar.

“**Cash Reserve**” shall mean the Initial Cash Reserve set up on the Closing Date and subsequently provisioned on each Payment Date up to the Required Cash Reserve amount.

“**CET**” shall mean “Central European Time”.

“**Closing Date**” shall mean November 13, 2008, the date on which the cash amount of the subscription for the Bonds shall be paid up and the face value of the Pass-Through Certificates subscribed for by the Fund shall be paid.



“**CNMV**” shall mean National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

“**Conditions for Pro Rata Amortisation**” shall mean the conditions for amortisation of Series A and/or B and/or C Bonds.

“**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 Prospectus.

“**Deed of Constitution**” shall mean the public deed recording the establishment of the Fund, issue by BANKINTER of and subscription by the Fund for Pass-Through Certificates, and issue by the Fund of the Asset-Backed Bonds.

“**Delinquent Mortgage Credits**” shall mean Mortgage Credits with a period of arrears of three (3) months in payment of overdue amounts, excluding Doubtful Mortgage Credits. The possible deferment of payment of instalments referred to in section 2.2 (ii) of the Building Block shall not be considered arrears in payment of Mortgage Credit amounts due.

“**Determination Dates**” shall mean the dates falling on the fourth (4<sup>th</sup>) Business Day preceding each Payment Date.

“**Determination Period**” shall mean the exact number of days elapsed between every two consecutive Determination Dates, each Determination Period excluding the beginning Determination Date and including the ending Determination Date. Exceptionally:

- (i) the duration of the first Determination Period shall be equal to the days elapsed between date of establishment of the Fund, inclusive, and the first Determination Date, January 19, 2009, inclusive, and
- (ii) the duration of the last Determination Period shall be equal to the days elapsed a) until the Final Maturity Date or the date on which Early Liquidation of the Fund concludes, as provided for in section 4.4.3 of the Registration Document, on which the Mortgage Credits and the assets remaining in the Fund have been liquidated and all Liquidation Available Funds have been distributed in the Liquidation Priority of Payments of the Fund, b) from the Determination Date preceding the Payment Date preceding the date referred to in a), both inclusive.

“**Distribution of Available Funds for Amortisation**” shall mean the rules for applying the Available Funds for Amortisation on each Payment Date established in section 4.9.3.5 of the Securities Note.

“**Doubtful Mortgage Credits**” shall mean Mortgage Credits with a period of arrears at a date equal to or greater than eighteen (18) months in payment of overdue amounts or classified as bad debts by the Management Company because there are reasonable doubts as to their full repayment. The possible deferment of payment of instalments referred to in section 2.2 (ii) of the Building Block shall not be considered arrears in payment of Mortgage Credit amounts due.

“**Early Amortisation**” shall mean Bond amortisation 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 4.4.3 of the Registration Document.

“**Early Liquidation Events**” shall mean the events set out in section 4.4.3 of the Registration Document in which the Management Company, following notice duly served on the CNMV, is entitled to proceed to Early Liquidation of the Fund on a Payment Date.

“**Early Liquidation of the Fund**” shall mean liquidation of the Fund and thereby 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 4.4.3 of the Registration Document.

“**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 fifteen maturity terms 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), accurate to three decimal places.

**“EUROPEA DE TITULIZACIÓN”** shall mean EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

**“Final Maturity Date”** shall mean the final Bond amortisation date, i.e. January 23, 2052 or the following Business Day if that is not a Business Day.

**“Financial Intermediation Agreement”** shall mean the financial intermediation agreement entered into between the Management Company, for and on behalf of the Fund, and BANKINTER.

**“Financial Intermediation Margin”** shall mean, with respect to the Financial Intermediation Agreement, the Originator’s right to receive from the Fund a variable subordinated remuneration which shall be determined and shall accrue upon expiration of every quarterly period, comprising, other than for the first period, the three calendar months preceding each Payment Date, in an amount equal to the positive difference, if any, between the income and expenditure accrued by the Fund, including losses, if any, brought forward from previous years, with reference to its accounts and before the close of the months of March, June, September and December, which are the last month in each quarterly period.

**“Financial Swap Agreement”** or **“Financial Swap”** shall mean the floating financial swap agreement based on the standard 1992 ISDA Master Agreement (ISDA Master Agreement - Multicurrency - Cross Border) and the year 2006 definitions (ISDA 2006 Definitions) entered into between the Management Company, for and on behalf of the Fund, and BANKINTER.

**“Fund”** shall mean BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS.

**“Guaranteed Interest Rate Account (Treasury Account) Agreement”** shall mean the guaranteed interest rate account (Treasury Account) agreement entered into by the Management Company, for and on behalf of the Fund, and BANKINTER.

**“Iberclear”** shall mean Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.

**“Initial Cash Reserve”** shall mean the Cash Reserve set up on the Closing Date upon the Subordinated Loan being drawn down at a sum of EUR forty-five million (45,000,000.00).

**“Interest Accrual Period”** shall mean the exact number of days elapsed between every 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.

**“IRR”** shall mean internal rate of return as defined in section 4.10.1 of the Securities Note.

**“Issuer”** shall mean BANKINTER 18 FONDO DE TITULIZACIÓN DE ACTIVOS.

**“Lead Manager”** shall mean BANKINTER.

**“Liquidation Available Funds”** shall mean, in relation to the Liquidation Priority of Payments, on the Final Maturity Date or upon liquidation of the Fund, the amounts to be allocated to meeting the Fund’s payment or withholding obligations, as follows: (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the Pass-Through Certificates and of the assets remaining and, as the case may be, (iii) the amount drawn under the credit facility arranged and exclusively used for amortisation of Series A, B and C Bonds, in accordance with the provisions of section 4.4.3.3.(iii) of the Registration Document.

**“Liquidation Priority of Payments”** shall mean the order of priority of the Fund’s payment or withholding obligations for applying the Liquidation Available Funds on the Final Maturity Date or upon Early Liquidation of the Fund.

**“Management Company”** shall mean EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

**“Moody’s”** shall mean both Moody’s Investors Service España, S.A. and Moody’s Investors Service Limited, the holding company to which Moody’s Investors Service España, S.A. is affiliated.

**“Mortgage Credits”** shall mean the first drawdowns under credit facilities and loans granted by BANKINTER to individuals, for buying or renovating homes or other purposes, with senior-ranked real estate mortgage security on finished properties (homes, parking spaces, business premises or offices) located in Spain, assigned by BANKINTER to the Fund upon BANKINTER issuing and the Fund subscribing for Pass-Through Certificates.

**“Nominal Interest Rate”** shall mean the annual nominal interest rate, variable quarterly and payable quarterly, applicable to each Series and determined for each Interest Accrual Period, which shall be the result of adding (i) the Reference Rate and (ii) a margin for each Series as detailed in section 4.8.1.2 of the Securities Note.

**“Non-Delinquent Mortgage Credits”** shall mean Mortgage Credits that at a date are not deemed to be either Delinquent Mortgage Credits or Doubtful Mortgage Credits.

**“Non-Doubtful Mortgage Credits”** shall mean Mortgage Credits that at a date are not deemed to be Doubtful Mortgage Credits.

**“Obligors”** shall mean the borrowers (individuals) of the Mortgage Credits.

**“Originator”** shall mean BANKINTER, as originator of the Mortgage Credit receivables by issuing the Pass-Through Certificates.

**“Outstanding Balance of the Bond Issue”** shall mean the sum of Outstanding Principal Balance of Series A, B and C making up the Bond Issue.

**“Outstanding Balance of the Mortgage Credits”** shall mean the sum of outstanding capital or principal and overdue capital or principal not paid into the Fund for each and every Mortgage Credit.

**“Outstanding Balance”** shall mean the sum of outstanding capital or principal and overdue capital or principal not paid into the Fund on a Mortgage Credit.

**“Outstanding Principal Balance of the Series”** shall mean the sum of the outstanding principal to be repaid (outstanding balance) on a given date on all the Bonds making up the Series.

**“Pass-Through Certificates”** shall mean the Pass-Through Certificates issued by BANKINTER on the Mortgage Credits subject to the provisions of Act 2/1981 and Additional Provision Five of Act 3/1994, as worded by Act 41/2007, and subscribed for by the Fund.

**“Paying Agent”** shall mean the institution servicing the Bonds. The Paying Agent shall be BANKINTER.

**“Payment Date”** shall mean January 23, April 23, July 23 and October 23 in each year or the following Business Day if any of those is not a Business Day. The first Payment Date shall be January 23, 2009.

**“PRICEWATERHOUSECOOPERS”** shall mean PricewaterhouseCoopers Auditores S.L.

**“Priority of Payments”** shall mean the order of priority for applying the Fund’s payment or withholding obligations both for applying the Available Funds and for Distribution of Available Funds for Amortisation from the first Payment Date until the last Payment Date or Fund liquidation date, exclusive.

**“RAMÓN & CAJAL”** shall mean RAMÓN & CAJAL ABOGADOS S.L.

**“Rating Agencies”** shall mean Moody’s Investors Service España, S.A. and Standard & Poor’s España, S.A.

**“Reference Rate”** shall mean, other than for the first Interest Accrual Period, three- (3-) month Euribor fixed at 11am (CET) on the Interest Rate Fixing Date, or, if this Euribor rate should not be available or be impossible to obtain, the substitute rates for which provision is made in section 4.8.1.3 of the Securities Note. The Reference Rate for the first Interest Accrual Period shall mean the rate resulting from a straight-line interpolation, taking into account the number of days in the first Interest Accrual Period, between two- (2-) month Euribor and three- (3-) month Euribor, fixed at 11am (CET) on the second Business Day preceding the Closing Date, or, upon the failure or impossibility to obtain these Euribor rates, the substitute rates for which provision is made in section 4.8.1.3 of the Securities Note.

**“Required Cash Reserve”** shall mean, on each Payment Date, the lower of: (i) EUR forty-five million (45,000,000.00) and (ii) the higher of a) 6.00% of the Outstanding Principal Balance of the Bond Issue, and b) a sum of EUR twenty-two million five hundred thousand (22,500,000.00). Notwithstanding the above, the Required Cash Reserve shall not be reduced on the relevant Payment Date and shall remain at the Required Cash Reserve amount on the preceding Payment Date upon the occurrence on the Payment Date of any of the circumstances provided for in section 3.4.2.2 of the Building Block.

**“Royal Decree 1065/2007”** shall mean Royal Decree 1065/2007, July 27, establishing reporting duties with respect to preferred stock and other debt instruments and certain income obtained by individuals resident in the European Union.

**“Royal Decree 116/1992”** shall mean Book Entries and Stock Exchange Transaction Clearing and Settlement Royal Decree 116/1992, February 14.

**“Royal Decree 1310/2005”** shall mean Royal Decree 1310/2005, November 4, partly implementing Securities Market Act 24/1988, July 28, in regard to admission to trading of securities in official secondary markets, public offerings for sale or subscription and the prospectus required for that purpose.

**“Royal Decree 685/1982”** shall mean Royal Decree 685/1982, March 17, implementing certain aspects of Mortgage Market Regulation Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree’s articles.

**“Royal Decree 926/1998”** shall mean Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies.

**“S&P”** shall mean both Standard & Poor’s España, S.A. and S&P Ratings Limited, the holding company to which Standard & Poor’s España, S.A. is affiliated,

**“Securities Market Act”** shall mean Securities Market Act 24/1988, July 28, amended by Act 37/1998, November 16, and Act 44/2002, November 22, and Royal Decree Law 5/2005, March 11, among other amendments.

**“Series A Bonds”** shall mean Series A Bonds issued by the Fund having a total face amount of EUR one billion four hundred and four million seven hundred thousand (1,404,700,000.00) comprising fourteen thousand and forty-seven (14,047) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series A”** shall mean Series A Bonds issued by the Fund.

**“Series B Bonds”** shall mean Series B Bonds issued by the Fund having a total face amount of EUR sixty-five million three hundred thousand (65,300,000.00) comprising six hundred and fifty-three (653) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series B”** shall mean Series B Bonds issued by the Fund.

**“Series C Bonds”** shall mean Series C Bonds issued by the Fund having a total face amount of EUR thirty million (30,000,000.00) comprising three hundred (300) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series C”** shall mean Series C Bonds issued by the Fund.

**“Servicer”** shall mean the institution in charge of custody and servicing of the Mortgage Credits and custody of the Pass-Through Certificate supporting documents under the Servicing Agreement, i.e. BANKINTER.

**“Servicing Agreement”** shall mean the Mortgage Credit custody and servicing and Pass-Through Certificate supporting document custody agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANKINTER, as Servicer.

**“Start-Up Loan Agreement”** shall mean the commercial subordinated loan agreement entered into by the Management Company, for and on behalf of the Fund, and BANKINTER, totalling EUR seven hundred thousand (700,000.00).

**“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 by the Management Company, for and on behalf of the Fund, and BANKINTER, totalling EUR forty-five million (45,000,000.00).

**“Subordinated Loan”** shall mean the loan granted by BANKINTER to the Fund, in accordance with the provisions of the Subordinated Loan Agreement.

**“Subscriber”** shall mean BANKINTER.

**“Treasury Account”** shall mean the financial account in euros opened at BANKINTER in the Fund’s name, in accordance with the provisions of the Guaranteed Interest Rate Account (Treasury Account) Agreement, through which the Fund will make and receive payments.