

PROSPECTUS

September 2008

# BANKINTER 4 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS

ISSUE OF ASSET-BACKED BONDS  
EUR 400,000,000

Series A1	EUR 160,000,000	AAA
Series A2(G) *	EUR 174,400,000	AAA
Series A3	EUR 19,600,000	AAA
Series B	EUR 30,000,000	A
Series C	EUR 16,000,000	BBB

*\* Guaranteed by the Spanish State*

Backed by loans assigned and serviced 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 September 11, 2008

**Material Event concerning**

**BANKINTER 4 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS**

Pursuant to section 4.1.4 of the Securities Note Building Block of the Prospectus for **BANKINTER 4 FTPYME Fondo de Titulización de Activos** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- On March 8, 2011, once the CNMV had checked compliance with the provisions of article 7 of Act 19/1992, as worded by Act 5/2009, June 29, the Management Company amended the Fund’s Deed of Constitution, observing the procedure provided for in subparagraph 3.a) of that article, namely that the consent of all holders of the securities issued by the Fund, and of lenders and other creditors, be secured. On April 1, 2011, the amendment deed was corrected to make good involuntary omissions with respect to what the parties had consented to. The Deed of Constitution has been amended in order for the Bonds in each Series to be rated by Moody’s Investors Service (“**Moody’s**”).
- On March 8, 2011, the Management Company, for and on behalf of the Fund, and BANKINTER as counterparty amended the Loan Servicing and Pass-Through Certificate Custody, Guaranteed Interest Rate Account (Treasury Account), Interest Swap and Paying Agent Agreements (collectively the “**Agreements**”), to include Moody’s criteria in credit rating downgrade events for the counterparty to the Agreements and the actions to be taken in those events.
- On March 9, 2011, Moody’s assigned the following ratings to the Bonds in each Bond Series:

Series A1	Aaa(sf)
Series A2	Aa1(sf)
Series A3	Aa3(sf)
Series B	B1 (sf)
Series C	B3 (sf)

The rating Moody’s had assigned to Series A2(G) Bonds before considering the Spanish State guarantee was Aa3(sf).

On March 15, 2011 Moody’s downgraded Series A2(G) to Aa2.

Attached hereto is the letter received from Moody’s notifying assignment of the aforementioned ratings, and the letter downgrading Series A2(G).

- On April 14, 2011, the CNMV entered the deed amending the deed of constitution of the Fund, and the aforementioned correction deed, in its official records.
- The amendments to the Deed of Constitution and the Agreements have resulted in the inclusion of Moody’s criteria, and the following sections of the Fund Prospectus shall therefore read as follows:

Section	Description
<b>Miscellany</b>	Generally, all references to “the Rating Agency” throughout the Prospectus, defined as S&P, shall be construed as made to “the Rating Agencies”, collectively defined as Moody’s and S&P. In addition, generally, all references to the terms Bond “ratings” or “rating” shall in any event be construed as references to the ratings issued by the two

Section	Description
	Rating Agencies, i.e. both the Bond ratings given by Moody's and the ratings given by S&P.
<p><b>4.4.3.3. (iii) Registration Document (Early Liquidation)</b></p>	<p>(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&amp;P, or a loan which shall be fully allocated to early amortisation of the Bonds in the Series then outstanding and, as the case may be, repayment of amounts due to the State upon the State Guarantee being enforced for Series A2(G). The financial costs due shall be paid and the credit facility or loan principal shall be repaid in accordance with the Liquidation Priority of Payments of the Fund.</p>
<p><b>7.5 Securities Note New Paragraphs after the fourth paragraph</b></p>	<p>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.</p>
<p><b>3.4.4.1 Building Block Paragraphs 3 et seq. (Treasury Account)</b></p>	<p>In the event that the rating of the short-term unsecured and unsubordinated debt obligations of BANKINTER or of 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&amp;P, the Management Company shall within not more than thirty (30) calendar days from the time of the occurrence of the downgrade below P-1, or within not more than sixty (60) calendar days from the time of the occurrence of the downgrade below A-1, do one 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:</p> <p>a) Obtain 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&amp;P an unconditional, irrevocable and 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's debt obligations remain downgraded below P-1 and/or A-1.</p> <p>b) Transfer the 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&amp;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.</p> <p>In the event of b) above occurring and that BANKINTER's short-term unsecured and unsubordinated debt obligations should subsequently be upgraded back to being at least as high as P-1 and A-1, respectively by Moody's and S&amp;P, the Management Company shall subsequently transfer the balances back to BANKINTER under the</p>

Section	Description
	<p>Guaranteed Interest Rate Account (Treasury Account) Agreement.</p> <p>All costs, expenses and taxes incurred in connection with doing and arranging the above shall be borne by BANKINTER or, as the case may be, the substituted Treasury Account Provider.</p> <p>BANKINTER shall, forthwith upon the credit ratings for its debt obligations being downgraded, agree to use commercially reasonable efforts in order that the Management Company may do one of a) or b) above.</p>
<p><b>3.4.7.1 Building Block Section 8 (Interest Swap Agreement)</b></p>	<p>8. Actions in the event of change in Party B's rating by S&amp;P. (...)</p> <p>8 bis. Actions in the event of change in Party B's rating by Moody's.</p> <p>Party B irrevocably agrees as follows under the Interest Swap Agreement:</p> <p>(i) 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 post cash or securities collateral to the Fund with an institution with short-term unsecured and unsubordinated debt obligations rated P-1 by Moody's, in terms of the Credit Support Annex, within thirty (30) Business Days of the occurrence of that circumstance. Posting cash or securities collateral to the Fund may be avoided if one of the following is done: a) Obtaining a replacement with at least the Second Required Rating Threshold ("Eligible Replacement"). b) Obtaining a Credit Support Provider with the First Required Rating Threshold.</p> <p>(ii) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has at least 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 at least the Second Required Rating Threshold, or (B) obtain a replacement with at least the Second Required Rating Threshold ("Eligible Replacement") (or an Eligible 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 cash or securities collateral to the Fund with an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as P-1 by Moody's, in terms of the Credit Support Annex.</p> <p>Party B's obligations under (i) and (ii) above, and the Early 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 (i) and (ii) above will be retransferred to Party B upon cessation of the causes resulting in the First Rating Default or the Second Rating Default, respectively.</p> <p>All costs, expenses and taxes incurred in connection with complying with the</p>

Section	Description
	<p>preceding obligations shall be payable by Party B.</p> <p>In the above connection, “Credit Support Provider” shall mean an institution providing an Eligible Guarantee with respect to present and future obligations of Party B under the Interest Swap Agreement. “Eligible Guarantee” shall mean an unconditional and irrevocable guarantee given by a Credit Support Provider jointly and severally (as principal obligor) that may be directly called by Party A, with respect to which (i) it is established that if the guaranteed obligation cannot be carried out without certain actions being taken by Party B, the Credit Support Provider shall use its best efforts to have Party B carry out those actions, (ii) (A) a law firm provides a legal opinion confirming that none of the payments made by the Credit Support Provider to Party A under the Guarantee results in any requirement for deduction or withholding for or on account of any tax, and that opinion has been notified to Moody’s, or (B) the Guarantee determines that, if any such payment results in any requirement for deduction or withholding for or on account of any tax, that Credit Support Provider shall be bound to pay such additional amount in order for the net payment ultimately received by Party A to be equal to the total amount that Party A would have received had there been no such deduction or withholding, or (C) in the event that any payment (the “Principal Payment”) under the aforesaid Guarantee is made net of deductions or withholdings for or on account of any tax, then Party B shall, under the Interest Swap Agreement, make an additional payment (the “Additional Payment”) in order for the net amount received by Party A from the Credit Support Provider (clear of taxes), i.e. the sum of the Principal Payment and the Additional Payment, to be equal to the total amount that Party A would have received had there been no such deduction or withholding (assuming that the Credit Support Provider may be required to make such Additional Payment under the Guarantee); and (iii) the Credit Support Provider expressly and irrevocably waives any right to compensation under that Guarantee; and “Eligible Replacement” shall mean an institution that is legally able to satisfy the obligations due to Party A under the Interest Swap Agreement or its replacement (as the case may be) (A) with the First Rating Threshold or with the Second Required Rating Threshold, in which case it shall upon replacement post cash or securities collateral to the Fund, in terms of the Credit Support Annex, or (B) whose present and future obligations due to Party A under the Interest Swap Agreement (or its replacement, as the case may be) are guaranteed under an Eligible Guarantee provided by a Credit Support Provider having the First Rating Threshold or having the Second Required Rating Threshold, in which case it shall upon replacement post cash or securities collateral to the Fund, in terms of the Credit Support Annex.</p> <p>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, or (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.</p> <p>An entity having lost the First Required Rating Threshold 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 at least as high as P-2 by</p>

Section	Description
	Moody's and its long-term unsecured and unsubordinated debt obligations are rated at least as high as A3 by Moody's, or (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.
<p><b>3.4.7.1</b> <b>Building Block</b> <b>Sections 9.1 and 9.2</b> <b>(Interest Swap</b> <b>Agreement)</b></p>	<p>9.1 <i>(no contents)</i></p> <p>9.2 Party B may only assign all its rights and obligations under the Interest Swap Agreement, with Parte A's prior written consent, to a third party with S&amp;P's Required Rating and rated with Moody's First Required Rating Threshold, following notice to the Rating Agencies.</p>
<p><b>3.4.7.2</b> <b>Building Block</b> <b>Paragraph 4 (Paying</b> <b>Agent Agreement)</b></p>	<p>In the event that the rating of the Paying Agent'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-1 respectively by Moody's and S&amp;P, the Management Company shall, within not more than thirty (30) calendar days, from the time of the occurrence of the downgrade below P-1, or within not more than sixty (60) calendar days from the time of the occurrence of the downgrade below A-1, after notifying the Rating Agencies, do one of the following in order for there to be no detriment to the Rating Agencies' rating assigned to the Bonds: (i) obtain 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&amp;P, an unconditional and irrevocable first demand guarantee securing for the Fund, merely upon the Management Company so requesting, the commitments made by the Paying Agent, for such time as the Paying Agent's debt obligations remain downgraded below P-1 and/or A-1, or (ii) revoke the Paying Agent'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-1 respectively by Moody's and S&amp;P to take its place before terminating the Paying Agent Agreement. 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 costs, expenses and taxes incurred in connection with doing and arranging (i) above shall be borne by the guaranteed Paying Agent.</p>
<p><b>3.7.2.1.2</b> <b>Building Block</b> <b>Paragraphs 3 et seq.</b> <b>(Collection</b> <b>Management of the</b> <b>Servicing Agreement)</b></p>	<p>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&amp;P, the Management Company shall, in a written notice to the Servicer, issue instructions for those amounts to be paid to the Fund crediting 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.</p> <p>The Management Company shall 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&amp;P.</p> <p>In the event of the Servicer's long-term credit rating being downgraded below Baa3 by Moody's, the Servicer will do one of the following:</p> <p>(i) post cash collateral to the Fund with an institution with short-term debt obligations rated at least as high as P-1 by Moody's, or</p> <p>(ii) arrange an unconditional irrevocable credit facility upon the Management</p>

Section	Description
	<p>Company's first demand with an institution with short-term debt obligations rated at least as high as P-1 by Moody's.</p> <p>The cash collateral amount or the maximum limit of the credit facility arranged shall be equivalent to the estimated aggregate amount of Loan repayment and interest instalments during the calendar month with the highest amount from the date of downgrade below Baa3 by Moody's, calculated assuming that the Loan delinquency rate should be 0.00% and the CPR should be 10.00%.</p> <p>The Fund may only draw on that cash collateral or the credit facility the Loan amounts it shall not receive, if any, owing to the Fund, received by the Servicer and not paid into the Fund.</p> <p>In the event that the credit rating of the Servicer's short-term unsecured and unsubordinated debt obligations should be downgraded below A-2 by S&amp;P, the Servicer shall do one of the following:</p> <p>(i) obtain from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as A-1 by S&amp;P within not more than thirty (30) days reckoned from the time of the occurrence of that circumstance, a first demand guarantee, satisfying the S&amp;P criteria in force from time to time; or</p> <p>(ii) post cash collateral to the Fund, within not more than ten (10) days reckoned 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&amp;P.</p> <p>The amount of the guarantee or cash collateral shall be equivalent to the aggregate estimated amount of the Loan repayment and interest instalments that would become due during one month, from the date of downgrade below A-2 by S&amp;P, calculated assuming a CPR based on the historical CPR of the Loans assigned to the Fund.</p> <p>The Fund may only call the guarantee or draw on the amount of such cash collateral to the extent of the Loan amounts, if any, not received from the Servicer owing to the Fund and received by the Servicer and not paid to the Fund.</p> <p>In the event that the Servicer's short-term unsecured and unsubordinated debt obligations should be upgraded back to P-1 and A-2 respectively by Moody's and S&amp;P, the Loan amounts due to the Fund received by the Servicer may be fully transferred back to the Fund and credited to the Treasury Account on the seventh day after the date on which they are received by the Servicer and (i) and (ii) above shall not apply, in relation to Moody's and/or S&amp;P's rating.</p> <p>All costs, expenses and taxes incurred in connection with doing and arranging the above shall be borne by the Servicer.</p> <p>The Servicer shall at no event pay any Loan payment amount whatsoever to the Fund not previously received from the Obligors.</p>
<p><b>3.7.2.2</b> <b>Building Block</b> <b>New paragraph after</b> <b>paragraph 2 (Term</b> <b>and Substitution of</b> <b>the Servicing</b> <b>Agreement)</b></p>	<p>Notwithstanding the above provisions, in the event of the rating of the Servicer's long-term unsecured and unsubordinated debt obligations being downgraded below Baa3 by Moody's, the Servicer agrees within not more than 60 calendar days from the aforesaid downgrade to enter into a replacement undertaking with another institution in order for the latter to discharge the responsibilities for which provision is made in the Servicing Agreement with respect to the Loans serviced by the Servicer, merely</p>

Section	Description
	upon request by the Management Company if required to do so and provided that such action is not detrimental to the Rating Agencies' rating assigned to the Bonds.

Issued to serve and avail as required by law, at Madrid on April 15, 2011.

Enrique Pescador Abad  
Organisation and Control Manager



## TABLE OF CONTENTS

	<b>Page</b>
<b>RISK FACTORS</b>	<b>5</b>
<b>ASSET-BACKED SECURITIES REGISTRATION DOCUMENT</b>	<b>9</b>
<b>(Annex VII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)</b>	
<b>1. PERSONS RESPONSIBLE</b>	<b>9</b>
1.1 Persons responsible for the information given in the Registration Document.	9
1.2 Declaration by those responsible for the contents of the Registration Document.	9
<b>2. STATUTORY AUDITORS</b>	<b>9</b>
2.1 Fund's Auditors.	9
2.2 Accounting policies used by the Fund.	9
<b>3. RISK FACTORS</b>	<b>9</b>
<b>4. INFORMATION ABOUT THE ISSUER</b>	<b>10</b>
4.1 Statement that the issuer has been established as a securitisation fund.	10
4.2 Legal and commercial name of the issuer.	10
4.3 Place of registration of the issuer and registration number.	10
4.4 Date of incorporation and existence of the issuer.	10
4.4.1 Date of establishment of the Fund.	10
4.4.2 Existence of the Fund.	11
4.4.3 Early Liquidation of the Fund.	11
4.4.4 Termination of the Fund.	12
4.5 Domicile, legal form and legislation applicable to the issuer.	13
4.5.1 Tax system of the Fund.	14
4.6 Issuer's authorised and issued capital.	15
<b>5. BUSINESS OVERVIEW</b>	<b>15</b>
5.1 Brief description of the issuer's principal activities.	15
5.2 Global overview of the parties to the securitisation program.	16
<b>6. ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES</b>	<b>17</b>
<b>7. MAJOR SHAREHOLDERS</b>	<b>21</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 as at the date of the Registration Document.	22
8.2 Historical financial information where an issuer has commenced operations and financial statements have been drawn up.	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.	28
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
4.7.1 General.	29
4.7.2 Spanish State Guarantee for Series A2(G) Bonds.	29
4.8 Nominal interest rate and provisions relating to interest payable.	30
4.8.1 Bond nominal interest rate.	30
4.8.2 Dates, place, institutions and procedure for paying interest.	32
4.9 Maturity date and amortisation of the securities.	33
4.10 Indication of yield.	39
4.10.1 Estimated average life, yield or return, duration and final maturity of the Bonds.	40
4.11 Representation of security holders.	45
4.12 Resolutions, authorisations and approvals for issuing the securities.	45
4.13 Issue date of the securities.	46
4.14 Restrictions on the free transferability of the securities.	46
<b>5. ADMISSION TO TRADING AND DEALING ARRANGEMENTS</b>	<b>46</b>
5.1 Market where the securities will be traded.	46
5.2 Paying agent and depository agents.	47
<b>6. EXPENSE OF THE OFFERING AND OF ADMISSION TO TRADING</b>	<b>47</b>
<b>7. ADDITIONAL INFORMATION</b>	<b>47</b>
7.1 Statement of the capacity in which the advisors connected with the issue mentioned in the Securities Note have acted.	47
7.2 Other information in the Securities Note which has been audited or reviewed by auditors.	47
7.3 Statement or report attributed to a person as an expert.	48
7.4 Information sourced from a third party.	48
7.5 Credit ratings assigned to the securities by rating agencies.	48

	<b>Page</b>
<b>ASSET-BACKED SECURITIES NOTE BUILDING BLOCK</b>	<b>51</b>
<b>(Annex VIII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)</b>	
<b>1. SECURITIES.</b>	<b>51</b>
1.1 Minimum denomination of an issue.	51
1.2 Confirmation that the information relating to an undertaking or obligor not involved in the issue has been accurately reproduced.	51
<b>2. UNDERLYING ASSETS</b>	<b>51</b>
2.1 Confirmation that the securitised assets have capacity to produce funds to service any payments due and payable on the securities.	51
2.2 Assets backing the issue.	51
2.2.1 Legal jurisdiction by which the pool of assets is governed.	52
2.2.2 General characteristics of the obligors.	52
2.2.3 Legal nature of the pool of assets.	61
2.2.4 Expiry or maturity date(s) of the assets.	62
2.2.5 Amount of the assets.	61
2.2.6 Loan to value ratio or level of collateralisation.	62
2.2.7 Method of creation of the assets.	62
2.2.8 Indication of representations and collaterals given to the issuer relating to the assets.	65
2.2.9 Substitution of the securitised assets.	68
2.2.10 Relevant insurance policies relating to the securitised assets.	69
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.	70
2.2.12 Details of the relationship, if it is material to the issue, between the issuer, guarantor and obligor.	70
2.2.13 Where the assets comprise fixed income securities, a description of the principal terms.	70
2.2.14 Where the assets comprise equity securities, a description of the principal terms.	70
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.	70
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.	70
2.3 Actively managed assets backing the issue.	70
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.	70
<b>3. STRUCTURE AND CASH FLOW</b>	<b>71</b>
3.1 Description of the structure of the transaction.	71
3.2 Description of the entities participating in the issue and of the functions to be performed by them.	72
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.	73
3.4 Explanation of the flow of funds.	76
3.4.1 How the cash flow from the assets will meet the issuer's obligations to holders of the securities.	76
3.4.2 Information on any credit enhancement.	76
3.4.2.1 Description of the credit enhancement.	76
3.4.2.2 Cash Reserve.	77

	<b>Page</b>
3.4.2.3 Spanish State Guarantee for Series A2(G) Bonds.	78
3.4.3 Details of any subordinated debt finance.	80
3.4.3.1 Start-Up Loan.	80
3.4.3.2 Subordinated Loan.	81
3.4.3.3 Subordination of Series B and Series C Bonds.	81
3.4.4 Investment parameters for the investment of temporary liquidity surpluses and parties responsible for such investment.	82
3.4.4.1 Treasury Account.	82
3.4.5 Collection by the Fund of payments in respect of the assets.	83
3.4.6 Order of priority of payments made by the issuer.	84
3.4.6.1 Source and application of funds on the Bond Closing Date until the first Payment Date, exclusive.	84
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.	84
3.4.6.3 Fund Liquidation Priority of Payments.	87
3.4.6.4 Financial Intermediation Margin.	89
3.4.7 Other arrangements upon which payments of interest and principal to investors are dependent.	90
3.4.7.1 Financial Swap.	90
3.4.7.2 Bond Issue Paying Agent.	93
3.5 Name, address and significant business activities of the originator of the securitised assets.	94
3.6 Return on and/or repayment of the securities linked to others which are not assets of the issuer.	95
3.7 Administrator, calculation agent or equivalent.	96
3.7.1 Management, administration and representation of the Fund and of the holders of the securities.	96
3.7.2 Servicing and custody of the securitised assets.	99
3.8 Name, address and brief description of any swap, credit, liquidity or account counterparties.	108
<b>4. POST-ISSUANCE REPORTING</b>	<b>108</b>
<b>GLOSSARY OF DEFINITIONS</b>	<b>111</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 809/2004, April 29, 2004, 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.

## 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 4 FTPYME FTA (the “Fund” and/or the “Issuer”) is a separate 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. 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 has its licence to act as a securitisation fund management company 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 securities 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 against the Management Company.

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against Loan Obligors who may have defaulted on their payment obligations or against the Originator. Any such recourse may be used by 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 default or prepayment of the Loans, 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 ordinary creditors of the Fund shall have no recourse whatsoever against the Fund Management Company other than as derived from breaches of its duties or inobservance of the provisions of the Deed of Constitution and of this Prospectus. Those actions shall be resolved in the relevant ordinary declaratory proceedings depending on the amount claimed.

#### d) Applicability of the Bankruptcy Act

Both BANKINTER, S.A. (the “Originator”) and the Management Company may be declared insolvent.

Pursuant to Additional Provision 5 of Act 3/1994, April 14, adapting Spanish laws in the matter of Credit Institutions to the Second Banking Coordination Directive, the assignment to the Fund of the Mortgage Loan receivables by issuing Pass-Through Certificates and of the Non-Mortgage Loan receivables can only be rescinded or contested as provided for in article 71 of the Bankruptcy Act by the receivers, who shall have to prove the existence of fraud.

Notwithstanding that, in the event that the public deed of constitution should be deemed to satisfy the requirements set in Additional Provision 3 of Act 1/1999, the assignment to the Fund of the Non-Mortgage Loan receivables could be liable to be rescinded in accordance with the general system

provided for under article 71 of the Bankruptcy Act. However, that same article 71 specifically provides under paragraph 5 that transactions made at arm's length in the Originator's ordinary course of business cannot be rescinded under any circumstances.

In the event of insolvency of the Management Company, it must be replaced by another management company in accordance with the provisions of article 19 of Royal Decree 926/1998.

## **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 issue of the Bonds in each Series 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 Bonds, there is no assurance that the Bonds will be traded on the market with a minimum frequency or volume.

In addition, 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 assumed Loan prepayment and delinquency rates that may not be fulfilled, and to 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 Loan repayment and to assumed Loan prepayment rates that may not be fulfilled. Loan 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 holders of Bonds in any Series shall under no circumstances result in late-payment interest accruing to their favour.

### **f) Subordination of the Bonds.**

Series B Bond interest payment is deferred with respect to Class A (Series A1, A2(G) and A3) Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments. Series C Bond interest payment is in turn deferred with respect to Class A (Series A1, A2(G) and A3) and Series B Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

Series B Bond principal repayment is deferred with respect to Class A (Series A1, A2(G) and A3) Bonds, saving the provisions of section 4.9.3.5 of the Securities Note in relation to the Conditions for Pro Rata Amortisation of Series A1, A2(G), A3, B and C principal, as provided in the Priority of

Payments and in the Liquidation Priority of Payments. Series C Bond principal repayment is in turn deferred with respect to Class A (Series A1, A2(G) and A3) and Series B Bonds, saving the provisions of section 4.9.3.5 of the Securities Note in relation to the Conditions for Pro Rata Amortisation of Series A1, A2(G), A3, B and C principal, as provided in the Priority of Payments and in the Liquidation Priority of Payments. However, there is no certainty that these subordination rules will protect Series A1, A2(G), A3, B and C Bondholders from the risk of loss. Payment of the economic obligations (interest payment and principal repayment) of Series A2(G) Bonds is secured by the State Guarantee.

The subordination rules among the different Series are established in the Priority of Payments and in the Liquidation Priority of Payments in accordance with section 3.4.6 of the Building Block.

**g) Deferment of interest.**

This Prospectus and the other supplementary documents relating to the Bonds provide for deferment of Series B and C Bond interest payment in the event of the circumstances provided for in section 3.4.6.2.1.2 of the Building Block occurring.

Class A (Series A1, A2(G) and A3) Bond interest is not subject to these interest deferment rules.

**h) Bond Rating.**

The credit risk of the Bonds issued by the Fund has been assessed by the rating agency Standard & Poor's España S.A. (the "**Rating Agency**").

The Rating Agency 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 Agency's failure to confirm the provisional ratings given to the Bonds, by September 17, 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 Loans.**

Bondholders shall bear the risk of default on the Loans pooled in the Fund.

BANKINTER, as Originator, shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Loans. Under article 348 of the Commercial Code, BANKINTER would be liable to the Fund exclusively for the existence and lawfulness of the Loans, and for the personality with which the assignment of the Non-Mortgage Loan receivables and the issue of the Mortgage Loan Pass-Through Certificates are 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 Non-Mortgage Loan receivables or the Pass-Through Certificates, other than the undertakings contained in section 2.2.9 of the Building Block regarding substitution or redemption of Non-Mortgage Loan receivables or Pass-Through Certificates failing to conform, upon the Fund being established, to the representations given 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. With the exception of the State guarantee given for Series A2(G) Bonds, on the terms described in section 3.4.2.3 of the Building Block, 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 Loans might reduce or indeed exhaust the limited hedging against Loan portfolio losses that the Bonds in each Series distinctly have as a result of the existence of the credit enhancement transactions described in section 3.4.2 of the Building Block. Additionally, that risk of default is covered for Series A2(G) Bonds by the Spanish State Guarantee, described in section 3.4.2.3 of the Building Block.

The degree of subordination in interest payment and principal repayment between the Bonds in the different Series derived from the Priority of Payments and the Liquidation Priority of Payments is a mechanism for distinctly hedging the different Series, respectively.

**d) Loan prepayment risk.**

There will be a prepayment of the Loans when the Obligors prepay the portion of capital pending repayment on the Loans, or in the event that BANKINTER should be substituted in the relevant Loans by any other financial institution licensed to do so, or in any other event having the same effect.

That prepayment risk shall pass quarterly on each Payment Date to Bondholders by the partial amortisation of the Bonds, in accordance with the provisions of the rules for Distribution of Available Funds for Amortisation contained in section 4.9.3.5 of the Securities Note.

**e) Selected loan concentration on the origination date.**

As described in section 2.2.2 e) of the Building Block, selected portfolio selected loans originated in the years 2007 and 2008 account for 68.86%, in terms of outstanding principal, of the total selected portfolio. The weighted average age of the portfolio is 17.59 months at August 8, 2008, the selected portfolio selection date.

**f) Loan portfolio assumptions.**

The assumptions made in this Prospectus regarding Loan performance (prepayment, delinquency, default and other rates) are merely theoretical and for the sake of illustration only, which means that those assumptions may in any event differ from the actual rates in the future.

**g) Concentration by obligor.**

As described in section 2.2.2.a) of the Building Block, the obligor owing the highest amount among all obligors represents 0.86%, in terms of outstanding principal, of the total loans selected as at August 8, 2008 to be assigned to the Fund upon being established. The ten highest obligors altogether represent 6.85% of that total.

Given these concentration levels, any circumstance whatsoever having an adverse effect on these obligors could affect payments of the Loans backing the Bond Issue.

**h) Sector concentration.**

The selected loans as at August 8, 2008 to be assigned to the Fund upon being established with obligors whose business (Spanish Business Activity Code *CNAE*) is comprised within the building (11.40% of the total in terms of outstanding principal) and real estate (12.85% of the total in terms of outstanding principal) sector altogether represent 468 loans (18.85% of the total), and their outstanding principal amounts to EUR 112,131,138.23 (24.25% of the total).

Given these concentration levels, any circumstance whatsoever having a material adverse effect on the building and real estate businesses could affect payments of the Loans backing the Bond Issue.



## **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 4 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS (the “**Fund**” and/or the “**Issuer**”), takes responsibility for the contents of this Registration Document.

Mr Mario Masiá Vicente, the Management Company’s General Manager using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and January 28, 2000, is specifically acting for establishing the Fund pursuant to authorities conferred by the Board of Directors’ Executive Committee on July 18, 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 contents.

### **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. The designation of an auditor for a given period shall not preclude the designation of that auditor for subsequent periods, observing in any event the laws in force on the subject. The Management Company shall proceed to notify the CNMV of such 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 paragraph 1 of the preceding Risk Factors section 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 4 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS" and the following short names may also be used without distinction to identify the Fund:

- BANKINTER 4 FTPYME FTA
- BANKINTER 4 FTPYME 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 Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) (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, in pursuance of the facultative authority for which provision is made in article 5.4 of Royal Decree 926/1998.

##### **4.4 Date of incorporation and existence of the issuer.**

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

The Management Company and BANKINTER, as Originator of the Loan receivables, shall proceed to execute on September 15, 2008 a public deed whereby BANKINTER 4 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BANKINTER will assign to the Fund Non-Mortgage Loan and Mortgage Loan receivables, the latter 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, notwithstanding the need to complete the respective details and respective amounts of the Non-Mortgage Loan receivables and of the Mortgage Loan Pass-Through Certificates to be respectively assigned and issued and subscribed for under the Deed of Constitution.

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 and secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agency, and provided that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agency. 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 October 18, 2051 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 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 of the entire Bond Issue ("**Early Amortisation**"), in any of the following events (the "**Early Liquidation Events**"):

- (i) When the amount of the Outstanding Balance of the Loans yet to be repaid is less than ten (10) percent of the initial Outstanding Balance of the Loans 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 the 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 and/or have its licence to operate as a securitisation fund management company revoked by the CNMV, and 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.
- (iv) If within less than one (1) year since the Fund was established the Management Company should have the express consent and acceptance of all the Bondholders 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.
- (v) When a default occurs indicating a major permanent imbalance in relation to any of the Bonds issued or that it is about to occur.
- (vi) Upon the lapse of forty-two (42) months from the date of the last maturity of the Loans, even if amounts are still due and payable.

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 Agency of that notice.
- (iii) The notice of the Management Company's resolution to proceed to Early Liquidation of the Fund shall contain a description of (i) the event or events triggering Early Liquidation of the Fund, (ii) the liquidation procedure, and (iii) how the Bond payment obligations are to be honoured and settled in the Liquidation Priority of Payments.

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 Loan receivables remaining in the Fund at a reasonable market price, initially not less than the sum of the principal then outstanding plus interest accrued and not paid on the relevant Loans, 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 A-1 by S&P, or a loan, which shall be fully allocated to early amortisation of the Bonds in the outstanding Series and repayment of amounts due to the State upon the State Guarantee being enforced for Series A2(G). Financial expenses 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 Loan receivables 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 Loans and assets on offer. In order to set the market value, the Management Company may secure such valuation reports as it shall deem necessary.

In (i), (iii) and (iv) above, the Originator shall have a pre-emptive right and will therefore have priority over third parties to voluntarily acquire the Loan receivables or other remaining assets still on the assets of the Fund, and/or may grant to the Fund the credit facility or loan designed for early amortisation of the Bonds in the outstanding Series. The Management Company shall therefore send the Originator a list of the assets and of third-party bids received, if any, and the latter may use that right with respect to all of the Loan receivables or other assets offered by the Management Company or the credit facility or the loan within five (5) Business Days of receiving said notice, and provided that (i) its bid is at least equal to the best of the third-party bids, and (ii) the Originator 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.

The Management Company shall forthwith apply all the proceeds from the sale of the Fund's assets to paying the various items, in such manner, amount and order as shall be requisite in the Liquidation Priority of Payments, other than the amounts, if any, drawn under the credit facility or loan arranged for early amortisation of Bonds in the outstanding Series, which shall be applied to meeting the payment obligations of these Series and repayment of amounts due to the State upon the State Guarantee being enforced for Series A2(G).

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

The Fund shall terminate in any case, after the relevant legal procedure is carried out and concluded, in the following events:

- (i) Upon the Loans pooled therein being fully repaid.
- (ii) Upon the Bonds issued being fully amortised.
- (iii) When the Early Liquidation 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 October 18, 2051 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 Agency should not confirm any of the assigned provisional ratings as final ratings by September 17, 2008. In this event, the Management Company shall terminate the establishment of the Fund, the assignment of the Non-Mortgage Loan receivables, the issue of and subscription for the Pass-Through Certificates and the Bond issue.

In that case, 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 this event of termination, the Management Company shall execute a statutory declaration before a notary public declaring that the Fund's obligations have been settled and terminated and that the Fund has terminated. Notwithstanding the above, the Fund Management Company shall defray the 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, principal repayment being subordinated to fulfilment of all other obligations undertaken by the Management Company, acting for and on behalf of the Fund.

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 set 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 Loans that are pending the outcome of legal or notarial proceedings instituted as a result of default by the Loan 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 Fund's Loans and remaining assets 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.**

Pursuant to article 1.1 of Royal Decree 926/1998, the Fund has no legal personality, and the Management Company is entrusted with establishing, managing and being the authorised representative of the same, and, as manager of third-party portfolios, with representing and enforcing the interests of the holders of the Bonds issued by the Fund 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 in pursuance of Presidency Ministry Order PRE/3/2007, January 10, 2007, relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing (the "Order of January 10, 2007") and in accordance with the legal system provided for by (i) Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies and implementing regulations, (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 financial system changes (“**Act 3/1994**”), as currently worded, (iv) Securities Market Act 24/1998, July 28, as currently worded (the “**Securities Market Act**”), (v) 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, (vi) Commission Regulation (EC) No. 809/2004, April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, and (vii) 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 most relevant characteristics of the current tax system, for each tax, 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 amortisation are exempt from payment of Value Added Tax and Capital Transfer and Documents Under Seal Tax.
- (iii) The Fund is liable to pay Corporation Tax, determining the taxable income 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 Loans, including the Pass-Through Certificates, loans or other receivables constituting Fund income, there is no Corporation Tax withholding or interim payment obligation.
- (v) The management and custody services provided to the Fund shall be exempt from Value Added Tax.
- (vi) The assignment of the Non-Mortgage Loan receivables to the Fund and the issue of and subscription for Pass Through Certificates to the Fund are transactions subject to and exempt from Value Added Tax.
- (vii) Fulfilment of the reporting duties established by Additional Provision Two of Financial Intermediary Investment Ratios, Equity and Reporting Duties Act 13/1985 shall apply to the Fund.

The procedure to satisfy those reporting duties was implemented by Royal Decree 1065/2007, July 27.

In accordance with Spanish laws for the time being in force, returns on the Bonds obtained by an investor who is not a resident of Spain shall be either (i) exempt from a withholding on account of Non-Resident Income Tax (in the case of investors acting through a permanent establishment), or (ii) exempt on the same terms established for returns on public debt.

Notwithstanding the above, in order for the aforementioned withholding exclusion to be effective, those investors needs must satisfy certain formal obligations, currently laid down (i) in the Order of December 22, 1999, in the case of non-residents acting with respect to the Bonds through a permanent establishment in Spain, and (ii) in 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**”), in the case of non-residents not acting, with respect to the Bonds, through a permanent establishment in Spain and satisfying the terms and requirements referred to above, though specific laws may be passed for securitisation funds in the future.

Where pursuant to the abovementioned laws the exemption right is not satisfactorily established (that is to say, proof is not produced that the non-resident investor is not acting through a tax haven or the Management Company is not provided, through the Paying Agent, with the relevant certificates), returns on the Bonds shall be subject to withholding, currently set at 18%.

The tax implications described above are based on the laws in force at the time of issue of this Prospectus and do not purport to be comprehensive. Consequently, they should not be considered in lieu of the requisite tax advice suited to each investor’s particular situation.

- (viii) Financial Swap Agreement payments received by the Fund shall pay tax based on the Corporation Tax rules and shall not be 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 pass-through certificates and to acquire a number of receivables on loans owned by BANKINTER, S.A. (the “**Loans**”) granted to non-financial small and medium-sized enterprises (legal persons) (“**SMEs**”, as defined by the European Commission -Recommendation of May 6, 2003-) domiciled in Spain (the “**Obligors**”), and to issue asset-backed bonds (the “**Asset-Backed Bonds**” or the “**Bonds**”) the subscription for which is designed to finance acquisition of the Loan receivables.

The selected loans may be classified based on their collaterals into:

- (i) Loans with real estate mortgage security and with additional security, if any, as specified in section (ii) below, originated in a public deed (the “**Mortgage Loans**”).

The Mortgage Loan receivables shall be assigned to the Fund upon BANKINTER issuing and the Fund subscribing for Pass-Through Certificates subject to the provisions of Mortgage Market Regulation Act 2/1981, March 25 (“**Act 2/1981**”) and additional provision five of Act 3/1994, as currently worded, on the terms provided for in section 3.3 of this Building Block.

- (ii) Loans without special security, secured by pledging money and/or units in investment funds, and/or with third-party personal guarantees, originated in a public document, which are enforceable (Civil Procedure Act article 517) (the “**Non-Mortgage Loans**”).

The Non-Mortgage Loan receivables shall be directly assigned to the Fund upon being sold by BANKINTER and acquired by the Fund, on the terms provided for in section 3.3 of this Building Block.

In this Registration Document and elsewhere in the Prospectus the term “Loans” shall be used to refer collectively to the Non-Mortgage Loan receivables and the Mortgage Loan receivables or the Pass-Through Certificates perfecting the assignment of their receivables.

Loan 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 (the “**Series**”) making up the Bond Issue and in the Priority of Payments 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 Loans and the Bonds, and, generally, enable the financial transformation carried out in respect of the Fund's assets between the financial characteristics of the Loans 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, jointly 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 S.A. (“BANKINTER”) is the originator of the Loan receivables to be assigned to the Fund upon being established 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, it shall discharge the functions of article 35.3 of the same Royal Decree.

Moreover, BANKINTER shall be the Fund's counterparty under the Guaranteed Interest Rate Account (Treasury Account), Start-Up Loan, Subordinated Loan, Interest Swap, Loan Servicing, Financial Intermediation and Bond Paying Agent 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
<b>Short-term</b>	F1 (January 2008)	P-1 (May 2008)	A-1 (February 2008)
<b>Long-term</b>	A+ (January 2008)	Aa3 (October 2007)	A (February 2008)

- The Spanish State will guarantee, waiving the benefit of discussion established in Civil Code article 1830, the Series A2(G) Bond economic obligations enforceable on the Fund.

The Economy and Finance Ministry shall, in an Order of the Minister, provide the Fund before it is established with a guarantee whereby the Spanish State will secure, waiving the benefit of discussion established in Civil Code article 1830, payment of such Series A2(G) Bond economic obligations as may be enforceable on the Fund for a face amount of EUR one hundred and seventy-four million four hundred thousand (174,400,000.00).



- Standard & Poor's España, S.A. is the Rating Agency of 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 Rating 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 Y CAJAL ABOGADOS S.L. ("**RAMÓN & CAJAL**") has provided legal advice for establishing the Fund and issuing the Bonds and reviewed the tax implications thereof.

VAT Reg. Number: B-80340896

Registered Office: Paseo de la Castellana number 4, 28046 Madrid (Spain).

- PricewaterhouseCoopers Auditores S.L. ("**PRICEWATERHOUSECOOPERS**") has audited certain features and attributes of a sample of all of BANKINTER's selected loans from which the Loans will be taken in order for their receivables to be mostly 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, 28043 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, S.A., SOCIEDAD GESTORA DE FONDOS 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 this Prospectus.

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

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, was incorporated in a public deed executed on January 19, 1993 before Madrid Notary Public Mr Roberto Blanquer Uberos, his document number 117, with the prior authorisation of the Economy and Finance Ministry, given on December 17, 1992, 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 years ended on December 31, 2007, 2006 and 2005 have been audited by Deloitte S.L. 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 91 securitisation funds at August 31, 2008, 22 being mortgage securitisation funds and 69 being asset securitisation funds.

The following table itemises the 91 securitisation funds managed, giving their date of establishment and the face amount of the bonds issued by those funds and their outstanding principal balances at August 31, 2008.

Securitisation Fund	Establishment	Initial Bond Issue EUR	Bond Issue Balance 31.08.2008 EUR	Δ%	Bond Issue Balance 31.12.2007 EUR	Δ%	Bond Issue Balance 31.12.2006 EUR
<b>TOTAL</b>		<b>111,805,296,652.96</b>	<b>78,891,911,664.20</b>	<b>14.4%</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>7,356,176,125.20</b>	<b>-8.4%</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	856,749,948.07	-5.9%	910,605,771.09		
Bankinter 12 FTH	06.03.2006	1,200,000,000.00	933,785,957.28	-5.6%	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	253,588,615.98	-6.0%	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	326,198,565.95	-7.9%	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	114,851,456.20	-8.2%	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	42,867,824.86	-13.3%	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	33,463,434.99	0.0%	33,463,434.99	-25.8%	45,073,251.00
Bancaja 1 FTH	18.07.1997	120,202,420.88	liquidated		0.00	-100.0%	11,737,911.30
BBV-MBS I FTH	30.11.1995	90,151,815.66	liquidated				
Hipotecario 1 FTH	20.09.1993	69,116,392.00	liquidated				
<b>Asset (FTA)</b>		<b>96,688,250,000.00</b>	<b>71,535,735,539.00</b>	<b>17.4%</b>	<b>60,957,844,889.55</b>	<b>74.7%</b>	<b>34,883,207,121.43</b>
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	5,000,000,000.00				
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	2,003,411,377.20				
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	847,400,399.86	-13.0%	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	635,292,170.08	-17.3%	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	1,157,945,630.07	-12.1%	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	4,349,516,570.00	-5.2%	4,587,025,405.00		

Securitisation Fund	Establishment	Initial Bond Issue EUR	Bond Issue		Bond Issue		Bond Issue Balance 31.12.2006 EUR
			Balance 31.08.2008 EUR	Δ%	Balance 31.12.2007 EUR	Δ%	
BBVA RMBS 1 FTA	19.02.2007	2,500,000,000.00	2,159,082,560.00	-4.9%	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	737,904,712.17	-5.3%	778,999,823.33	-14.5%	911,000,000.00
BBVA-5 FTPYME FTA	23.10.2006	1,900,000,000.00	1,150,325,064.48	-15.1%	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	540,360,064.00	-6.3%	576,853,171.20	-17.9%	703,043,514.80
Bancaja 9 FTA	02.02.2006	2,022,600,000.00	1,385,186,090.00	-5.7%	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	1,198,202,840.46	-6.3%	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	689,196,152.12	-6.3%	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	84,753,825.48	-14.8%	99,469,641.03	-25.2%	132,892,833.40
BBVA Autos 1 FTA	25.10.2004	1,000,000,000.00	440,053,375.00	-22.0%	564,298,650.00	-37.1%	897,434,960.00
FTPYME Bancaja 3 FTA	11.10.2004	900,000,000.00	209,770,335.18	-16.0%	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	583,183,404.23	-6.7%	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	328,721,610.70	-7.7%	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)	31.12.2007	Δ%	31.12.2006	Δ%	31.12.2005
<b>Equity *</b>	<b>3,095,298.97</b>	<b>0.00%</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	1,292,261.47	0.00%	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>	931,653.97	0.00%	931,653.97	0.00%	931,653.97
<b>Year's profit</b>	<b>3,065,805.98</b>	<b>52.95%</b>	<b>2,004,500.15</b>	<b>12.02%</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 Asset 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>
	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 notified to the CNMV and 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 6.1.6 above, performed outside the Management Company where these are significant with respect to the Fund.**

Borja Uriarte Villalonga, who is 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 Bond Issue 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 companies listed below, specifying the percentage share capital holding of each one:

Name of shareholder company	Holding (%)
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, 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 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 the Fund has no financial statement 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 the Management Company's and the Originator's corporate resolutions;
- c) this Prospectus;
- d) the Economy and Finance Minister's Order whereby Series A2(G) Bonds will be granted the Spanish State's guarantee;

- e) the audit report on certain features and attributes of a sample of all selected BANKINTER loans from which the Loans will be taken in order for their receivables to be mostly assigned to the Fund upon being established;
- f) the Rating Agency's letters notifying the provisional and final ratings assigned to each Series in the Bond Issue;
- g) the letter from BANKINTER taking responsibility, with the Management Company, for the Securities Note;
- h) the notarial certificate of payment of the Bond Issue, once the Bond Issue is paid up;
- i) the Management Company's annual accounts and the relevant audit reports; and
- j) 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), of AIAF at [www.aiaf.es](http://www.aiaf.es), 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 h), with the exception of that in d) above, are on display at the CNMV.

*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.*



## **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 4 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS, takes responsibility for the contents of this Securities Note (including the Building Block).

Mr Mario Masiá Vicente, the Management Company's General Manager using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and January 28, 2000, is specifically acting for establishing the Fund pursuant to authorities conferred by the Board of Directors' Executive Committee on July 18, 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 4 FTPYME 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 contents.

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 contents.

### **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 issue of the Bonds in each Series 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 preceding Risk Factors section of this Prospectus.

The risk factors linked to the assets backing the Bond Issue are described in paragraph 3 of the preceding Risk Factors section 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 or controlling interest or connection 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 Loan receivables to be pooled in the Fund.
- d) BANKINTER is the Lead Manager and the Bond Issue Subscriber.
- e) BANKINTER is involved as Bond Issue Paying Agent and shall be the Fund's counterparty under the Guaranteed Interest Rate Account (Treasury Account), Start-Up Loan, Subordinated Loan, Interest Swap, Loan Servicing and Financial Intermediation Agreements.
- f) PRICEWATERHOUSECOOPERS has audited certain features and attributes of a sample of all of BANKINTER's selected loans from which the Loans will be taken to be assigned to the Fund upon being established.
- g) S&P is the Rating Agency that has rated each Bond Series.

The Management Company is not aware of the existence of any other significant link or economic interest between the aforesaid institutions involved in the Bond Issue, other than what is strictly professional derived from their involvement as detailed in this section and in section 3.2 of the Building Block, other than as set forth in sections 5.2 and 6.7 of the Registration Document.

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

#### 4.1 Total amount of the securities and underwriting.

##### 4.1.1 Total amount of the securities.

The total face value amount of the issue of Asset-Backed Bonds (the "**Bond Issue**") is EUR four hundred million (400,000,000.00) consisting of four thousand (4,000) Bonds denominated in euros and comprised of three Bond Classes, distributed into five Series as follows:

- a) Class A comprising three Series having a face amount of EUR three hundred and fifty-four million (354,000,000.00) (either "**Class A**" or "**Class A Bonds**"):
  - i) Series A1 having a total face amount of EUR one hundred and sixty million (160,000,000.00) comprising one thousand six hundred (1,600) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A1**" or "**Series A1 Bonds**").
  - ii) Series A2(G) having a total face amount of EUR one hundred and seventy-four million four hundred thousand (174,400,000.00) comprising one thousand seven hundred and forty-four (1,744) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A2(G)**" or "**Series A2(G) Bonds**").
  - iii) Series A3 having a total face amount of EUR nineteen million six hundred thousand (19,600,000.00) comprising one hundred and ninety-six (196) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A3**" or "**Series A3 Bonds**").

- b) Class B comprising a single Series B 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 B**” or “**Series B Bonds**”).
- c) Class C comprising a single Series C having a total face amount of EUR sixteen million (16,000,000.00) comprising one hundred and sixty (160) 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**”).

#### **4.1.2 Bond issue price.**

The Bonds are issued at 100 percent of their face value. The issue price of each Bond in each of Series A1, A2(G), A3, B and C shall be EUR one hundred thousand (100,000) per Bond, clear of taxes and subscription costs for the subscriber through the Fund.

The expenses and taxes inherent in the issue of the Bonds shall be borne by the Fund.

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

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

The Bond Issue shall be fully and exclusively subscribed for by BANKINTER (the “**Subscriber**”) under the management and subscription agreement (the “**Management and Subscription Agreement**”).

BANKINTER shall receive no fee whatsoever for subscribing for the Bond Issue.

BANKINTER shall be involved as Lead Manager in the Bond Issue and shall not be remunerated for managing the Bond Issue.

The Management and Subscription Agreement shall be fully terminated in the event that the Rating Agency should not confirm the provisional ratings assigned to each Series as final ratings by September 17, 2008 or in the events provided for in the laws for the time being in force.

#### **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 pursuance of the Order of January 10, 2007 and 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) the Securities Market Act and applicable implementing rules and regulations, (iv) Regulation 809/2004, (v) Royal Decree 1310/2005, and (vi) all other legal and statutory provisions in force and applicable from time to time.

The Deed of Constitution, the Bond Issue and the agreements relating to transactions for hedging financial risks and provision of services on the Fund’s behalf shall be subject to Spanish Law and shall be governed by and construed in accordance with Spanish laws.

All matters, disagreements, actions and claims deriving from the Management Company’s establishing, managing and being the authorised representative of the Fund and from the Bond Issue by the same shall be heard and ruled upon by the competent Spanish Courts and Tribunals.

#### **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 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 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 is deferred with respect to Class A (Series A1, A2(G) and A3) Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments. Series C Bond interest payment is in turn deferred with respect to Class A (Series A1, A2(G) and A3) and Series B Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

Series B Bond principal repayment is deferred with respect to Class A (Series A1, A2(G) and A3) Bonds, saving the provisions of section 4.9.3.5 of this Securities Note in relation to the Conditions for Pro Rata Amortisation of Series A1, A2(G), A3, B and C principal, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

Series C Bond principal repayment is deferred with respect to Class A (Series A1, A2(G) and A3) and Series B Bonds, saving the provisions of section 4.9.3.5 of this Securities Note in relation to the Conditions for Pro Rata Amortisation of Series A1, A2(G), A3, 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 A1, A2(G) and A3 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) 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 the Bonds in the Series as a whole without distinction between the 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.

Principal repayment of the Bonds 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.

Series A1, A2(G) and A3 Bond principal repayment 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.

Series B Bond principal repayment 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.

Series C Bond principal repayment 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.**

##### **4.7.1 General.**

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 Loan 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 default or prepayment of the Loans, 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 the Deed of Constitution and of this Prospectus. Those actions shall be resolved in the relevant ordinary declaratory proceedings depending on the amount claimed.

All matters, disagreements, actions and claims deriving from the Management Company's establishing the Fund, managing and being the authorised representative of the Fund and from the Bond Issue by the same shall be heard and ruled upon by the competent Spanish Courts and Tribunals.

##### **4.7.2 Spanish State Guarantee for Series A2(G) Bonds.**

The Economy and Finance Ministry shall, in an Order of the Minister, provide the Fund before it is established with a guarantee whereby the Spanish State will guarantee, waiving the benefit of discussion established in Civil Code article 1830, payment of such Series A2(G) Bond economic obligations as may be enforceable on the Fund for a face amount of EUR one hundred and seventy-four million four hundred thousand (174,400,000.00).

The general characteristics of the State Guarantee and its enforcement are given in section 3.4.2.3 of the Building Block.

#### 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 (hereinafter 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 at 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 (“**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, September 18, 2008, inclusive, and the first Payment Date, January 19, 2009, because January 18, 2009 is not a Business Day, 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 A1:** 0.32% margin.
  - **Series A2(G):** 0.30% margin.
  - **Series A3:** 0.34% 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 (“**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 four- (4-) month Euribor and five- (5-) 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:

$$IR = [(D-120)/30] \times E5 + [1 - ((D-120)/30)] \times E4$$

Where:

IR = Reference Rate for the first Interest Accrual Period.

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

E5 = Five- (5-) month Euribor.

E4 = Four- (4-) 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 rate established in paragraph (i) above should not be available or be impossible to obtain, the substitute Reference Rate shall be the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable 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 the straight-line interpolation between the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable four- (4-) month deposit transactions in euros and the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable five- (5-) 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.

Should it be impossible to apply the above substitute Reference Rate, upon the failure by any or several of the banks to provide written quotations as provided for in paragraphs one and two of this section, the interest rate resulting from applying the simple arithmetic mean of the interest rates declared by at least two of the other banks shall be applicable.

- iii) If the rates established in paragraphs i) and ii) above should not be available or be impossible to obtain, the last Reference Rate 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 four- (4-) month Euribor and five- (5-) month Euribor available immediately before 11am (CET) on the Interest Rate Fixing 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 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 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 Series at the Determination Date preceding the Payment Date.

*R* = Nominal Interest Rate of the Series expressed as a yearly percentage determined for each Interest Accrual Period.

*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 each Series shall be paid until finally amortised by Interest Accrual Periods in arrears on January 18, April 18, July 18 and October 18 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 19, 2009, because January 18, 2009 is not a Business Day, and interest will accrue at the applicable Nominal Interest Rate between the Closing Date, September 18, 2008, inclusive, and January 19, 2009, because January 18, 2009 is not a Business Day, 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 (when the same enters into force).



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 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, the amounts that Bondholders should not have received shall be accumulated on the following Payment Date to interest on that Series which, as the case may be, should be paid on that same Payment Date, and will be paid in the Priority of Payments and applied by order of maturity if it should be impossible once again not to pay the same fully due to a shortfall of Available Funds. The foregoing shall be without prejudice to the State Guarantee, which covers shortfalls in payment of Series A2(G) Bond interest and principal economic obligations enforceable on the Fund.

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 October 18, 2051, 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 the Paying Agent Agreement with BANKINTER, as established in section 5.2.1 of this Securities Note.

#### **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 of the Bonds.

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

###### **4.9.2.1 Amortisation of Series A1 Bonds.**

Series A1 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 A1, 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 A1 proper by reducing the face amount of each Series A1 Bond.

The first partial amortisation of Series A1 Bonds shall occur on the first Payment Date, January 19, 2009, because January 18, 2009 is not a Business Day.

Final amortisation of Series A1 Bonds shall occur on the Final Maturity Date (October 18, 2051 or the following Business Day if that is not a Business Day), notwithstanding their possible full amortisation before that date due to the partial amortisation for which provision is made or because 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 A2(G) Bonds.**

Series A2(G) 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 A2(G), 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 A2(G) proper by reducing the face amount of each Series A2(G) Bond.

The first partial amortisation of Series A2(G) Bonds shall occur once Series A1 Bonds have been fully amortised. However, even if Series A1 has not been fully amortised, in the event that the circumstances for Pro Rata Amortisation of Class A occur, Series A2(G) Bonds shall be amortised pro rata to Series A1 and Series A3 Bonds, all in accordance with the rules for Distribution of Available Funds for Amortisation.

Final amortisation of Series A2(G) Bonds shall occur on the Final Maturity Date (October 18, 2051 or the following Business Day if that is not a Business Day), notwithstanding their possible full amortisation before that date due to the partial amortisation for which provision is made or because 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 A3 Bonds.**

Series A3 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 A3, 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 A3 proper by reducing the face amount of each Series A3 Bond.

The first partial amortisation of Series A3 Bonds shall occur once Series A1 Bonds and Series A2(G) Bonds have been fully amortised. However, even if Series A1 and A2(G) have not been fully amortised, in the event that the circumstances for Pro Rata Amortisation of Class A occur, Series A3 Bonds shall be amortised pro rata to Series A1 and Series A2(G) Bonds, all in accordance with the rules for Distribution of Available Funds for Amortisation.

Final amortisation of Series A3 Bonds shall occur on the Final Maturity Date (October 18, 2051 or the following Business Day if that is not a Business Day), notwithstanding their possible full amortisation before that date due to the partial amortisation for which provision is made or because 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.

#### **4.9.2.4 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 Class A (Series A1, A2(G) and A3) Bonds have been fully amortised. However, even if Class A (Series A1, A2(G) and A3) 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 15.00%, or higher percentage closest thereto.

Final amortisation of Series B Bonds shall occur on the Final Maturity Date (October 18, 2051 or the following Business Day if that is not a Business Day), notwithstanding their possible full amortisation before that date due to the partial amortisation for which provision is made or because 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.

#### 4.9.2.5 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 Class A (Series A1, A2(G) and A3) and Series B Bonds have been fully amortised. However, even if Class A (Series A1, A2(G) and A3) 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 8.00%, or higher percentage closest thereto.

Final amortisation of Series C Bonds shall occur on the Final Maturity Date (October 18, 2051 or the following Business Day if that is not a Business Day), notwithstanding their possible full amortisation before that date due to the partial amortisation for which provision is made or because 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 Partial 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 partial amortisation of the Bonds in each Series on each Payment Date other than the Final Maturity Date or the Early Liquidation date of the Fund on the specific amortisation terms for each Series established in sections 4.9.2.1 to 4.9.2.5 of this Securities Note and on the terms described hereinafter in this section common to all five Series.

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

The determination dates (the “**Determination Dates**”) will be the dates falling on the fourth (4<sup>th</sup>) Business Day preceding each Payment Date on which the Management Company on behalf of the Fund will make all necessary calculations to distribute or withhold the Available Funds and the Available Funds for Amortisation which the Fund shall dispose of on the relevant Payment Date, in the Priority of Payments. The first Determination Date shall be January 13, 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 the date of establishment of the Fund, inclusive, and the first Determination Date, January 13, 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 4.4.4.3 of the Registration Document, on which the Loan receivables 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), not including the first date but 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) at a date of all the Bonds in that Series.

By addition, the outstanding principal balance of Class A (the “**Outstanding Principal Balance of Class A**”) shall be the sum of the Outstanding Principal Balance of Series A1, A2(G) and A3 making up Class A. Moreover, 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 five Series A1, A2(G), A3, B and C making up the Bond Issue.

#### 4.9.3.3 **Outstanding Balance of the Loans.**

The outstanding balance (the “**Outstanding Balance**”) of a Loan 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 Loan at a date.

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

Delinquent loans (the “**Delinquent Loans**”) shall be deemed to be Loans that are delinquent at a date with a period of arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Loans. Non-delinquent loans (the “**Non-Delinquent Loans**”) shall be deemed to be Loans that at a date are not deemed to be either Delinquent Loans or Doubtful Loans.

Doubtful loans (the “**Doubtful Loans**”) shall be deemed to be Loans that are delinquent at a date with a period of arrears 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 based on indications or information received from the Servicer. Non-doubtful loans (the “**Non-Doubtful Loans**”) shall be deemed to be Loans that are not deemed to be Doubtful Loans at a date.

#### 4.9.3.4 **Amortisation Withholding, Available Funds for Amortisation and Amortisation Deficiency 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 priority for withholding the amount altogether designed for amortising the Bonds and without distinguishing among the various Series and repaying to the Spanish State the amounts, if any, paid for repaying Series A2(G) principal (the “**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, increased by the amount to be repaid to the Spanish State upon the State Guarantee being enforced for amortising Series A2(G), and (ii) the Outstanding Balance of Non-Doubtful Loans.

Depending on the liquidity existing on each Payment Date, the amount actually applied of the Available Funds to Amortisation Withholding shall make up 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.

Additionally, and not included among the Available Funds for Amortisation, the Fund shall avail of the amount drawn upon enforcing the State Guarantee paid to the Fund from the preceding Payment Date until the relevant Payment Date, allocated only to repaying Series A2(G) Bond principal.

The amortisation deficiency (the “**Amortisation Deficiency**”) on a Payment Date shall be the positive difference, if any, between (i) the Amortisation Withholding amount, and (ii) the amount actually applied of the Available Funds for Amortisation.

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

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

1. The Available Funds for Amortisation shall be sequentially applied firstly to amortising Class A (Series A1, A2(G) and A3) and repaying amounts due to the Spanish State upon the State Guarantee being enforced for amortising Series A2(G) until fully amortised and repaid, as provided for in rule 2 below, secondly to amortising Series B until fully amortised and thirdly to amortising Series C until

fully amortised, notwithstanding the provisions of rule 3 below for pro rata amortisation of those Series.

2. The amounts of the Available Funds for Amortisation applied to amortising Class A (Series A1, A2(G) and A3) and repaying amounts due to the State upon the State Guarantee being enforced for amortising Series A2(G), both under rule 1 above and under rule 3 below, shall be applied as follows:

2.1 Ordinary application in the following order:

1. Repayment of Series A1 Bond principal.
2. Repayment of Series A2(G) Bond principal and repayment to the Spanish State of amounts it shall have paid to the Fund upon the State Guarantee being drawn for repaying Series A2(G) Bond principal, once Series A1 Bonds have been fully amortised.

The amount of the Available Funds for Amortisation applied on a Payment Date to both items (repayment of Series A2(G) Bond principal and repayment to the Spanish State of amounts due upon the State Guarantee being enforced for amortising Series A2(G)) shall be applied as follows:

- (i) If there is an Amortisation Deficiency on the relevant Payment Date, firstly to amortising Series A2(G) and secondly, in the remaining amount, if any, to repayment to the Spanish State of amounts due upon the State Guarantee being enforced for amortising Series A2(G).
- (ii) Otherwise, firstly to repayment to the Spanish State of amounts due upon the State Guarantee being enforced for amortising Series A2(G) and secondly to amortising Series A2(G).

3. Repayment of Series A3 Bond principal.

- 2.2 Exceptional pro rata application of Class A ("**Pro Rata Amortisation of Class A**"): The application priority of paragraph 2.1 above shall be stopped in the event that as at the Determination Date preceding the relevant Payment Date the Outstanding Balance of Delinquent Loans is in excess of 3.00% of the Outstanding Balance of Non-Doubtful Loans.

In that event, on the relevant Payment Date, the amount of the Available Funds for Amortisation applied to amortising Class A (Series A1, A2(G) and A3) and repayment to the Spanish State upon the State Guarantee being enforced for amortising Series A2(G), shall be distributed among the items referred to as follows:

- (a) It shall be prorated directly in proportion to (i) the Outstanding Principal Balance of Series A1, (ii) the Outstanding Principal Balance of Series A2(G) increased by the balance of amounts due to the Spanish State upon the State Guarantee being enforced for amortising Series A2(G), and (iii) the Outstanding Principal Balance of Series A3.
  - (b) The amount assigned to Series A1 Bonds under paragraph (a) above shall be applied to amortising Series A1 Bonds.
  - (c) The amount assigned to Series A2(G) Bonds and the amounts due upon the State Guarantee being enforced for amortising Series A2(G), under paragraph (a) above, shall be applied to amortising Series A2(G) Bonds and repayment to the Spanish State of the aforesaid amounts due in accordance with the provisions of subparagraph 2.1.2 above.
  - (e) The amount assigned to Series A3 Bonds under paragraph (a) above shall be applied to amortising Series A3 Bonds.
3. There shall be no exception and, even if Class A (Series A1, A2(G) and A3) 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 Dates on which the following circumstances are all

satisfied with respect to amortisation of Series B and, as the case may be, Series C (“**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 15.00% of the Outstanding Principal Balance of the Bond Issue, and
  - ii) the Outstanding Balance of Delinquent Loans does not exceed 1.25% of the Outstanding Balance of Non-Doubtful Loans.
- 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 8.00% of the Outstanding Principal Balance of the Bond Issue, and
  - ii) the Outstanding Balance of Delinquent Loans does not exceed 1.00% of the Outstanding Balance of Non-Doubtful Loans.
- c) Additionally, in order to amortise Series B and, as the case may be, Series C:
  - i) that the Pro Rata Amortisation of Class A does not apply,
  - ii) that the Required Cash Reserve amount is to be fully provisioned on the relevant Payment Date; and
  - iii) that on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of Non-Doubtful Loans is equal to or greater than 10 percent of the face amount of the initial Outstanding Balance upon the Fund being established.

In the event that amortisation of Series B and, as the case may be, of Series C should apply on a Payment Date because the Conditions for Pro Rata Amortisation of Series B and of Series C are respectively satisfied, 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 15.00% and 8.00%, or higher percentages closest thereto.

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

Notwithstanding 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, after first notifying the CNMV, be authorised to proceed, as the case may be, to Early Liquidation of the Fund and consequently 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 (the “**Final Maturity Date**”) and consequently final amortisation of the Bonds is on October 18, 2051 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 the Series in the Bond Issue before the Final Maturity Date. Final amortisation of the Bonds on the Final Maturity Date shall take place 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 Loan established in the relevant agreements.
- ii) The Obligors' capacity to prepay the Loans in whole or in part and the aggregate prepayment pace throughout the life of the Fund. In this sense, Loan 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 Bonds are amortised, and therefore their average life and duration.
- iii) The floating interest rates which shall apply to most Loans, resulting in the repayment amount on every instalment differing.
- iv) The Obligors' delinquency in payment of Loan instalments.

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

- Loan interest rate: 5.45% weighted average interest rate as at August 8, 2008 of the portfolio of selected loans which has been used for calculating the repayment instalments and interest of each of the selected loans;
- Loan portfolio delinquency: 0.67% of the Outstanding Balance of the Loans, 0.59% being recovered within 12 months of becoming delinquent (88% of the aggregate Outstanding Balance of Loans falling in arrears), and the remaining 0.08% becoming doubtful from February 2010, with 90% recoveries within 18 months of becoming doubtful (0.072% loss on the Outstanding Balance of Doubtful Loans);
- that the Loan prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is September 18, 2008; and
- that there is no extension of the term of any of the loans.

The actual adjusted life and the yield or return on the Bonds will also depend on their floating rate. 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 4-month Euribor (5.087%) and 5-month Euribor (5.127%) at September 3, 2008 and the margins set for each Series in accordance with section 4.8.1.2 of this Securities Note:

	Series A1 Bonds	Series A2(G) Bonds	Series A3 Bonds	Series B Bonds	Series C Bonds
<b>Nominal interest rate</b>	5.411%	5.391%	5.431%	5.591%	5.791%

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 (4.960%) at September 3, 2008 and the margins set for each Series in accordance with section 4.8.1.2 of this Securities Note:

	Series A1 Bonds	Series A2(G) Bonds	Series A3 Bonds	Series B Bonds	Series C Bonds
<b>Nominal interest rate</b>	5.280%	5.260%	5.300%	5.460%	5.660%

The weighted average interest rate of the loans selected as at August 8, 2008, as detailed in section 2.2.2.i) of this Building Block, is 5.45%, which is above the 5.42% weighted average nominal interest rate of the Bonds that has been presumed for hypothetical purposes 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 of the Registration Document when the Outstanding Balance of the Loans 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, based on the performance over the last six months of similarly characterised loans previously securitised by BANKINTER, would be as follows:

% CPR:	4.00%	6.00%	8.00%	10.00%	12.00%
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Series A1 Bonds					
Average life (years)	1.63	1.46	1.33	1.22	1.12
IRR	5.495%	5.495%	5.495%	5.495%	5.495%
Duration (years)	1.47	1.33	1.21	1.11	1.03
Final maturity	18 01 2012	18 10 2011	18 04 2011	18 01 2011	18 01 2011
(in years)	3.33	3.08	2.58	2.33	2.33

Series A2(G) Bonds					
Average life (years)	7.35	6.61	5.98	5.44	4.98
IRR	5.449%	5.449%	5.449%	5.449%	5.449%
Duration (years)	5.66	5.19	4.77	4.41	4.09
Final maturity	19 07 2021	20 07 2020	18 07 2019	18 10 2018	18 01 2018
(in years)	12.84	11.84	10.84	10.09	9.34

Series A3 Bonds					
Average life (years)	12.84	11.84	10.84	10.09	9.34
IRR	5.488%	5.488%	5.488%	5.488%	5.488%
Duration (years)	8.87	8.37	7.85	7.44	7.02
Final maturity	19 07 2021	20 07 2020	18 07 2019	18 10 2018	18 01 2018
(in years)	12.84	11.84	10.84	10.09	9.34

Series B Bonds					
Average life (years)	8.95	8.10	7.34	6.72	6.16
IRR	5.659%	5.659%	5.659%	5.659%	5.659%
Duration (years)	6.60	6.10	5.64	5.25	4.89
Final maturity	19 07 2021	20 07 2020	18 07 2019	18 10 2018	18 01 2018
(in years)	12.84	11.84	10.84	10.09	9.34

Series C Bonds					
Average life (years)	8.95	8.10	7.34	6.72	6.16
IRR	5.870%	5.870%	5.870%	5.870%	5.870%
Duration (years)	6.53	6.04	5.59	5.20	4.85
Final maturity	19 07 2021	20 07 2020	18 07 2019	18 10 2018	18 01 2018
(in years)	12.84	11.84	10.84	10.09	9.34

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 the actual Loan 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 float.
- 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 Loans 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, Pro Rata Amortisation of Class A does not apply and the Conditions for Pro Rata Amortisation of Series B and C do.
- These are all reasonable assumptions based on the historical performance of SME loans granted and securitised by BANKINTER.

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.

**FLows FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER**  
**(AMOUNTS IN EUR)**  
**CPR = 6%**

Payment Date	Series A1 Bonds			Series A2(G) Bonds			Series A3 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	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
<b>TOTALS</b>	100,000.00	7,862.45	107,862.45	100,000.00	35,309.20	135,309.20	100,000.00	63,688.93	163,688.93	100,000.00	44,877.75	144,877.75	100,000.00	46,519.99	146,519.99
18/09/2008															
19/01/2009	12,720.36	1,848.76	14,569.11	0.00	1,841.93	1,841.93	0.00	1,855.59	1,855.59	0.00	1,910.26	1,910.26	0.00	1,978.59	1,978.59
20/04/2009	10,457.19	1,164.89	11,622.08	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
20/07/2009	9,889.07	1,025.32	10,914.39	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
19/10/2009	9,600.66	893.34	10,493.99	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/01/2010	9,328.27	765.20	10,093.47	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
19/04/2010	8,816.56	640.70	9,457.26	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
19/07/2010	8,517.94	523.03	9,040.97	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/10/2010	8,258.30	409.34	8,667.64	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/01/2011	7,936.57	302.41	8,238.97	0.00	1,344.22	1,344.22	0.00	1,354.44	1,354.44	0.00	1,395.33	1,395.33	0.00	1,446.44	1,446.44
18/04/2011	7,325.44	191.07	7,516.51	0.00	1,315.00	1,315.00	0.00	1,325.00	1,325.00	0.00	1,365.00	1,365.00	0.00	1,415.00	1,415.00
18/07/2011	6,930.21	95.42	7,025.63	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/10/2011	6,194.45	2.96	222.41	5,966.75	1,344.22	7,250.97	0.00	1,354.44	1,354.44	0.00	1,395.33	1,395.33	0.00	1,446.44	1,446.44
18/01/2012	0.00	0.00	0.00	5,851.42	1,284.82	7,116.24	0.00	1,354.44	1,354.44	0.00	1,395.33	1,395.33	0.00	1,446.44	1,446.44
18/04/2012	0.00	0.00	0.00	5,600.77	1,173.27	6,774.04	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/07/2012	0.00	0.00	0.00	5,371.57	1,098.80	6,470.37	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/10/2012	0.00	0.00	0.00	3,899.09	1,038.67	4,937.76	0.00	1,354.44	1,354.44	4,183.13	1,395.33	5,578.46	4,183.13	1,446.44	5,629.57
18/01/2013	0.00	0.00	0.00	3,658.85	986.26	4,645.11	0.00	1,354.44	1,354.44	4,143.53	1,336.96	5,480.49	4,143.53	1,385.94	5,529.46
18/04/2013	0.00	0.00	0.00	3,342.29	916.71	4,259.00	0.00	1,325.00	1,325.00	3,785.04	1,251.34	5,036.38	3,785.04	1,297.18	5,082.22
18/07/2013	0.00	0.00	0.00	3,189.69	882.45	4,072.14	0.00	1,339.72	1,339.72	3,612.22	1,213.01	4,825.22	3,612.22	1,257.44	4,869.65
18/10/2013	0.00	0.00	0.00	3,124.63	849.27	3,973.91	0.00	1,354.44	1,354.44	3,538.55	1,175.93	4,714.48	3,538.55	1,219.01	4,757.55
20/01/2014	0.00	0.00	0.00	3,056.82	824.82	3,881.64	0.00	1,383.89	1,383.89	3,461.75	1,151.05	4,612.80	3,461.75	1,193.21	4,654.96
18/04/2014	0.00	0.00	0.00	2,962.99	732.87	3,695.86	0.00	1,295.56	1,295.56	3,355.49	1,031.37	4,386.86	3,355.49	1,069.15	4,424.64
18/07/2014	0.00	0.00	0.00	2,894.65	718.46	3,613.11	0.00	1,339.72	1,339.72	3,278.10	1,020.22	4,298.33	3,278.10	1,057.59	4,335.70
20/10/2014	0.00	0.00	0.00	2,793.80	702.39	3,496.18	0.00	1,383.89	1,383.89	3,163.89	1,007.12	4,171.01	3,163.89	1,044.01	4,207.90
19/01/2015	0.00	0.00	0.00	2,723.00	642.82	3,365.83	0.00	1,339.72	1,339.72	3,083.71	931.31	4,015.03	3,083.71	985.43	4,049.14
20/04/2015	0.00	0.00	0.00	2,608.08	606.62	3,214.70	0.00	1,339.72	1,339.72	2,953.57	888.75	3,842.32	2,953.57	921.31	3,874.87
20/07/2015	0.00	0.00	0.00	2,527.31	571.94	3,099.25	0.00	1,339.72	1,339.72	2,862.09	847.99	3,710.08	2,862.09	879.05	3,741.14
19/10/2015	0.00	0.00	0.00	2,342.37	538.34	2,972.88	0.00	1,339.72	1,339.72	2,756.82	808.49	3,565.30	2,756.82	838.10	3,594.92
18/01/2016	0.00	0.00	0.00	2,342.37	505.97	2,848.34	0.00	1,339.72	1,339.72	2,652.66	770.44	3,423.10	2,652.66	798.66	3,451.32
18/04/2016	0.00	0.00	0.00	2,225.28	474.82	2,700.10	0.00	1,339.72	1,339.72	2,520.05	733.83	3,253.88	2,520.05	760.71	3,280.76
18/07/2016	0.00	0.00	0.00	2,165.16	445.24	2,610.40	0.00	1,339.72	1,339.72	2,451.97	699.05	3,151.02	2,451.97	724.65	3,176.62
18/10/2016	0.00	0.00	0.00	2,095.78	421.03	2,516.81	0.00	1,354.44	1,354.44	2,373.41	672.51	3,045.92	2,373.41	697.15	3,070.56
18/01/2017	0.00	0.00	0.00	2,049.19	392.85	2,442.05	0.00	1,354.44	1,354.44	2,320.65	639.40	2,960.04	2,320.65	662.82	2,983.46
18/04/2017	0.00	0.00	0.00	1,976.01	357.37	2,333.38	0.00	1,325.00	1,325.00	2,237.77	593.82	2,831.59	2,237.77	615.57	2,853.34
18/07/2017	0.00	0.00	0.00	1,904.73	335.06	2,239.79	0.00	1,339.72	1,339.72	2,157.04	569.53	2,726.58	2,157.04	590.40	2,747.44
18/10/2017	0.00	0.00	0.00	1,838.95	313.14	2,152.09	0.00	1,354.44	1,354.44	2,082.55	545.89	2,628.24	2,082.55	565.68	2,648.23
18/01/2018	0.00	0.00	0.00	1,735.76	288.42	2,024.19	0.00	1,354.44	1,354.44	1,965.70	516.84	2,482.33	1,965.70	535.56	2,501.26
18/04/2018	0.00	0.00	0.00	1,612.34	259.33	1,871.66	0.00	1,325.00	1,325.00	1,825.92	478.57	2,304.49	1,825.92	496.10	2,322.02
18/07/2018	0.00	0.00	0.00	1,550.58	240.77	1,791.35	0.00	1,339.72	1,339.72	1,755.96	458.89	2,214.67	1,755.96	475.49	2,231.47
18/10/2018	0.00	0.00	0.00	1,502.78	222.57	1,725.35	0.00	1,354.44	1,354.44	1,701.85	439.23	2,141.07	1,701.85	455.32	2,157.16
18/01/2019	0.00	0.00	0.00	1,457.39	202.37	1,659.76	0.00	1,354.44	1,354.44	1,650.44	415.48	2,065.92	1,650.44	430.70	2,081.14
18/04/2019	0.00	0.00	0.00	1,404.07	178.81	1,582.88	0.00	1,325.00	1,325.00	1,590.06	383.92	1,973.99	1,590.06	397.98	1,988.05
18/07/2019	0.00	0.00	0.00	1,374.16	162.13	1,536.29	0.00	1,339.72	1,339.72	1,556.19	366.24	1,922.43	1,556.19	379.66	1,935.85
18/10/2019	0.00	0.00	0.00	1,329.04	145.44	1,474.47	0.00	1,354.44	1,354.44	1,505.09	348.55	1,853.64	1,505.09	361.32	1,866.41
20/01/2020	0.00	0.00	0.00	1,267.14	130.34	1,397.49	0.00	1,383.89	1,383.89	1,435.00	334.67	1,769.67	1,435.00	346.93	1,781.93
20/04/2020	0.00	0.00	0.00	1,196.93	109.34	1,306.27	0.00	1,339.72	1,339.72	1,355.49	304.19	1,659.67	1,355.49	315.33	1,670.82
20/07/2020	0.00	0.00	0.00	7,026.29	93.42	7,119.71	100,000.00	1,339.72	101,339.72	20,684.32	285.48	20,969.79	20,684.32	295.94	20,980.25

**FLows FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER**  
**(AMOUNTS IN EUR)**  
**CPR = 8%**

Payment Date	Series A1 Bonds			Series A2(G) Bonds			Series A3 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	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
TOTALS	100,000.00	7,146.44	107,146.44	100,000.00	31,921.37	131,921.37	100,000.00	58,271.15	158,271.15	100,000.00	40,686.04	140,686.04	100,000.00	42,174.73	142,174.73
18/09/2008															
19/01/2009	14,214.58	1,848.76	16,063.34	0.00	1,841.93	1,841.93	0.00	1,855.59	1,855.59	0.00	1,910.26	1,910.26	0.00	1,978.59	1,978.59
20/04/2009	11,586.01	1,144.95	12,730.95	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
20/07/2009	10,922.75	990.31	11,913.07	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
19/10/2009	10,543.19	844.53	11,387.72	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/01/2010	10,178.64	703.82	10,882.46	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
19/04/2010	9,556.82	567.97	10,124.78	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
19/07/2010	9,183.30	440.41	9,623.71	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/10/2010	8,850.97	317.85	9,168.82	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/01/2011	8,453.42	201.91	8,655.33	0.00	1,344.22	1,344.22	0.00	1,354.44	1,354.44	0.00	1,395.33	1,395.33	0.00	1,446.44	1,446.44
18/04/2011	6,510.32	85.94	6,596.26	1,155.31	1,315.00	2,470.31	0.00	1,325.00	1,325.00	0.00	1,365.00	1,365.00	0.00	1,415.00	1,415.00
18/07/2011	0.00	0.00	0.00	6,722.26	1,314.25	8,036.51	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/10/2011	0.00	0.00	0.00	6,427.00	1,238.33	7,665.33	0.00	1,354.44	1,354.44	0.00	1,395.33	1,395.33	0.00	1,446.44	1,446.44
18/01/2012	0.00	0.00	0.00	6,121.73	1,151.94	7,273.67	0.00	1,354.44	1,354.44	0.00	1,395.33	1,395.33	0.00	1,446.44	1,446.44
18/04/2012	0.00	0.00	0.00	5,658.41	1,058.02	6,716.43	0.00	1,339.72	1,339.72	2,886.57	1,380.17	4,266.74	2,886.57	1,430.72	4,317.30
18/07/2012	0.00	0.00	0.00	4,272.95	990.76	5,263.71	0.00	1,339.72	1,339.72	4,838.98	1,340.33	6,179.30	4,838.98	1,389.42	6,228.40
18/10/2012	0.00	0.00	0.00	3,973.34	944.21	4,917.56	0.00	1,354.44	1,354.44	4,499.68	1,287.54	5,787.22	4,499.68	1,334.70	5,834.38
18/01/2013	0.00	0.00	0.00	3,756.50	890.80	4,647.30	0.00	1,354.44	1,354.44	4,254.11	1,224.75	5,478.86	4,254.11	1,269.61	5,748.47
18/04/2013	0.00	0.00	0.00	3,422.45	822.04	4,244.49	0.00	1,325.00	1,325.00	3,875.82	1,140.06	5,015.87	3,875.82	1,181.82	5,057.63
18/07/2013	0.00	0.00	0.00	3,254.38	785.67	4,040.04	0.00	1,339.72	1,339.72	3,685.48	1,099.23	4,784.71	3,685.48	1,139.50	4,824.97
18/10/2013	0.00	0.00	0.00	3,166.85	750.56	3,917.41	0.00	1,354.44	1,354.44	3,586.36	1,059.89	4,646.24	3,586.36	1,098.71	4,685.07
20/01/2014	0.00	0.00	0.00	3,073.93	723.38	3,797.31	0.00	1,383.89	1,383.89	3,481.13	1,031.80	4,512.92	3,481.13	1,069.59	4,550.72
18/04/2014	0.00	0.00	0.00	2,952.27	637.68	3,589.95	0.00	1,295.56	1,295.56	3,343.35	919.48	4,262.83	3,343.35	953.16	4,296.51
18/07/2014	0.00	0.00	0.00	2,865.54	620.17	3,485.71	0.00	1,339.72	1,339.72	3,245.13	904.68	4,149.81	3,245.13	937.82	4,182.95
20/10/2014	0.00	0.00	0.00	2,750.95	601.25	3,352.21	0.00	1,383.89	1,383.89	3,115.36	888.24	4,003.60	3,115.36	920.77	4,036.14
18/01/2015	0.00	0.00	0.00	2,660.88	545.49	3,206.37	0.00	1,339.72	1,339.72	3,013.36	816.89	3,830.25	3,013.36	846.82	3,860.18
20/04/2015	0.00	0.00	0.00	2,528.11	510.11	3,038.22	0.00	1,339.72	1,339.72	2,863.00	775.30	3,638.31	2,863.00	803.70	3,666.71
20/07/2015	0.00	0.00	0.00	2,435.50	476.49	2,911.99	0.00	1,339.72	1,339.72	2,758.12	735.79	3,493.91	2,758.12	762.74	3,520.86
19/10/2015	0.00	0.00	0.00	2,333.30	444.11	2,777.41	0.00	1,339.72	1,339.72	2,642.38	697.72	3,340.11	2,642.38	723.28	3,365.67
18/01/2016	0.00	0.00	0.00	2,230.66	413.09	2,643.75	0.00	1,339.72	1,339.72	2,526.15	661.25	3,187.41	2,526.15	685.48	3,211.63
18/04/2016	0.00	0.00	0.00	2,105.86	383.43	2,489.29	0.00	1,339.72	1,339.72	2,384.82	626.39	3,011.21	2,384.82	649.33	3,034.15
18/07/2016	0.00	0.00	0.00	2,033.58	355.43	2,389.01	0.00	1,339.72	1,339.72	2,302.97	593.47	2,896.44	2,302.97	615.21	2,918.18
18/10/2016	0.00	0.00	0.00	1,956.50	332.00	2,288.50	0.00	1,354.44	1,354.44	2,215.68	567.86	2,783.54	2,215.68	586.66	2,804.34
18/01/2017	0.00	0.00	0.00	1,897.35	305.70	2,203.05	0.00	1,354.44	1,354.44	2,148.69	536.95	2,685.63	2,148.69	556.61	2,705.30
18/04/2017	0.00	0.00	0.00	1,813.28	274.10	2,087.39	0.00	1,325.00	1,325.00	2,053.49	495.94	2,549.43	2,053.49	514.11	2,567.60
18/07/2017	0.00	0.00	0.00	1,737.61	253.04	1,990.65	0.00	1,339.72	1,339.72	1,967.78	473.11	2,440.90	1,967.78	490.44	2,458.23
18/10/2017	0.00	0.00	0.00	1,667.27	232.46	1,899.73	0.00	1,354.44	1,354.44	1,888.13	450.85	2,338.98	1,888.13	467.37	2,355.50
18/01/2018	0.00	0.00	0.00	1,565.54	210.05	1,775.60	0.00	1,354.44	1,354.44	1,772.93	424.51	2,197.44	1,772.93	440.06	2,212.99
18/04/2018	0.00	0.00	0.00	1,446.02	184.90	1,630.92	0.00	1,325.00	1,325.00	1,637.58	391.08	2,028.66	1,637.58	405.41	2,042.98
18/07/2018	0.00	0.00	0.00	1,362.70	167.73	1,530.42	0.00	1,339.72	1,339.72	1,565.86	372.82	1,938.68	1,565.86	386.48	1,952.34
18/10/2018	0.00	0.00	0.00	1,331.29	150.98	1,482.27	0.00	1,354.44	1,354.44	1,507.64	355.07	1,862.71	1,507.64	368.08	1,875.72
18/01/2019	0.00	0.00	0.00	1,281.13	133.09	1,414.22	0.00	1,354.44	1,354.44	1,450.84	334.04	1,784.87	1,450.84	346.27	1,797.11
18/04/2019	0.00	0.00	0.00	1,223.14	113.35	1,336.49	0.00	1,325.00	1,325.00	1,385.17	306.97	1,692.14	1,385.17	318.21	1,703.38
18/07/2019	0.00	0.00	0.00	7,396.40	98.34	7,494.75	100,000.00	1,339.72	101,339.72	21,103.46	291.26	21,394.72	21,103.46	301.93	21,405.39

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.

**FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER**  
**(AMOUNTS IN EUR)**  
**CPR = 10%**

Payment Date	Series A1 Bonds			Series A2(G) Bonds			Series A3 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	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
<b>TOTALS</b>	<b>100,000.00</b>	<b>6,552.54</b>	<b>106,552.54</b>	<b>100,000.00</b>	<b>29,080.54</b>	<b>129,080.54</b>	<b>100,000.00</b>	<b>54,251.98</b>	<b>154,251.98</b>	<b>100,000.00</b>	<b>37,242.43</b>	<b>137,242.43</b>	<b>100,000.00</b>	<b>38,604.99</b>	<b>138,604.99</b>
18/09/2008															
19/01/2009	15,731.88	1,848.76	17,580.64	0.00	1,841.93	1,841.93	0.00	1,855.59	1,855.59	0.00	1,910.26	1,910.26	0.00	1,978.59	1,978.59
20/04/2009	12,717.87	1,124.70	13,842.57	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
20/07/2009	11,946.57	954.96	12,901.52	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
19/10/2009	11,464.45	795.51	12,259.96	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/01/2010	10,998.22	642.50	11,640.72	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
19/04/2010	10,259.15	495.71	10,754.85	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
19/07/2010	9,803.86	358.78	10,162.64	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/10/2010	9,393.07	227.93	9,621.01	0.00	1,329.61	1,329.61	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/01/2011	7,684.94	103.70	7,788.63	1,129.08	1,344.22	2,473.30	0.00	1,354.44	1,354.44	0.00	1,395.33	1,395.33	0.00	1,446.44	1,446.44
18/04/2011	0.00	0.00	0.00	7,483.71	1,300.15	8,783.86	0.00	1,325.00	1,325.00	0.00	1,365.00	1,365.00	0.00	1,415.00	1,415.00
18/07/2011	0.00	0.00	0.00	7,031.80	1,215.09	8,246.89	0.00	1,339.72	1,339.72	0.00	1,380.17	1,380.17	0.00	1,430.72	1,430.72
18/10/2011	0.00	0.00	0.00	6,689.09	1,133.92	7,823.02	0.00	1,354.44	1,354.44	0.00	1,395.33	1,395.33	0.00	1,446.44	1,446.44
18/01/2012	0.00	0.00	0.00	5,016.03	1,044.01	6,060.04	0.00	1,354.44	1,354.44	4,998.63	1,395.33	6,393.96	4,998.63	1,446.44	6,445.07
18/04/2012	0.00	0.00	0.00	4,606.08	965.97	5,572.04	0.00	1,339.72	1,339.72	5,216.23	1,311.18	6,527.41	5,216.23	1,359.21	6,575.44
18/07/2012	0.00	0.00	0.00	4,366.34	904.72	5,271.06	0.00	1,339.72	1,339.72	4,944.74	1,239.18	6,183.92	4,944.74	1,284.58	6,229.31
18/10/2012	0.00	0.00	0.00	4,050.75	855.97	4,906.73	0.00	1,354.44	1,354.44	4,587.35	1,183.81	5,771.15	4,587.35	1,227.17	5,814.52
18/01/2013	0.00	0.00	0.00	3,810.70	801.52	4,612.22	0.00	1,354.44	1,354.44	4,315.50	1,119.80	5,435.29	4,315.50	1,160.82	5,476.31
18/04/2013	0.00	0.00	0.00	3,460.51	733.99	4,194.49	0.00	1,325.00	1,325.00	3,918.91	1,036.55	4,955.46	3,918.91	1,074.52	4,993.43
18/07/2013	0.00	0.00	0.00	3,277.19	696.13	3,973.32	0.00	1,339.72	1,339.72	3,711.31	993.98	4,705.29	3,711.31	1,030.39	4,741.70
18/10/2013	0.00	0.00	0.00	3,168.24	659.73	3,827.97	0.00	1,354.44	1,354.44	3,587.93	953.12	4,541.04	3,587.93	988.03	4,575.96
20/01/2014	0.00	0.00	0.00	3,052.24	630.56	3,682.79	0.00	1,383.89	1,383.89	3,456.56	922.68	4,379.24	3,456.56	956.48	4,413.04
18/04/2014	0.00	0.00	0.00	2,906.23	551.06	3,457.29	0.00	1,295.56	1,295.56	3,291.21	817.65	4,108.86	3,291.21	847.61	4,138.81
18/07/2014	0.00	0.00	0.00	2,802.83	531.21	3,334.04	0.00	1,339.72	1,339.72	3,174.12	800.11	3,974.22	3,174.12	829.41	4,003.53
20/10/2014	0.00	0.00	0.00	2,676.04	510.22	3,186.26	0.00	1,383.89	1,383.89	3,030.52	781.23	3,811.75	3,030.52	809.85	3,840.37
19/01/2015	0.00	0.00	0.00	2,569.42	458.36	3,027.78	0.00	1,339.72	1,339.72	2,909.78	714.47	3,624.25	2,909.78	740.64	3,650.43
20/04/2015	0.00	0.00	0.00	2,422.42	424.20	2,846.61	0.00	1,339.72	1,339.72	2,743.31	674.31	3,417.62	2,743.31	699.01	3,442.32
20/07/2015	0.00	0.00	0.00	2,319.95	391.99	2,711.93	0.00	1,339.72	1,339.72	2,627.26	636.45	3,263.71	2,627.26	659.76	3,287.03
19/10/2015	0.00	0.00	0.00	2,210.36	361.14	2,571.50	0.00	1,339.72	1,339.72	2,503.16	600.19	3,103.35	2,503.16	622.17	3,125.33
18/01/2016	0.00	0.00	0.00	2,099.60	331.75	2,431.35	0.00	1,339.72	1,339.72	2,377.73	565.64	2,943.37	2,377.73	586.36	2,964.09
18/04/2016	0.00	0.00	0.00	1,969.74	303.83	2,273.58	0.00	1,339.72	1,339.72	2,230.67	532.82	2,763.49	2,230.67	552.34	2,783.01
18/07/2016	0.00	0.00	0.00	1,888.29	277.64	2,165.93	0.00	1,339.72	1,339.72	2,138.42	502.04	2,640.46	2,138.42	520.43	2,658.85
18/10/2016	0.00	0.00	0.00	1,805.67	255.31	2,060.99	0.00	1,354.44	1,354.44	2,044.87	477.72	2,522.58	2,044.87	495.21	2,540.08
18/01/2017	0.00	0.00	0.00	1,737.30	231.04	1,968.34	0.00	1,354.44	1,354.44	1,967.43	449.18	2,416.61	1,967.43	465.64	2,433.07
18/04/2017	0.00	0.00	0.00	1,646.23	203.17	1,849.40	0.00	1,325.00	1,325.00	1,864.30	412.56	2,276.86	1,864.30	427.67	2,291.97
18/07/2017	0.00	0.00	0.00	1,568.19	183.54	1,751.73	0.00	1,339.72	1,339.72	1,775.93	391.42	2,167.34	1,775.93	405.75	2,181.68
18/10/2017	0.00	0.00	0.00	1,495.43	164.48	1,659.91	0.00	1,354.44	1,354.44	1,693.52	370.94	2,064.46	1,693.52	384.52	2,078.05
18/01/2018	0.00	0.00	0.00	1,396.67	144.38	1,541.04	0.00	1,354.44	1,354.44	1,581.68	347.31	1,928.99	1,581.68	360.03	1,941.71
18/04/2018	0.00	0.00	0.00	1,282.66	122.87	1,405.53	0.00	1,325.00	1,325.00	1,452.57	318.17	1,770.73	1,452.57	329.82	1,782.39
18/07/2018	0.00	0.00	0.00	1,219.40	107.18	1,326.58	0.00	1,339.72	1,339.72	1,380.93	301.65	1,682.58	1,380.93	312.70	1,693.63
18/10/2018	0.00	0.00	0.00	6,841.85	91.97	6,933.82	100,000.00	1,354.44	101,354.44	20,475.44	285.70	20,761.14	20,475.44	296.17	20,771.61

#### 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:**

The Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN resolved on July 18, 2008 that:

- i) BANKINTER 4 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS be set up in pursuance of the Order of January 10, 2007 and in accordance with the legal system for which provision is made in Royal Decree 926/1998, 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) Receivables owned by and recorded in the assets of BANKINTER derived from loans with real estate mortgage security, with security other than a real estate mortgage and/or without special security granted to non-financial (small and medium-sized) enterprises domiciled in Spain satisfying the requirements to be small and medium-sized enterprises as defined by the European Commission (European Commission Recommendation of May 6, 2003), be pooled in the Fund.
- iii) The Bonds be issued by the Fund.

###### **Resolution to assign the Loan receivables:**

At a meeting held on June 14, 2006, the Board of Directors of BANKINTER resolved that the assignment of loans, credits and other assets and the issue, as the case may be, of pass-through certificates on the same to be transferred to, contributed to, acquired by, pooled by or subscribed for by one or several Securitisation Funds be authorised.

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

The establishment of the Fund and issue of the Bonds are subject to the condition precedent of this Prospectus and all other supporting documents being 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) Agreements relating to the execution of the State Guarantee.

In accordance with the provisions of the Order of January 10, 2007, the Management Company entered on September 5, 2008 into a standard Co-Operation Agreement with the Industry, Tourism and Trade Ministry to set up the Fund for fostering enterprise financing.

Furthermore, in accordance with the provisions of the Order of January 10, 2007, BANKINTER entered on September 5, 2008 into the Framework Co-Operation Agreement with the Industry, Tourism and Trade Ministry to determine the credits eligible for assignment to the Fund.

The Economy and Finance Ministry shall, in an Order of the Minister, provide the Fund before it is established with the Guarantee whereby the Spanish State will guarantee, waiving the benefit of

discussion established in Civil Code article 1830, payment of such Series A2(G) Bond economic obligations as may be enforceable on the Fund for a face amount of EUR one hundred and seventy-four million four hundred thousand (174,400,000.00).

**d) Execution of the Fund public deed of constitution.**

Upon the CNMV registering this Prospectus, the Management Company and BANKINTER, as Originator of the Loan receivables, shall proceed to execute on September 15, 2008 a public deed whereby BANKINTER 4 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BANKINTER will assign to the Fund Non-Mortgage Loan and Mortgage Loan receivables, the latter by issuing Pass-Through Certificates, and the Fund will issue the Asset-Backed Bonds, 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 Management Company shall submit a copy of the Deed of Constitution to the CNMV to be entered in the Official Registers by September 17, 2008.

**4.13 Issue date of the securities.**

The Bond issue date shall be September 15, 2008.

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

The Bonds in each Series shall be fully subscribed for by BANKINTER.

The Originator's subscription for the entire Bond Issue shall not howsoever restrict their potential subsequent sale. If after BANKINTER subscribes for the Bonds they should be sold and purchased on AIAF by any third party, BANKINTER may voluntarily repurchase the same.

**4.13.2 Bond Issue subscription or acquisition date or period.**

BANKINTER shall subscribe for the Bond Issue on September 17, 2008.

**4.13.3 Payment method and dates.**

The Bond Issue Subscriber shall pay to the Fund by 2pm (CET) on September 18, 2008 (the "**Closing Date**"), for same day value, the issue price for 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 admitted to trading. A transfer in the accounts (book entry) will convey the ownership of each Bond. The effects of entering 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, upon the Bonds having 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 Presentation 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 all such things as 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 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 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 it is at fault for the delay.

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

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

The Bond Issue will be serviced through BANKINTER as Paying Agent. Payment of interest 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 and amortisation shall be paid 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 for setting up the Fund and issue and admission to trading of the Bond Issue are EUR eight hundred and sixty-nine thousand five hundred and thirty (869,530.00). These expenses include, inter alia, the initial Management Company fee, notary's fees, audit, rating and legal advice fees, CNMV fees, AIAF and Iberclear fees, the State Guarantee fee and 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 issuing the Bonds 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 have audited the selected loans on the terms set forth in section 2.2 of the Building Block.

**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 Originator, as to the truthfulness of the characteristics of BANKINTER as Originator, of the Loans and of the Pass-Through Certificates and the Mortgage Loans, given in section 2.2.8 of the Building Block, and of the remaining information on BANKINTER and on the selected mortgage loans from which the Loans will be taken 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 selected mortgage loans from which the Loans will be taken and on the Originator proper 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 September 8, 2008, S&P assigned the following provisional ratings to each Bond Series, and expects to assign the same final ratings by September 17, 2008.

Series A2(G) Bonds have been provisionally rated AAA by S&P, prior to the Spanish State guarantee for such Series A2(G).

<b>Bond Series</b>	<b>S&amp;P Ratings</b>
Series A1	AAA
Series A2(G)	AAA
Series A3	AAA
Series B	A
Series C	BBB

If the Rating Agency should not confirm any of the assigned provisional ratings as final by September 17, 2008, 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 assignment of Loan receivables terminating, as provided for in section 4.4.4.(v) of the Registration Document.

**Rating considerations.**

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 Agency's ratings are not an assessment of the likelihood of obligors prepaying capital, 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 review or suspension of the ratings:



- (i) are assigned by the Rating Agency based on manifold information received with respect to which it can give no assurance, nor even as to their accuracy or wholeness, wherefore the Rating Agency 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 Agency relies on the accuracy and wholeness of the information provided to it by BANKINTER, the Management Company, PRICEWATERHOUSECOOPERS, as auditor of certain features and attributes of a sample of the selected loans, and on the legal advice provided by RAMÓN & CAJAL to set up the Fund, as independent legal advisers.

The ratings take into account the structure of the Bond Issue, the legal aspects thereof and of the issuing Fund, the characteristics of the loans selected to be assigned to the Fund and the regularity and continuity of the operating flows.

The Rating Agency may revise, suspend or withdraw the final ratings assigned at any time, based on any information that may come to its notice. Those events, which shall not constitute early liquidation events of the Fund, shall forthwith be notified to both the CNMV and Bondholders, in accordance with the provisions of section 4.1 of the Building Block.

*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 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 with the Mortgage Loan Pass-Through Certificates and the Non-Mortgage Loan receivables which BANKINTER shall issue and assign to the Fund upon being established, and their total principal or capital shall be equal to or slightly above EUR four hundred million (400,000,000.00), 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, the Management Company confirms that, based on their contractual characteristics, the flows of principal, interest and any other amounts generated by the securitised Loans allow the payments due and payable on the Bonds issued to be satisfied.

Nevertheless, in order to cover for potential payment defaults by securitised Loan Obligors, 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 Loans 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 different credit ratings assigned by the Rating Agency 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 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 be exclusively receivables owned by BANKINTER deriving from Loans granted by BANKINTER to non-financial small and medium-sized enterprises (legal persons) (SMEs, as defined by the European Commission -Recommendation of May 6, 2003-) domiciled in Spain.

The portfolio of selected loans from which the Loans will be taken in order for their receivables to be assigned to the Fund upon being established comprises 2,484 loans, their outstanding principal as at August 8, 2008 being EUR 462,360,857.26 and the overdue principal being EUR 425,266.55.

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

PRICEWATERHOUSECOOPERS have audited the most significant features of the selected loans.

That audit was made using sampling techniques consisting of analysing a number of transactions fewer (sample) than the full selection of loans (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative attributes regarding the sample transactions and specifically regarding: nature of the loan and the obligor, title, identification of the obligor, asset transfer, SME accreditation, loan origination date, loan maturity date, (original) repayment term at source) not less than one year, initial loan amount, current loan balance (outstanding principal), reference rate or benchmark index, interest rate spread, interest rate applied, arrears in payment, obligor's insolvency status, developer loan, and additionally for loans with real estate mortgage security, mortgage loan origination, mortgaged property, address of the mortgaged property, mortgage security, previous mortgage, appraisal value and damage insurance. Selected loans in respect of which errors are detected in verifying the sample shall not be assigned to the Fund by BANKINTER.

The audit results shall be set out in a report prepared by PRICEWATERHOUSECOOPERS, which is one of the documents on display as determined in section 10 of the Registration Document.

**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) Information as to type of enterprise (legal person) of the selected loans and their distribution.**

The following table gives the distribution of the selected loans according to type of enterprise into which the corporate obligors are sorted, as defined by the European Commission -Recommendation de May 6, 2003.

<b>Loan portfolio as at 08.08.2008</b>				
<b>Classification by type of enterprise</b>				
	<b>Loans</b>		<b>Outstanding principal</b>	
	<b>No.</b>	<b>%</b>	<b>(EUR)</b>	<b>%</b>
Microenterprise	1,591	64.05	266,114,260.00	57.56
SME	893	35.95	196,246,597.26	42.44
<b>Total</b>	<b>2,484</b>	<b>100.00</b>	<b>462,360,857.26</b>	<b>100.00</b>

**b) Information as to number and distribution of the selected loan obligors.**

The following table gives the concentration of the ten obligors weighing most in the portfolio of selected loans as at August 8, 2008.

Loan portfolio as at 08.08.2008				
Classification by Obligor				
	Loans		Outstanding principal	
		%	(EUR)	%
Obligor 1	4	0.16	3,969,905.58	0.86
Obligor 2	1	0.04	3,743,478.73	0.81
Obligor 3	1	0.04	3,739,251.42	0.81
Obligor 4	1	0.04	3,258,574.20	0.70
Obligor 5	1	0.04	3,173,391.89	0.69
Obligor 6	1	0.04	3,073,350.82	0.66
Obligor 7	1	0.04	2,771,607.25	0.60
Obligor 8	1	0.04	2,739,729.68	0.59
Obligor 9	1	0.04	2,695,777.06	0.58
Obligor 10	2	0.08	2,559,861.85	0.55
Subtotal: 10 largest Obligor	14	0.56	31,724,928.48	6.85
Rest: 2,314 Obligor	2,470	99.44	430,635,928.78	93.15
<b>Total Obligor: 2,324</b>	<b>2,484</b>	<b>100.00</b>	<b>462,360,857.26</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 loans granted to the obligor proper.

Nevertheless, in order to be assigned to the Fund upon being established, BANKINTER shall choose from the selected loans (i) loans that are in good standing or that have no payments that are more than one (1) month overdue and (ii) with an aggregate outstanding principal amount for each obligor from lowest to highest up to a total principal or capital equal to or slightly above EUR four hundred million (400,000,000.00).

**c) Information on the obligors' economic activity by economic activity sectors in accordance with the Spanish Business Activity Code (CNAE).**

The following table gives the distribution of the selected loans based on the corporate obligors' CNAE activity.

Loan portfolio as at 08.08.2008				
Classification by economic activity sectors				
CNAE (First two numbers in the National Classification of Economic Activities (CNAE) code of 1993)	Loans		Outstanding principal	
		%	(EUR)	%
01 Agriculture, stockbreeding, hunting and related service activities	29	1.17	3,151,405.92	0.68
02 Silviculture, forestry and related service activities.	4	0.16	665,730.45	0.14
05 Fishing, aquiculture and related service activities.	7	0.28	568,364.16	0.12
11 Extracting crude oil and natural gas. Oil and gas related service activities, excepting prospecting activities.	1	0.04	520,719.17	0.11
14 Extracting non-metallic and non-energetic minerals.	12	0.48	3,363,037.68	0.73
15 Food products and drinks industry.	78	3.14	11,977,839.16	2.59
17 Textile manufacture and textile products.	9	0.36	1,101,547.13	0.24
18 Clothing and fur industry.	13	0.52	3,677,539.86	0.80
19 Preparing, tanning and finishing leather. Manufacturing morocco leather and travel goods. Harness, saddlery and footwear goods.	12	0.48	1,904,231.27	0.41
20 Wood and cork industry, excepting furniture, basketwork and wickerwork.	31	1.25	3,249,436.95	0.70
21 Paper industry.	17	0.68	2,705,529.22	0.59
22 Publishing, graphic arts and reproduction of recorded media.	41	1.65	8,922,141.66	1.93
23 Coke processing, oil refining and processing of nuclear fuels.	2	0.08	74,845.47	0.02

Loan portfolio as at 08.08.2008					
Classification by economic activity sectors					
CNAE (First two numbers in the National Classification of Economic Activities (CNAE) code of 1993)		Loans %		Outstanding principal (EUR) %	
24	Chemical industry.	28	1.13	3,530,640.88	0.76
25	Manufacture of rubber products and plastic materials.	27	1.09	2,575,731.76	0.56
26	Manufacture of other non-metallic mineral products.	48	1.93	12,630,309.03	2.73
27	Metallurgy.	17	0.68	4,527,321.70	0.98
28	Manufacture of metallic products, other than machinery and equipment.	79	3.18	18,650,775.46	4.03
29	Building of machinery and mechanical equipment industry.	27	1.09	4,595,413.54	0.99
30	Manufacture of office machines and computer equipment.	8	0.32	1,037,033.77	0.22
31	Manufacture of machinery and electrical material.	18	0.72	3,384,351.93	0.73
32	Manufacture of electronic material. Manufacture of radio, television and communications equipment and appliances.	8	0.32	1,192,635.99	0.26
33	Manufacture of medical and surgical, optical precision and clock and watch equipment and instruments.	7	0.28	2,095,940.25	0.45
34	Manufacture of motor vehicles, trailers and semi-trailers.	3	0.12	2,638,467.04	0.57
35	Manufacture of other transport material.	7	0.28	299,363.58	0.06
36	Manufacture of furniture. Other manufacturing industries.	42	1.69	5,282,607.35	1.14
37	Recycling.	2	0.08	984,889.68	0.21
40	Production and distribution of electric power, gas, steam and hot water.	12	0.48	3,743,671.68	0.81
41	Collecting, treating and distributing water.	3	0.12	494,297.79	0.11
45	Building.	293	11.80	52,711,698.03	11.40
50	Sale, maintenance and repair of motor vehicles, motorcycles and mopeds; retail sale of fuel for motor vehicles.	73	2.94	11,800,366.06	2.55
51	Wholesale and trade intermediaries, excepting motor vehicles and motorcycles.	351	14.13	64,428,193.65	13.93
52	Retail trade, excepting sale of motor vehicles, motorcycles and mopeds; repair of personal chattels and household items.	178	7.17	24,659,141.14	5.33
55	Catering trade.	94	3.78	20,333,716.22	4.40
60	Land transport; Pipeline transport.	88	3.54	9,549,056.24	2.07
61	Transport by sea, cabotage and other inland waterways.	3	0.12	1,179,701.81	0.26
62	Air and space transport.	1	0.04	614,347.80	0.13
63	Transport-related activities. Travel agency activities.	30	1.21	4,664,565.64	1.01
64	Post and telecommunications.	14	0.56	1,953,849.36	0.42
70	Real estate activities.*	175	7.05	59,419,440.20	12.85
	<i>702 Rental of real estate assets, self-employed</i>	122	4.91	43,960,489.38	9.51
	<i>703 Real estate activities, for third parties</i>	53	2.13	15,458,950.82	3.34
71	Rental of machinery and unmanned equipment, personal chattels and household items.	43	1.73	4,557,065.09	0.99
72	Computer-related activities.	36	1.45	5,573,574.40	1.21
73	Research and development.	5	0.20	625,964.70	0.14
74	Other business activities	299	12.04	54,395,002.49	11.76
75	Public administration, defence and compulsory social security.	3	0.12	602,533.80	0.13
80	Education.	24	0.97	3,058,223.80	0.66
85	Health and veterinary activities, social services.	77	3.10	15,295,331.88	3.31
90	Public sanitation activities.	6	0.24	1,724,747.33	0.37
91	Associative activities.	26	1.05	4,621,805.13	1.00
92	Recreational, cultural and sporting activities.	40	1.61	7,037,318.85	1.52
93	Sundry personal service activities.	33	1.33	4,009,394.11	0.87
<b>Total</b>		<b>2,484</b>	<b>100.00</b>	<b>462,360,857.26</b>	<b>100.00</b>

\* None of the selected loans are loans in CNAE group 701 of the Obligor (real estate activities, self-employed)

**d) Information regarding selected loan collaterals.**

The following table gives the distribution of the selected loans having regard to their collaterals.

Loan portfolio as at 08.08.2008				
Classification by type of security				
	Loans		Outstanding Principal	
		%	(EUR)	%
Loans with real estate mortgage security	1,300	52.33	364,626,903.74	78.86
Loans with guarantee *	40	1.61	5,164,871.28	1.12
Loans without special security	1,119	45.05	90,426,989.76	19.56
Loans with collateral security **	25	1.01	2,142,092.48	0.46
<b>Total</b>	<b>2,484</b>	<b>100.00</b>	<b>462,360,857.26</b>	<b>100.00</b>

\* Includes Mutual Guarantee Company guarantee.

\*\* Include security consisting of pledged money and/or units in investment funds.

**e) Information regarding selected loan origination date.**

The following table gives the distribution of the selected loans based on origination date by six-monthly intervals, and the average, minimum and maximum age. The latest selected loan origination date is April 18, 2008. No details are given of intervals with no contents.

Loan portfolio as at 08.08.2008				
Classification by loan origination date				
Date interval	Loans		Outstanding principal	
		%	(EUR)	%
01/01/1997 to 30/06/1997	1	0.04	57,930.25	0.01
01/01/1998 to 30/06/1998	1	0.04	33,400.56	0.01
01/07/1998 to 31/12/1998	2	0.08	91,453.55	0.02
01/01/1999 to 30/06/1999	6	0.24	256,930.98	0.06
01/07/1999 to 31/12/1999	3	0.12	135,185.49	0.03
01/01/2000 to 30/06/2000	6	0.24	635,143.10	0.14
01/01/2001 to 30/06/2001	11	0.44	587,237.54	0.13
01/07/2001 to 31/12/2001	8	0.32	439,650.14	0.10
01/01/2002 to 30/06/2002	7	0.28	757,059.59	0.16
01/07/2002 to 31/12/2002	6	0.24	337,247.03	0.07
01/01/2003 to 30/06/2003	18	0.72	1,886,222.79	0.41
01/07/2003 to 31/12/2003	10	0.40	1,178,243.07	0.25
01/01/2004 to 30/06/2004	42	1.69	3,008,253.29	0.65
01/07/2004 to 31/12/2004	61	2.46	10,490,543.63	2.27
01/01/2005 to 30/06/2005	93	3.74	12,416,176.48	2.69
01/07/2005 to 31/12/2005	149	6.00	34,926,070.13	7.55
01/01/2006 to 30/06/2006	344	13.85	30,502,705.80	6.60
01/07/2006 to 31/12/2006	337	13.57	46,259,772.40	10.01
01/01/2007 to 30/06/2007	506	20.37	101,475,126.16	21.95
01/07/2007 to 31/12/2007	589	23.71	148,307,634.03	32.08
01/01/2008 to 30/06/2008	284	11.43	68,578,871.25	14.83
<b>Total</b>	<b>2,484</b>	<b>100.00</b>	<b>462,360,857.26</b>	<b>100.00</b>
	<b>17.59</b>	<b>Months</b>	<b>Weighted average age</b>	
	<b>137.42</b>	<b>Months</b>	<b>Maximum age</b>	
	<b>3.68</b>	<b>Months</b>	<b>Minimum age</b>	

**f) Information regarding selected loan principal repayment exclusion period.**

None of the selected loans is in a loan principal repayment exclusion period.

**g) Information regarding selected loan principal.**

The following table gives the distribution of the outstanding loan principal as at August 8, 2008 by EUR 250,000 intervals, and the average, minimum and maximum amount. No details are given of intervals with no contents.

<b>Loan portfolio as at 08.08.2008</b>				
<b>Classification by outstanding principal</b>				
<b>Principal interval (EUR)</b>	<b>Loans</b>		<b>Outstanding principal</b>	
	<b>No.</b>	<b>%</b>	<b>(EUR)</b>	<b>%</b>
0.00 - 249,999.99	1,976	79.55	158,182,948.10	34.21
250,000.00 - 499,999.99	328	13.20	113,716,015.08	24.59
500,000.00 - 749,999.99	74	2.98	44,990,659.22	9.73
750,000.00 - 999,999.99	42	1.69	35,320,643.65	7.64
1,000,000.00 - 1,249,999.99	24	0.97	27,053,361.60	5.85
1,250,000.00 - 1,499,999.99	10	0.40	13,902,451.84	3.01
1,500,000.00 - 1,749,999.99	5	0.20	8,123,432.08	1.76
1,750,000.00 - 1,999,999.99	7	0.28	13,255,380.76	2.87
2,000,000.00 - 2,249,999.99	5	0.20	10,695,208.23	2.31
2,250,000.00 - 2,499,999.99	5	0.20	11,925,595.65	2.58
2,500,000.00 - 2,749,999.99	2	0.08	5,435,506.74	1.18
2,750,000.00 - 2,999,999.99	1	0.04	2,771,607.25	0.60
3,000,000.00 - 3,249,999.99	2	0.08	6,246,742.71	1.35
3,250,000.00 - 3,499,999.99	1	0.04	3,258,574.20	0.70
3,500,000.00 - 3,749,999.99	2	0.08	7,482,730.15	1.62
<b>Total</b>	<b>2,484</b>	<b>100.00</b>	<b>462,360,857.26</b>	<b>100.00</b>
<b>Average principal:</b>			<b>186,135.61</b>	
<b>Minimum principal:</b>			<b>7,369.39</b>	
<b>Maximum principal:</b>			<b>3,743,478.73</b>	

**h) Information regarding the nature of the reference rate and benchmark indices applicable for determining the floating interest rates applicable to the selected loans.**

The selected loans are floating-rate loans. The following table gives the distribution of the loans according to benchmark indices applicable to them for determining the nominal interest rate.

<b>Loan portfolio at 08.08.2008</b>					
<b>Classification by Interest rate benchmark index</b>					
<b>Benchmark Index</b>	<b>Loans</b>		<b>Outstanding principal</b>		<b>Margin over index*</b>
	<b>No.</b>	<b>%</b>	<b>(EUR)</b>	<b>%</b>	
1-YEAR EURIBOR/MIBOR	1,385	55.76	373,906,765.18	80.87	0.67
1-MONTH EURIBOR/MIBOR	1,066	42.91	77,092,950.67	16.67	1.12
3-MONTH EURIBOR/MIBOR	21	0.85	6,691,876.65	1.45	0.58
6-MONTH EURIBOR/MIBOR	12	0.48	4,669,264.76	1.01	0.58
<b>Total</b>	<b>2,484</b>	<b>100.00</b>	<b>462,360,857.26</b>	<b>100.00</b>	<b>0.74</b>

\* The EURIBOR and MIBOR indices have been grouped because their respective values are similar and they are financially comparable for the purpose of the financial transaction structure.



**i) Information regarding applicable nominal interest rates: selected loan maximum, minimum and average rates.**

The following table gives the distribution of the selected loans by 0.50% nominal interest rate intervals applicable as at August 8, 2008, and their average, minimum and maximum values.

Loan portfolio as at 08.08.2008					
Classification by applicable nominal interest rate					
Interest Rate % Interval	Loans		Outstanding principal (EUR)		% Interest Rate*
		%		%	
4.50 - 4.74	5	0.20	618,892.28	0.13	4.61
4.75 - 4.99	102	4.11	24,612,386.34	5.32	4.90
5.00 - 5.24	470	18.92	113,589,657.39	24.57	5.14
5.25 - 5.49	723	29.11	157,898,238.51	34.15	5.37
5.50 - 5.74	377	15.18	77,116,577.40	16.68	5.59
5.75 - 5.99	297	11.96	58,783,789.96	12.71	5.87
6.00 - 6.24	145	5.84	17,503,156.93	3.79	6.08
6.25 - 6.49	156	6.28	6,223,857.76	1.35	6.40
6.50 - 6.74	60	2.42	1,771,304.91	0.38	6.63
6.75 - 6.99	61	2.46	1,942,584.32	0.42	6.91
7.00 - 7.24	31	1.25	917,701.97	0.20	7.13
7.25 - 7.49	30	1.21	777,215.33	0.17	7.43
7.50 - 7.74	8	0.32	172,654.16	0.04	7.65
7.75 - 7.99	6	0.24	172,981.95	0.04	7.88
8.00 - 8.24	7	0.28	154,768.44	0.03	8.07
8.25 - 8.49	4	0.16	77,983.14	0.02	8.36
8.75 - 8.99	2	0.08	27,106.47	0.01	8.90
<b>Total</b>	<b>2,484</b>	<b>100.00</b>	<b>462,360,857.26</b>	<b>100.00</b>	
	<b>Weighted average:</b>				<b>5.45 %</b>
	<b>Simple average:</b>				<b>5.66 %</b>
	<b>Minimum:</b>				<b>4.50 %</b>
	<b>Maximum:</b>				<b>8.94 %</b>

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

**j) Information regarding minimum nominal interest rates applicable to the selected loans.**

None of the selected loans have had a minimum nominal interest rate floor set for applicable nominal interest rate variability.

**k) Information regarding the maximum nominal interest rates applicable to the selected loans.**

None of the selected loans have had a maximum nominal interest rate ceiling set for applicable nominal interest rate variability.

**l) Information regarding initial repayment term.**

The following table gives the distribution of loans by twelve-month intervals of the initial repayment term spanning from origination to final maturity dates of each loan. The initial repayment term of all loans is in excess of one year.

<b>Loan portfolio as at 08.08.2008</b>				
<b>Classification by loan initial repayment term</b>				
<b>Intervals in months</b>	<b>Loans</b>		<b>Outstanding principal (EUR)</b>	
		<b>%</b>		<b>%</b>
12.01 - 24.00	15	0.60	2,032,294.92	0.44
24.01 - 36.00	36	1.45	2,868,599.22	0.62
36.01 - 48.00	211	8.49	12,680,360.55	2.74
48.01 - 60.00	199	8.01	8,649,334.46	1.87
60.01 - 72.00	597	24.03	50,614,581.48	10.95
72.01 - 84.00	39	1.57	3,653,511.89	0.79
84.01 - 96.00	72	2.90	14,159,592.74	3.06
96.01 - 108.00	86	3.46	12,402,552.15	2.68
108.01 - 120.00	13	0.52	4,160,864.37	0.90
120.01 - 132.00	207	8.33	53,569,629.16	11.59
132.01 - 144.00	15	0.60	3,027,718.91	0.65
144.01 - 156.00	81	3.26	24,886,211.70	5.38
156.01 - 168.00	12	0.48	4,487,954.97	0.97
168.01 - 180.00	9	0.36	1,630,266.84	0.35
180.01 - 192.00	442	17.79	124,702,684.85	26.97
192.01 - 204.00	6	0.24	1,143,963.80	0.25
204.01 - 216.00	2	0.08	531,438.13	0.11
216.01 - 228.00	15	0.60	4,382,120.09	0.95
228.01 - 240.00	6	0.24	2,394,842.78	0.52
240.01 - 252.00	311	12.52	101,258,109.65	21.90
264.01 - 276.00	1	0.04	161,464.64	0.03
276.01 - 288.00	4	0.16	648,487.57	0.14
288.01 - 300.00	4	0.16	3,305,766.40	0.71
300.01 - 312.00	55	2.21	11,809,839.01	2.55
336.01 - 348.00	3	0.12	420,176.19	0.09
348.01 - 360.00	1	0.04	540,910.99	0.12
360.01 - 372.00	34	1.37	9,063,105.58	1.96
384.01 - 396.00	1	0.04	183,468.73	0.04
420.01 - 432.00	5	0.20	1,214,523.53	0.26
480.01 - 492.00	2	0.08	1,776,481.96	0.38
<b>Total</b>	<b>2,484</b>	<b>100.00</b>	<b>462,360,857.26</b>	<b>100.00</b>
	<b>Weighted average:</b>		<b>166.52</b>	<b>Months</b>
	<b>Simple average:</b>		<b>125.55</b>	<b>Months</b>
	<b>Minimum:</b>		<b>12.03</b>	<b>Months</b>
	<b>Maximum:</b>		<b>480.32</b>	<b>Months</b>

**m) Information regarding final maturity date of the selected loans.**

The following table gives the distribution of the selected loans according to final maturity date by annual intervals, and the total weighted average residual life and the first and last final maturity dates. No details are given of years with no contents.

Loan portfolio as at 08.08.2008						
Classification by final repayment date						
Final Repayment Year	Loans		Outstanding principal		Residual Life w.a. *	
		%	(EUR)	%	Months	Date
2009	169	6.80	7,813,569.08	1.69	11.41	21/07/2009
2010	280	11.27	14,818,948.04	3.21	24.78	1/09/2010
2011	347	13.97	18,929,039.10	4.09	34.12	13/06/2011
2012	277	11.15	33,494,449.65	7.24	47.94	6/08/2012
2013	92	3.70	11,029,199.14	2.39	56.52	24/04/2013
2014	85	3.42	12,700,804.37	2.75	71.69	30/07/2014
2015	87	3.50	21,357,187.53	4.62	83.69	30/07/2015
2016	67	2.70	10,829,930.66	2.34	95.07	11/07/2016
2017	84	3.38	28,292,849.26	6.12	108.25	16/08/2017
2018	65	2.62	18,720,462.26	4.05	117.21	16/05/2018
2019	64	2.58	18,628,406.40	4.03	132.53	25/08/2019
2020	57	2.29	20,988,175.67	4.54	142.50	23/06/2020
2021	87	3.50	18,883,892.30	4.08	155.60	27/07/2021
2022	229	9.22	73,523,414.87	15.90	167.43	22/07/2022
2023	61	2.46	17,500,854.25	3.79	174.95	8/03/2023
2024	9	0.36	1,864,958.34	0.40	193.46	22/09/2024
2025	40	1.61	12,103,326.88	2.62	204.13	12/08/2025
2026	65	2.62	18,138,399.67	3.92	216.47	23/08/2026
2027	168	6.76	57,843,532.57	12.51	227.08	12/07/2027
2028	48	1.93	17,046,031.67	3.69	234.59	25/02/2028
2029	6	0.24	1,225,797.36	0.27	254.51	24/10/2029
2030	5	0.20	1,232,371.41	0.27	267.70	29/11/2030
2031	14	0.56	4,847,824.14	1.05	275.54	26/07/2031
2032	27	1.09	6,338,669.48	1.37	287.09	11/07/2032
2033	7	0.28	1,497,256.31	0.32	296.77	2/05/2033
2034	1	0.04	130,418.25	0.03	316.75	31/12/2034
2035	4	0.16	742,952.99	0.16	324.46	23/08/2035
2036	12	0.48	2,925,704.49	0.63	333.85	3/06/2036
2037	20	0.81	6,131,956.22	1.33	345.54	26/05/2037
2038	1	0.04	159,140.71	0.03	354.60	25/02/2038
2039	1	0.04	288,109.02	0.06	375.69	29/11/2039
2040	1	0.04	128,504.13	0.03	380.55	25/04/2040
2041	1	0.04	109,578.76	0.02	397.44	21/09/2041
2042	1	0.04	318,660.32	0.07	407.79	2/08/2042
2047	2	0.08	1,776,481.96	0.38	466.57	26/06/2047
<b>Total</b>	<b>2,484</b>	<b>100.00</b>	<b>462,360,857.26</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>148.83</b>	<b>2/01/2021</b>
	<b>Simple average:</b>				<b>104.23</b>	<b>16/04/2017</b>
	<b>Minimum:</b>				<b>4.83</b>	<b>2/01/2009</b>
	<b>Maximum:</b>				<b>467.55</b>	<b>26/07/2047</b>

\* Residual life to final maturity date (months and date) stands for averages weighted by the outstanding principal of loans with final maturity in the relevant year.

**n) Information regarding geographical distribution by Autonomous Communities.**

The following table gives loan distribution by Autonomous Communities according to the location of the corporate obligors' place of business.

<b>Loan portfolio as at 08.08.2008</b>				
<b>Classification by Autonomous Communities</b>				
	<b>Loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Andalusia	329	13.24	62,913,254.29	13.61
Aragón	110	4.43	13,095,320.28	2.83
Asturies	45	1.81	3,957,622.87	0.86
Balearic Isles	30	1.21	5,032,754.49	1.09
Canary Islands	186	7.49	23,677,556.63	5.12
Cantabria	44	1.77	5,047,298.92	1.09
Castile La Mancha	118	4.75	28,163,141.91	6.09
Castile-León	82	3.30	11,118,588.48	2.40
Catalonia	265	10.67	53,869,604.27	11.65
Valencian Community	384	15.46	55,077,176.98	11.91
Extremadura	24	0.97	5,601,521.34	1.21
Galicia	84	3.38	10,452,181.69	2.26
La Rioja	21	0.85	5,448,195.91	1.18
Madrid	466	18.76	129,386,606.90	27.98
Melilla	1	0.04	36,825.93	0.01
Murcia	109	4.39	14,678,454.08	3.17
Navarre	20	0.81	4,473,795.40	0.97
Basque Country	166	6.68	30,330,956.89	6.56
<b>Total</b>	<b>2,484</b>	<b>100.00</b>	<b>462,360,857.26</b>	<b>100.00</b>

**o) Information regarding delays, if any, in collecting selected loan interest or principal instalments and amount, if any, of the current principal of loans more than 30, 60 and 90 days overdue.**

The following table gives the number of loans, the outstanding principal and the overdue principal on selected loans in regard to which there was any delay in payment of amounts due as at August 8, 2008.

<b>Arrears in payment of instalments due as at 08.08.2008</b>				
<b>Interval Days</b>	<b>Loans</b>	<b>Outstanding principal</b>	<b>Overdue principal</b>	
				<b>% of Total Outstanding Principal</b>
In good standing	2,266	425,391,886.08		
1 to 15 days	141	24,814,118.98	221,313.41	0.0005
16 to 30 days	40	5,913,695.40	58,071.66	0.0001
31 to 60 days	36	6,134,027.22	145,097.25	0.0003
61 to 90 days	1	107,129.58	784.23	0.0000
<b>Total</b>	<b>2,484</b>	<b>462,360,857.26</b>	<b>425,266.55</b>	<b>0.0009</b>

In accordance with BANKINTER's representation in section 2.2.8.2.(2) of the Building Block, none of the Loans that will finally be assigned to the Fund upon being established shall have any payments more than one (1) month overdue on their assignment date.

**p) Loan to value ratio or level of collateralisation.**

There are 1,300 selected loans with real estate mortgage security as at August 8, 2008 and their outstanding principal amounts to EUR 364,626,903.74, and the mortgages are all registered as first or second or lower ranked mortgages. In the case of selected mortgage loans with second or lower

ranked registered security, there is a prior mortgage ranking as the first mortgage securing a mortgage loan or credit registered in the name of BANKINTER.

The ratio, expressed as a percentage, of the initial outstanding principal as at August 8, 2008, plus the outstanding principal of loans or credits of mortgages ranking senior, if any, to the appraisal value of the selected mortgage loan mortgaged properties was comprised between 1.70% and 215.62%, and the average ratio weighted by the outstanding principal of each mortgage loan is 57.16%.

The following table gives the distribution of the mortgage loans by 10.00% intervals of that ratio.

Mortgage loan portfolio as at 08.08.2008					
Classification by loan to value ratio					
Ratio Intervals	Loans		Outstanding principal		(%) Loan to Value*
		%	(EUR)	%	
0,01 - 10,00	36	2.77	1,888,244.09	0.52	6.17
10,01 - 20,00	78	6.00	8,777,537.65	2.41	16.93
20,01 - 30,00	112	8.62	15,740,251.87	4.32	25.28
30,01 - 40,00	151	11.62	34,254,485.55	9.39	35.47
40,01 - 50,00	168	12.92	43,869,987.31	12.03	45.01
50,01 - 60,00	247	19.00	79,958,199.54	21.93	55.00
60,01 - 70,00	276	21.23	103,247,261.21	28.32	65.03
70,01 - 80,00	193	14.85	66,337,921.51	18.19	74.96
80,01 - 90,00	21	1.62	5,760,616.49	1.58	83.11
90,01 - 100,00	6	0.46	2,087,887.72	0.57	94.37
100,01 - 110,00	6	0.46	847,944.51	0.23	103.07
110,01 - 120,00	3	0.23	790,466.55	0.22	111.53
130,01 - 140,00	1	0.08	807,461.93	0.22	131.10
140,01 - 150,00	1	0.08	35,781.24	0.01	144.90
210,01 - 220,00	1	0.08	222,856.57	0.06	215.62
<b>Total</b>	<b>1,300</b>	<b>100.00</b>	<b>364,626,903.74</b>	<b>100.00</b>	
<b>Weighted Average:</b>					<b>57.16 %</b>
<b>Simple Average:</b>					<b>51.55 %</b>
<b>Minimum:</b>					<b>1.70 %</b>
<b>Maximum:</b>					<b>215.62 %</b>
*Loan to Value Ratio of the loans and, as the case may be, of other loans or credits with a senior ranked mortgage refers to averages weighted by the initial principal.					

There is no overcollateralisation in the Fund since the total Loan receivables principal or capital that BANKINTER shall assign to the Fund upon being set up shall be equal to or slightly above EUR four hundred million (400,000,000.00), the face value amount of the Bonds in the Bond Issue.

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

The selected loans may be classified based on their collaterals into:

- (i) Loans with real estate mortgage security originated in a public deed (the Mortgage Loans).

The Mortgage Loans were originated in a public deed subject to Mortgage Market Regulation Act 2/1981 (the "**Mortgage Act**"), and ancillary laws.

The Mortgage Loan 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 currently worded, on the terms provided for in section 3.3 of this Building Block.

- (ii) Loans with no special guarantee, exclusively secured by pledging money and/or units in investment funds and/or with third-party personal guarantees, originated in a public document, which are enforceable (Civil Procedure Act article 517) (the Non-Mortgage Loans).

The Non-Mortgage Loan receivables shall be directly assigned to the Fund upon being sold by BANKINTER and acquired by the Fund, on the terms provided for in section 3.3 of this Building Block.

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

The selected loans 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 Loans 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 loans lies between January 2, 2009 and July 26, 2047.

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

The Fund shall be set up with the Loan receivables which BANKINTER will assign to the Fund upon being established, and their total principal or capital shall be equal to or slightly above EUR four hundred million (400,000,000.00), the face value amount of the Bonds in the Bond Issue.

The portfolio of selected loans from which the Loans will be taken to be assigned to the Fund upon being established comprises 2,484 loans, their outstanding principal as at August 8, 2008 being EUR 462,360,857.26 and the overdue principal being EUR 425,266.55.

In order to be assigned to the Fund upon being established, BANKINTER shall choose from the selected loans (i) loans that are in good standing or that have no payments that are more than one (1) month overdue and (ii) with an aggregate outstanding principal amount for each obligor from lowest to highest up to a total principal or capital equal to or slightly above EUR four hundred million (400,000,000.00).

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

The loan to value ratio or level of collateralisation ratio of the Mortgage Loans is given in section 2.2.2 p) of this Building Block.

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

The loans selected for assignment to the Fund have been granted by BANKINTER observing its usual credit risk analysis and valuation procedures for granting loans to enterprises. The procedures in place at BANKINTER are described below:

##### **Loan proposal**

BANKINTER has resolved to internally segment its risk credit with customers in accordance with a map of internal categories (risk types) classifying each live position based on risk consistency characteristics to calculate their default probability, strictness and exposure.

These categories determine how transactions or parties involved shall be managed internally based on turnover, assets and total risk taken on by BANKINTER with the proposing enterprise.

Categories of enterprises according to BANKINTER:

- Micro SMEs
- SMEs
- Corporate

- Large Corporations
- Developers

The following are involved in the SME proposal generation process:

- **Customer:** proposes the transaction.
- **Branch:** customer account manager and liaison between the customer and Bankinter.
- **Centre for entering data** in the system. Provides Branches with administrative assistance and support in such matters as preparing loan agreements and booking transactions.
- **Risks:** at the different decision levels in charge of approving risk transactions.
- **Administrative Centres:** in charge of booking transactions.

### **Information requirements**

The information that must be compiled upon a proposal by an SME is summed up in the following points:

- Transaction proposal: amount, term, guarantee and use of funds.
- Customer identification.
- Relationship with BANKINTER: positions, analysis and seniority as customer.
- External information: CIRBE, RAI, ASNEF.
- Commencement and description of the business.
- Shareholders.
- Market and products.
- Customers and suppliers.
- Staff.
- Properties.
- Balance Sheet and Profit and Loss Account for the last 3 years.
- Financial Ratios.
- Subjective remarks.
- Income and capital information if an individual stands surety.

The information shall be collected in respect of all parties in the risk group.

BANKINTER uses the Bank of Spain's definition of economic group. Just one of these three requirements must be satisfied in order to consider that two companies make up a group between them:

- Directly or indirectly controlling more than 25% in a company.
- Membership of the Board of Directors of that company.
- Business or financial support in running that Company: standing surety for third parties.

### **Transaction analysis**

Decisions are made at BANKINTER by means of two approval systems: automatic and manual.

- ***Automatic approval:***

The software application in charge of automatically approving the risks has the following functions, inter alia:

- Captures the necessary data for every transaction and the parties involved.
- Controls the entire manual empowerment and approval process, if the latter should be necessary.

- Ensures that the authorisation and booking of transactions are consistent.
- Allows the transaction to be monitored from time to time.
- Uses two types of rules for intermediate credit ratings in the above categories and for larger enterprises, distinguishing, in the latter case, where the beneficiary of the transaction is already a customer or not.
- In addition to the above, the system analyses the status of the enterprise based on information obtained from external sources: official registers, annual accounts, etc...

BANKINTER's automatic systems currently include decision trees as the chosen statistical procedure for scoring or rating customers/transactions and subsequently automatically approving the same.

Each category (credit portfolio segmentation according to Basle II regulations) has a specific decision tree built with discriminating variables in that specific segment or product.

Supplementing the scoring or rating of each decision tree, BANKINTER has included risk policy filters adding precision to the decision.

- **Manual approval:**

BANKINTER's non-automated decisions are jointly made on the different loan committees.

The different committees analyse the risk taken on based on the amount requested by the customer. This assessment is independent of the type of security or term of the transaction.

Once the Branch has completed the electronic file, the proposed transaction shall be approved by the relevant Committee in accordance with the powers conferred.

### **Origination**

The central legal department is responsible for preparing the various agreements, which are provided to the network of branches by means of the appropriate software. Any change in those agreements requires the legal department's authorisation.

The branch is responsible for printing and having the agreement signed. The transaction is centrally entered in the accounts at the administrative centres.

In this connection, BANKINTER has an authorisation system to control that what is booked is in conformity with what was authorised.

### **Control, monitoring and recovery systems**

BANKINTER has certain software applications to assist management of the area of risks involved in control, monitoring and recovery.

These applications are not only used for processing the financial information described above, but also for BANKINTER to consistently and systematically enter in its databases the assessment made by BANKINTER's analysts as to certain aspects of customers.

One of the pillars of BANKINTER revolves about risk quality. This risk control system is based on a permanently updated sorting and grouping of all customers having a self-evidently poor risk quality, or where there are doubts as to that quality. All customers representing a current or future asset recovery problem shall be identified as being of "risk quality".

In this same connection, certain transactions are randomly monitored to check the entire procedure described above, with the steps and documents completed from the initial stage until the loan is granted.

A procedure is also in place to anticipate a situation of default. This procedure is being continually improved since it corrects deviations as more transactions are analysed.



Noteworthy in this sense is the customer statistic alert which concentrates on anticipating and providing business centres with an efficient tool expediting control and monitoring management, detecting through a monthly scoring customers believed to have a high probability of worsening their risk quality due to their method of operation. This scoring relies on statistical surveys, and the variables used are therefore those that actually alert the most.

Finally, recoveries are processed in another software application. The recoveries application is a computer tool ensuring recovery actions in respect of all delinquent portfolio positions.

This application has the following functions:

- Automatically generating recovery actions.
- Manually generating recovery actions.
- Running an information system with delinquent positions and customers, allowing the user to note relevant portfolio recovery events and to view the information entered by other users.

Due to the downturn in the economic situation and the expected rise of delinquency BANKINTER has reinforced the control and recoveries area, setting up a new division in order to more swiftly implement the improvements in recovery procedures and provide organisations with specialist individuals devoted solely and exclusively to recovery. Similarly, cooperation agreements have been arrived at with recovery agencies in order to recover small amounts.

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

### **Representations of the Originator.**

BANKINTER shall, as holder of the Loans until assigned to the Fund and as issuer of the Pass-Through Certificates, represent as follows to the Fund and the Management Company in the Deed of Constitution.

#### **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, entered in the Companies Register and the Bank of Spain's Register of Credit Institutions, and is authorised to grant loans to SMEs and operate in the mortgage market.
- (2) That neither at today's date nor at any time since it was incorporated has BANKINTER been decreed to be insolvent (or formerly bankrupt or in suspension of payments), 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, including those required of its corporate bodies and, as the case may be, third parties who may be affected by the assignment of the Loan receivables to the Fund and the issue of the Pass-Through Certificates, to validly execute the Fund Deed of Constitution, the agreements relating to the establishment of the Fund and to fulfil the undertakings made.
- (4) That BANKINTER has audited annual accounts for the last three years ended as at December 31, 2007, 2006 and 2005 which have been filed with the CNMV and with the Companies Register. The audit reports on the annual accounts for those years have no provisos.
- (5) That BANKINTER has signed on September 5, 2008 the Master Co-Operation Agreement with the Industry, Tourism and Trade Ministry in accordance with Schedule II to the Order of January 10, 2007, in order to determine the rights eligible for assignment to the Fund.

#### **2. In relation to the Loans.**

- (1) That the Loans have all been duly originated in a public document, being either a public deed or a loan agreement, and that BANKINTER keeps a first copy of the public deed or the valid loan agreement at the Management Company's disposal, as the case may be.

- (2) That in order to be assigned to the Fund upon being established, BANKINTER shall choose from the selected loans (i) loans that are in good standing or that have no payments that are more than one (1) month overdue and (ii) with an aggregate outstanding principal amount for each obligor from lowest to highest up to a total principal or capital equal to or slightly above EUR four hundred million (400,000,000.00).
- (3) That all the Loans exist and are valid and enforceable in accordance with the applicable laws.
- (4) That BANKINTER holds legal and beneficial title to all the Loans, clear of any liens and claims, and there is no obstacle whatsoever for the Loans to be assigned. In this sense, the respective public document, public deed or agreement supporting the Loans contain no clauses preventing their assignment or requiring any authorisation or notice for such assignment to be made.
- (5) That the Loans are all denominated in euros and payable exclusively in euros.
- (6) That the Loans all have an initial repayment term of not less than one year.
- (7) That the Loan Obligors all are non-financial small and medium-sized enterprises (legal persons) (SMEs, as defined by the European Commission -Recommendation of May 6, 2003-) domiciled in Spain.
- (8) That it has strictly adhered to the policies for granting credit in force from time to time in granting all the Loans and in accepting, as the case may be, the subrogation of subsequent borrowers to the initial borrower's position, and in this connection the policies for granting credits and loans to enterprises currently in force are given in section 2.2.7 of the Building Block to the Prospectus.
- (9) That it is not aware of the existence of any lawsuits whatsoever in relation to the Loans that might be detrimental to their validity and enforceability.
- (10) That the Loans are clearly identified in the information system of BANKINTER as from being granted or subrogated to BANKINTER and are serviced, analysed and monitored by BANKINTER in accordance with the usual set procedures.
- (11) That upon the Fund being established, it has not come to BANKINTER's notice that any of the Loan Obligors has been decreed to be insolvent, or, before the entry into force of the Bankruptcy Act, bankrupt or in suspension of payments.
- (12) That upon the Fund being established, (i) the sum of the Outstanding Balance of the Loans of a same Obligor is less than 0.993% of the Outstanding Balance of the Loans, and (ii) the sum of the Outstanding Balance of the Loans of the ten largest Obligors as a whole is less than 7.935% of the Outstanding Balance of the Loans.
- (13) That the Loan security arrangements, if any, are valid and enforceable in accordance with the applicable laws, and BANKINTER is not aware of the existence of any circumstance which might prevent the security arrangements from being enforced.
- (14) That upon the Fund being established, it is not aware of having received any notice whatsoever of total prepayment of the Loans.
- (15) That none of the Loans has a final maturity date extending beyond July 26, 2047.
- (16) That it is not aware that the Obligors may howsoever object to paying any amount relating to the Loans.
- (17) That upon the Fund being established, at least one instalment has matured on each Loan and is not overdue.
- (18) That nobody has a pre-emptive right over the Fund, as holder of the Loan receivables assigned.

- (19) That both the grant of the Loans and the assignment of the Loan receivables to the Fund and all aspects related thereto are ordinary actions in the course of business of BANKINTER and are at arm's length.
- (20) That after being granted or subrogated to BANKINTER the Loans have been serviced and are still being serviced by BANKINTER in accordance with its set customary procedures.
- (21) That the data and information relating to the loans selected to be assigned to the Fund given in section 2.2.2 of the Building Block to the Prospectus, fairly present their status on the relevant date and are accurate.
- (22) That the capital or principal of all the Loans has been fully drawn down.
- (23) That, based on its internal records, none of the Loans are in the nature of financing granted to real estate developers for building or renovating homes and/or business or industrial properties designed to be sold, or finance lease transactions.
- (24) That the Loans all stand as a valid and binding payment obligation for the relevant Obligor and are enforceable on their own terms.
- (25) That the Loan payment obligations are all satisfied by directly debiting an account opened at BANKINTER.
- (26) That none of the Loans have clauses allowing deferment of periodic interest payment and principal repayment, other than the principal repayment exclusion period there may be at the origination date of each Loan.
- (27) That the Loans do not benefit from a lower margin with respect to the margin applicable on the relevant assignment date (notwithstanding the possibility of renegotiating the same in accordance with the provisions of section 3.7.2.1.6 of this Building Block).
- (28) That none of the Obligors are part of BANKINTER group.
- (29) That, on the assignment date, (i) the Outstanding Balance of the Loans for Obligors from a same economic sector is not in excess of 25.00% of the total Outstanding Balance of the Loans (the Economic Sector shall be determined by the first two numbers in the National Classification of Economic Activities (CNAE) of 1993), and (ii) the Obligor's first three CNAE numbers in the National Classification of Economic Activities (CNAE) of 1993 are different from 701 (real estate activities, self-employed).

### **3. In relation to the Pass-Through Certificates and the Mortgage Loans.**

- (1) That the particulars of the Mortgage Loans and the Pass-Through Certificates, represented in a multiple registered certificate, accurately reflect their current status and are true and complete.
- (2) That the Pass-Through Certificates are issued in accordance with the contents of additional provision five of Act 3/1994, as currently worded, and other applicable laws.
- (3) That the Mortgage Loans are all secured with a first or a second or lower ranked real estate mortgage on the legal and beneficial ownership of each and every one of the mortgaged properties, and the same are not subject to restrictions as to disposal, conditions subsequent or any other limitation of title.
- (4) That in the case of Mortgage Loans with second or lower ranked registered security, there are only prior mortgages ranking as a senior mortgage securing a mortgage loan registered in the name of BANKINTER.
- (5) That the Mortgage Loans are all originated in a public deed, and the mortgages are all duly established and entered in the relevant Land Registries. The entry of the mortgaged properties is

in force and has not been howsoever objected to and is subject to no limitation whatsoever taking precedence over the mortgage, in accordance with the applicable laws.

- (6) That the Mortgage Loans do not have any of the characteristics of credits excluded or restricted by article 32 of Royal Decree 685/1982.
- (7) That the mortgages are established on properties wholly legally and beneficially owned by the respective mortgagor, and BANKINTER is not aware of the existence of litigation over the ownership of those properties which might detract from the mortgages.
- (8) That the mortgaged properties underlying the Mortgage Loans are not, and are not ineligible as, assets excluded for standing as security under article 31 of Royal Decree 685/1982.
- (9) That all the mortgaged real properties (i) are located in Spain, (ii) have been appraised by duly qualified institutions approved by BANKINTER, evidence of which appraisal has been provided in the form of an appropriate certificate, and (iii) in the case of real properties relating to constructions in general, building work has been completed.
- (10) That the public deeds originating the Mortgage Loans provide that until the latter are fully repaid the Obligor is bound to have the mortgaged properties insured against the risk of fire and other damages during the contract term, at least satisfying the minimum requirements laid down by the mortgage market laws in force for the time being.
- (11) That the Mortgage Loans are not perfected in registered, negotiable or bearer securities, other than the Pass-Through Certificates hereby issued for subscription by the Fund.
- (12) That the Mortgage Loans are not earmarked for any issue whatsoever of mortgage bonds, mortgage certificates or pass-through certificates, other than the issue of the Pass-Through Certificates.
- (13) That it is not aware of any circumstance which might prevent foreclosure of the mortgage security.
- (14) That nobody has a preferred right over the Fund in and to the Mortgage Loans, as holder of the Pass-Through Certificates.
- (15) That the Pass-Through Certificates shall be issued for the same term remaining until maturity of and at the same interest rate as each of the underlying Mortgage Loans.

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

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

1. In the event of prepayment of the Loans upon the relevant capital being prepaid, there will be no substitution of the Non-Mortgage Loan receivables or of the relevant Pass-Through Certificates.
2. In the event that during the full term of the Loans it should be found that any of them fail to conform to the representations given in section 2.2.8 above upon the Fund being established, BANKINTER agrees, subject to the Management Company's consent, to proceed forthwith to remedy and, if that is not possible, substitute or, as the case may be, redeem the affected Loans not substituted, by automatically terminating the assignment of the affected Loan receivables and, as the case may be, cancelling the relevant Pass-Through Certificate, subject to the following rules:
  - (i) The party becoming acquainted with the existence of a Loan in that circumstance, be it the Originator or the Management Company, shall advise the other party thereof. The Originator shall have a period of not more than fifteen (15) Business Days from said notice to remedy that circumstance if it may be so remedied or proceed to a substitution of the affected Loans, notifying the Management Company of the characteristics of the loans intended to be assigned to take their stead, which shall fulfil the representations given in section 2.2.8 above and be of the same kind as to residual term, interest rate and outstanding principal value as the affected Loans and

also credit quality in terms of ratio of outstanding principal to the appraisal value of the mortgaged property or properties of the Mortgage Loans to be replaced, in order for the financial balance of the Fund not to be affected by such substitution, nor indeed the rating of the Bonds in connection with the provisions of section 7.5 of the Securities Note. Once the Management Company has checked the appropriateness of the substitute loan or loans, and after advising the Originator expressly of loans suitable for such substitution, such substitution shall be made by terminating the assignment of the affected Loans and, as the case may be, cancelling the relevant Pass-Through Certificate, and simultaneously assigning the new substitute loans and, as the case may be, issuing the new substitute pass-through certificates.

Substitution shall be recorded in a public deed subject to the same formalities established for the assignment of the Loan receivables upon the Fund being established, in accordance with the specific characteristics of the new loans assigned. The Management Company shall provide the CNMV, the undertaking in charge of the Bond accounting record and the Rating Agency with a copy of the public deed.

- (ii) In the event that there should be no substitution of the affected Loans in accordance with (i) above, the assignment of the affected Loans not substituted shall be terminated and, as the case may be, the relevant Pass-Through Certificate will be cancelled. That termination shall take place by a repayment in cash to the Fund by the Originator of the outstanding principal of the affected Loans not substituted, interest accrued and not paid, calculated until the repayment date, and any other amount owing to the Fund under those Loans.
  - (iii) Upon the occurrence of the events of (i) and (ii) above, BANKINTER shall be vested in all the rights attaching to those Loans accruing from the date of substitution or repayment to the Fund or accrued and not due, and overdue amounts on that same date.
3. In particular, the amendment by the Originator during the life of the Loans 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 the Fund or by 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 Loans, in accordance with the procedure provided for in paragraph 2 above of this section, 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 Management Company shall notify the CNMV of each and every replacement on the terms of the procedure provided for in paragraph 2 above.

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

The public deeds originating the Mortgage Loans provide that until the latter are fully repaid the Obligor is bound to have the mortgaged properties insured against the risk of fire and other damages during the contract term, at least satisfying the minimum requirements laid down by the mortgage market laws in force for the time being, assigning to BANKINTER the insured capital and other indemnities payable by the insurer.

No details are included regarding concentration of the insurers because the current status of the insurance policies taken out by the corporate obligors and their data are not fully supported or updated in the Originator's computer records. Nevertheless, given that the mortgage loans are part of the selected loans as a whole and the geographic distribution, as detailed in sections 2.2.2.d) and n) of this Building Block, any possible concentration of insurers has not been considered significant for the transaction.

**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 Originator, 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 correspond to appraisals made by appraisers for the purpose of granting and arranging the selected mortgage loans.

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

Not applicable.

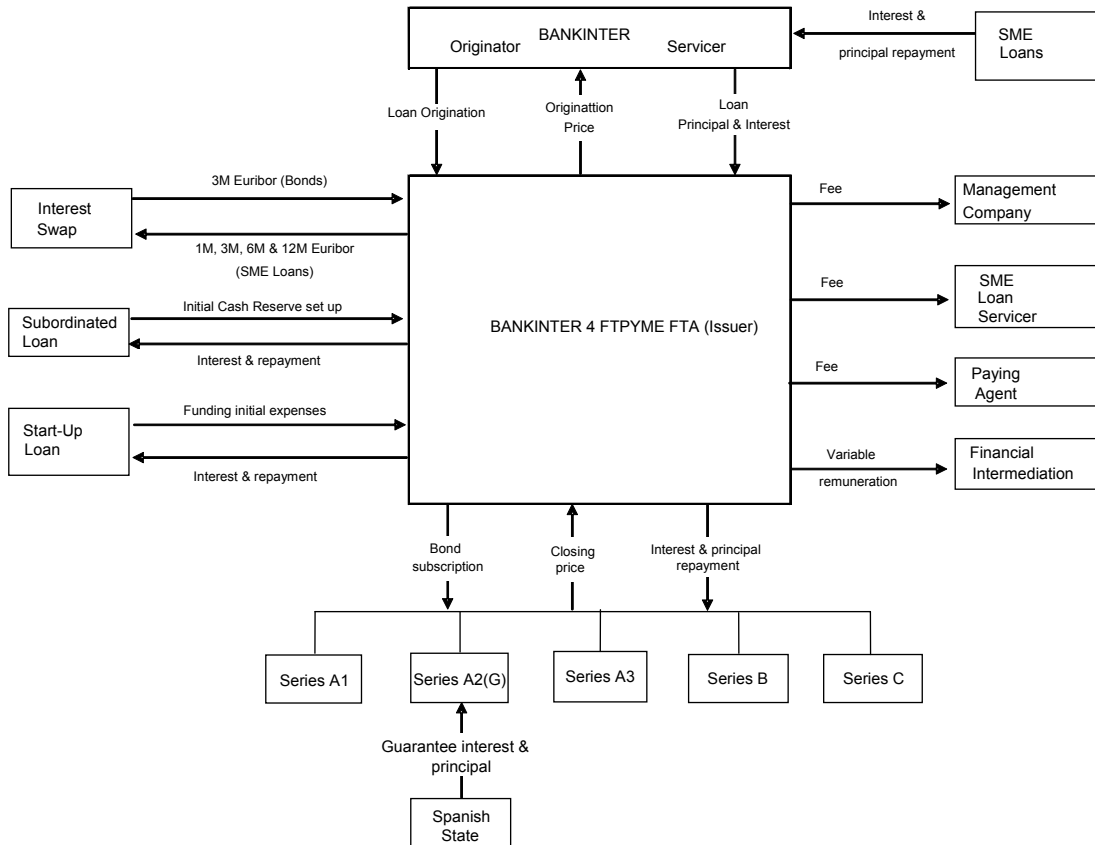
**2.4 Where the issuer proposes to issue further securities backed by the same assets, statement to that effect and description of how the holders of that class will be informed.**

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:

<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Fixed Assets</b>	<b>401,000,000.00</b>	<b>Bond Issue</b>	<b>400,000,000.00</b>
Loans (adjustment excess to EUR 130,470.00)	400,130,470.00	Series A1 Bonds	160,000,000.00
Set-up, issue and admission expenses*	869,530.00	Series A2(G) Bonds	174,400,000.00
		Series A3 Bonds	19,600,000.00
		Series B Bonds	30,000,000.00
		Series C Bonds	16,000,000.00
<b>Current assets</b>	<b>to be determined</b>	<b>Other long-term liabilities</b>	<b>39,000,000.00</b>
Treasury Account*	38,000,000.00	Start-Up Loan	1,000,000.00
Accrued interest receivable**	to be determined	Subordinated Loan	38,000,000.00
		<b>Short-term creditors</b>	<b>to be determined</b>
		Loan interest accrued **	To be determined
<b>Total assets</b>	<b>439,000,000.00</b>	<b>Total liabilities</b>	<b>439,000,000.00</b>
<b>MEMORANDUM ACCOUNTS</b>			
Cash Reserve	38,000,000.00		
Interest Swap collections	0.00		
Interest Swap payments	0.00		

**(Amounts in EUR)**

- \* Assuming that all Fund set-up and Bond issue and admission expenses are met on the Closing Date as set out in section 6 of the Securities Note and that they amount to EUR 869,530.00.
- \*\* 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 Management Company that will establish, manage and be the authorised representative of the Fund and has, jointly with BANKINTER, structured the financial terms of the Fund and the Bond Issue.
- (ii) BANKINTER is the originator of the Loan receivables to be assigned to the Fund upon being established, shall be the Lead Manager and the Subscriber of the Bond Issue.
- In addition, BANKINTER shall be the Fund's counterparty under the Guaranteed Interest Rate Account (Treasury Account), Start-Up Loan, Subordinated Loan, Interest Swap, Loan Servicing, Bond Paying Agent and Financial Intermediation Agreements.
- (iii) RAMÓN & CAJAL, as independent advisers, have provided legal advice for establishing the Fund and issuing the Bonds, and have reviewed the tax implications thereof.
- (iv) PRICEWATERHOUSECOOPERS have audited the most significant features of a sample of the selected BANKINTER loans.
- (v) The Spanish Economy and Finance Ministry shall, in an Order of the Minister, provide the Fund before it is established with a guarantee whereby the Spanish State will secure, waiving the benefit of discussion established in Civil Code article 1830, payment of such Series A2(G) Bond economic obligations as may be enforceable on the Fund.
- (vi) S&P is the Rating Agency that has assigned the rating to each Bond Issue Series.



The description of the institutions referred to in the above paragraphs is given in section 5.2 of the Registration Document.

The Management Company represents that the summary descriptions of those agreements, given in the relevant sections, include the most substantial and relevant information on each agreement, duly reflect their contents and that 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 Loan receivables to the Fund.**

The Management Company, for and on behalf of the Fund, and BANKINTER as Originator, shall in the Deed of Constitution perfect the agreement assigning the Loan receivables to the Fund, effective from that same date, as follows:

- (i) The assignment of the Mortgage Loan receivables shall be perfected upon BANKINTER issuing and the Fund subscribing for pass-through certificates (the “**Pass-Through Certificates**”) as established by Act 2/1981 and by additional provision five of Act 3/1994, as currently worded.

The Pass-Through Certificates shall be represented by means of a multiple registered certificate which shall contain the minimum data provided for pass-through certificates in article 64 of Royal Decree 685/1982, and the registration particulars of the mortgaged properties securing the Mortgage Loans.

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 held by institutional investors, and may not be acquired by the unspecialised public.

Both in the event that any Pass-Through Certificate should be substituted, as prescribed in section 2.2.9.2 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 Loan, as prescribed in section 3.7.2.1.7 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 multiple or individual certificates, if any, into which the same is split shall be deposited at BANKINTER, and relations between the Fund and BANKINTER shall be governed by the Loan Servicing and Pass-Through Certificate Custody Agreement to be entered into between BANKINTER and the Management Company for and on behalf of the Fund. That deposit shall be made for the benefit of the Fund and therefore BANKINTER shall custody the certificates representing the Pass-Through Certificates deposited, on the Management Company’s instructions.

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 the Pass-Through Certificate holders, also including therein (i) Mortgage Loan origination and maturity dates, amount and settlement method; and (ii) the registration particulars of the mortgages securing the Mortgage Loans.

Given that subscription for and holding of the Pass-Through Certificates is restricted to institutional or professional investors and 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 64.6 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 Loans in the Land Registry.

- (ii) The Non-Mortgage Loan receivables shall be assigned by BANKINTER to the Fund directly without any underlying security being issued by means of their sale by BANKINTER and acquisition by the Fund.

The assignment by BANKINTER to the Fund of the Loan receivables shall not be notified to either Obligors or third-party guarantors or the insurers with which the Obligors may have taken out the damage insurance contracts, if any, for the properties mortgaged by the Mortgage Loans underlying the Pass-Through Certificates. Where the Loans have other security interests or third-party personal guarantees other than a real estate mortgage, the assignment will not be initially notified either to the custodian of the assets, where that is an undertaking other than the Servicer, or to the Obligors' guarantors. Where the Loans have security interests in which the custodian of the assets is the Servicer proper, the same shall be deemed to have received notice of the transfer in the Deed of Constitution.

However, in the event of insolvency, or indications thereof, of administration by the Bank of Spain, of liquidation or of substitution of the Servicer, or because the Management Company deems it reasonably justified, the Management Company may demand the Servicer to notify Obligors (and third-party guarantors and mortgaged property insurers, if any), of the transfer to the Fund of the outstanding Loan receivables, and that the payments derived therefrom 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 and third-party guarantors and mortgaged property insurers, if any, 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 third-party guarantors and mortgaged property insurers, if any.

Similarly and in the same events, the Management Company may request the Servicer to do such things and satisfy such formalities as may be necessary, including third-party notices and entries in the relevant records, in order to guarantee maximum enforceability of the assignment of the Loan receivables and collaterals with respect to third parties, all on the terms given in section 3.7.2.1.7 of this Building Block.

### **3.3.2 Loan receivables assignment terms.**

1. The Non-Mortgage Loan receivables will be assigned and Mortgage Loan Pass-Through Certificates will be subscribed for fully and unconditionally for the entire term remaining from the date on which the Fund is established, until maturity of each Loan.

In accordance with article 348 of the Commercial Code and 1529 of the Civil Code, the Originator will be liable to the Fund for the existence and lawfulness of the Loans, and for the personality with which the assignment is made, but shall not be liable for the solvency of the Obligors.

The Originator shall not bear the risk of default on the Loans and shall therefore have no liability whatsoever for the Obligors' default of principal, interest or any other amount whatsoever they may owe under the Loans, and shall not be answerable either for the enforceability of the securities collateral thereto. It will not be howsoever liable either to directly or indirectly guarantee that the transaction will be properly performed, nor give any guarantees or security, nor indeed agree to repurchase or substitute the Loans, saving as provided for in section 2.2.9 of this Building Block.

2. The assignment of Loan receivables shall be made for all the outstanding principal pending repayment on the assignment date, which shall be the date of establishment of the Fund, and for all ordinary interest on each Loan assigned.
3. The Fund shall have rights in and to the Loans from the date on which they are assigned and the Fund is established. Specifically, without limitation and for illustrative purposes only, the assignment shall confer on the Fund the following rights in relation to each Loan:
  - a) To receive all Loan capital or principal repayment amounts accrued.
  - b) To receive all Loan principal ordinary interest amounts accrued. Ordinary interest will also include interest accrued and not due on each Loan from the last interest settlement date, on or before the assignment date, and overdue interest, if any, on that same date.

- c) To receive all late-payment interest amounts on the Loans.
  - d) To receive any other amounts, assets, properties, securities or rights received as payment of Loan principal, interest or expenses, either in the form of the auction sale price or amount determined by a court decision or notarial procedure in enforcing the mortgage or non-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, assets or securities in foreclosure proceedings.
  - e) To receive all possible rights or compensations on the Loans accruing for the Originator and derived therefrom, including those derived from the insurance contracts, if any, attached to the properties mortgaged by the Mortgage Loans which are also assigned to the Fund, and those derived from any right collateral to the Loans, excluding the fees established for each Loan, which shall remain to the benefit of the Originator.
4. In the event of prepayment of the Loans upon a full or partial repayment of the principal, there will be no direct substitution of the affected Loans.
  5. The rights of the Fund resulting from the Loans 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 therewith.
  6. 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 Obligors of their obligations, including enforcement proceedings against the same.
  7. In the event of renegotiation consented to by the Management Company, for and on behalf of the Fund, of the Loans, or their due dates, the change in the terms shall affect the Fund.
  8. Until the execution of the Deed of Constitution, BANKINTER shall be the beneficiary of the damage insurance contracts taken out by the Obligors in relation to the properties mortgaged as security for the Mortgage Loans, up to the insured amount.

BANKINTER shall thereupon perfect the assignment attached to the issue of the Pass-Through Certificates of the rights BANKINTER has as the beneficiary of those damage insurance contracts taken out by the Obligors. As the holder of the Pass-Through Certificates, the Fund shall be entitled to all the amounts BANKINTER would have received under such insurance.

### **3.3.3 Loan receivables sale or assignment price.**

The price for selling the Non-Mortgage Loan receivables and subscribing for the Pass-Through Certificates shall be at par with the capital or principal. The aggregate price payable by the Fund represented by the Management Company to BANKINTER for the assignment of the Loan receivables shall be an amount equivalent to the sum of (i) the face value of the capital or principal outstanding on each Loan, and (ii) ordinary interest accrued and not due and overdue interest, if any, on each of the Loans on the assignment date (the **"accrued interest"**). In accordance with BANKINTER's representation in section 2.2.8.2.(2) of the Building Block, none of the Loans that will finally be assigned to the Fund upon being established shall have any payments more than one (1) month overdue on their assignment date.

The Management Company shall pay the total price for assignment of the Loan receivables on behalf of the Fund as follows:

1. The part of the assignment price consisting of the face value of the capital of all the Loans, item (i) of paragraph one of this section, shall be paid by the Fund on the Closing Date of the Bond Issue, for same day value, upon the subscription for the Bond Issue being paid up, by means of instructions given by the Management Company to BANKINTER to debit the same to the Treasury Account opened in the Fund's name. BANKINTER shall receive no interest on the deferment of payment until the Closing Date.

2. The part of the price consisting of interest accrued on each Loan, item (ii) of paragraph one of this section, shall be paid by the Fund on each collection date, as described in section 3.4.1 below, falling on the first interest settlement date of each Loan. Payment of accrued interest shall be made without regard to the Priority of Payments.

If the establishment of the Fund and hence the assignment of the Loan receivables should terminate, in accordance with the provisions of section 4.4.4.(v) of the Registration Document, (i) the Fund's obligation to pay the total Loan receivables assignment price shall terminate, and (ii) the Management Company shall be obliged to restore to BANKINTER any rights whatsoever accrued for the Fund upon the Loan receivables being assigned.

### **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.**

Loan amounts due to the Fund and 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 Loans.

The weighted average interest rate of the loans selected as at August 8, 2008, as detailed in section 2.2.2.i) of this Building Block, is 5.45%, which is above the 5.42% weighted average interest rate of the Bonds that has been presumed for hypothetical purposes in the table contained in section 4.10 of the Securities Note.

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 by drawing down the Subordinated Loan.  
Mitigates the credit risk derived from delinquency and default on the Loans.
- (ii) Interest Swap:  
Mitigates the interest rate risk occurring in the Fund because the Loans are subject to floating interest with benchmark indices and reset and settlement periods differing from the floating interest established for the Bonds based on 3-month Euribor with quarterly accrual and settlement periods, and the risk deriving from potential Loan interest rate renegotiations which may even result in their novation to a fixed rate.
- (iii) Treasury Account.  
Partly mitigates the loss of return on the liquidity of the Fund due to the timing difference between income received daily on the Loans and until interest payment and principal repayment on the Bonds occurs 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.

(v) Spanish State Guarantee for Series A2(G) Bonds:

Guarantees payment of the Series A2(G) Bond economic obligations (interest payment and principal repayment) payable by the Fund.

**3.4.2.2 Cash Reserve.**

The Management Company shall on the Closing Date set up a cash reserve (the “**Cash Reserve**”) by drawing fully the Subordinated Loan principal and shall subsequently, on each Payment Date, keep the Required Cash Reserve amount provisioned in accordance with the 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 thirty-eight million (38,000,000.00) (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 with the Available Funds in the Priority of Payments.

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

- (i) EUR thirty-eight million (38,000,000.00).
- (ii) The higher of:
  - a) 19.00% of the Outstanding Principal Balance of the Bond Issue.
  - b) EUR nineteen million (19,000,000.00).
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 Loans is equal to or greater than 1.00% of the Outstanding Balance of Non-Doubtful Loans.
  - ii) That the Cash Reserve was not provisioned up to the Required Cash Reserve amount on the relevant Payment Date.
  - ii) 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.

### **3.4.2.3 Spanish State Guarantee for Series A2(G) Bonds.**

The Economy and Finance Ministry shall, in an Order of the Minister, provide the Fund before it is established with a guarantee whereby the Spanish State will guarantee, waiving the benefit of discussion established in Civil Code article 1830, payment of such Series A2(G) Bond economic obligations as may be enforceable on the Fund for a face amount of EUR one hundred and seventy-four million four hundred thousand (174,400,000.00).

#### **3.4.2.3.1 General characteristics of the State Guarantee.**

- The State Guarantee shall extend exclusively to Series A2(G) Bond principal and interest
- The State Guarantee shall remain in force and be fully effective until total fulfilment of the economic obligations derived from the Bonds in Series A2(G). In any event, the State Guarantee shall expire on October 18, 2051, or the next succeeding Business Day if that is not a Business Day.
- The enforceability of the State Guarantee shall be conditional on (i) confirmation by September 17, 2008 of the provisional ratings assigned by the Rating Agency to each Bond Series as final ratings, (ii) the Management and Subscription Agreement not being terminated, (iii) that the Directorate-General of the Treasury and Financial Policy be paid the fee provided for in the Order of the Minister, and (iv) submission of the documents mentioned in the following paragraph.

The Management Company shall send the Directorate-General of the Treasury and Financial Policy: (i) a copy of the Prospectus registered at the CNMV, (ii) a certified copy of the Fund Deed of Constitution, (iii) a certificate by BANKINTER representing that the Loans satisfy the requirements of the Master Co-Operation Agreement attached to the Order of January 10, 2007, and that they are loans granted to non-financial small and medium-sized enterprises (legal persons) (SMEs as defined by the European Commission -Recommendation of May 6, 2003-) domiciled in Spain, (iv) a copy of the CNMV-accredited Rating Agency's letter notifying the rating assigned to each Bond Series, (v) a notice specifying the VAT registration number assigned to the Fund, and (vi) a certified copy of the notarial certificate recording payment of the Bond subscription executed by the Management Company.

- Provision and execution of this State Guarantee shall accrue a single fee of EUR five hundred and twenty-three thousand two hundred (523,200.00), the result of applying 0.30% to the face value of the guaranteed fixed-income securities, as provided for in 3.3 of ORDER PRE/3/2007, January 10, relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing. The fee shall be assessed by the Directorate-General of the Treasury and Financial Policy once the Fund is established, and shall be paid within 15 days from the day after notice of assessment is served on the Management Company, and effectiveness of the Guarantee shall be conditional upon payment thereof.
- The Management Company shall notify the Directorate-General of the Treasury and Financial Policy on each Series A2(G) Bond Payment Date of the outstanding balance of Series A2(G) and, at the year end, in addition to that outstanding balance, an estimate of the finance charge of Series A2(G) for the following year. It shall also send after each Payment Date the information provided for in the Resolution dated 23<sup>rd</sup> June 2005, on the terms and with the contents therein laid down.

#### **3.4.2.3.2 Enforcement of the State Guarantee.**

- i) The State Guarantee may be partially enforced without any limitation as to number of enforcements.

The State Guarantee shall be enforced in the following events in the amounts determined for each one:

1. On any Payment Date or on the Final Maturity Date or upon Early Liquidation of the Fund, when the Available Funds or the Liquidation Available Funds, as the case may be, are not sufficient to pay interest due on the guaranteed Series A2(G), after making the payments in the preceding priority of payments in accordance with the application in the Priority of Payments or the Liquidation Priority of Payments.

In that event, the State Guarantee shall be enforced in an amount equivalent to the difference between the Series A2(G) Bond interest amount payable and the amount applied to payment thereof, as the case may be, of the Available Funds on the relevant Payment Date or the Liquidation Available Funds.

The amounts received by the Fund upon enforcing the State Guarantee to meet payment of interest due on the guaranteed Series A2(G) shall be allocated to payment of that interest, as appropriate, on the following Payment Date or on the Final Maturity Date or upon Early Liquidation of the Fund forthwith upon being received and at all events before the Fund terminates.

2. On any Payment Date other than the Final Maturity Date or upon Early Liquidation of the Fund when the Available Funds for Amortisation are not sufficient to repay the Outstanding Principal Balance of guaranteed Series A2(G) in the relevant amount in accordance with the rules for Distribution of Available Funds for Amortisation because there is an Amortisation Deficiency.

In that event, the State Guarantee shall be enforced in an amount equal to the difference between the Series A2(G) Bond principal amount to be amortised should no such Amortisation Deficiency occur and the amount of the Available Funds for Amortisation actually applied to their amortisation on the relevant Payment Date.

The amounts received by the Fund upon enforcing the State Guarantee to meet payment of the guaranteed Series A2(G) amount to be amortised shall be allocated to payment of that amortisation on the following Payment Date.

3. On the Final Maturity Date or upon Early Liquidation of the Fund when the Liquidation Available Funds are not sufficient to fully amortise the guaranteed Series A2(G).

In that event, the State Guarantee shall be enforced in an amount equal to the difference between the Outstanding Principal Balance of Series A2(G) and the amount actually applied of the Liquidation Available Funds to their amortisation.

The amounts received by the Fund upon enforcing the State Guarantee to meet payment of the guaranteed Series A2(G) Bond amount to be amortised shall be allocated to payment of that amortisation forthwith upon being received and at all events before the Fund terminates.

- ii) Each enforcement of the State Guarantee shall be effected by a written notice from the Management Company to the Directorate-General of the Treasury and Financial Policy, declaring the occurrence of the events described of shortfall of Available Funds or Available Funds for Amortisation or Liquidation Available Funds in accordance with the provisions of the preceding paragraph, specifying the amounts claimed, as the case may be, for each of such items.
- iii) Payment of the required amounts under each enforcement of the State Guarantee shall be made, after being checked, by the Directorate-General of the Treasury and Financial Policy within not more than ninety (90) days, reckoned from the date of receipt of the written request from the Management Company, by crediting the Treasury Account.

Having regard to this period for payment to the Fund of the amounts requested upon every enforcement of the State Guarantee to satisfy Series A2(G) interest payable and/or principal repayment in accordance with the provisions of paragraph i) of this section, those amounts might not be paid to Series A2(G) Bondholders on the relevant Payment Date, and will in any event be paid to them on the dates provided for in i) above once they are paid to the Fund by the Directorate-General of the Treasury and Financial Policy.

- iv) The amounts paid by the State under the State Guarantee shall constitute an obligation for the Fund in favour of the Spanish State. The amounts drawn on the State Guarantee, whether drawn for paying interest or for repaying principal on the guaranteed Series A2(G) Bonds, shall be repaid on each of the following Payment Dates, until fully repaid, respectively out of the Available Funds and the Available Funds for Amortisation, or out of the Liquidation Available Funds, in the places in the

order of priority respectively established in the Priority of Payments or the Liquidation Priority of Payments, as the case may be.

In the event that, in accordance with the preceding rules, on a Payment Date, in addition to repaying the amount drawn under the State Guarantee, it should be necessary to draw a new amount for paying interest or repaying principal on the guaranteed Series A2(G) Bonds, the Management Company shall calculate and apply the net amount which, as the case may be, should be requested from or repaid to the State.

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

#### **3.4.3.1 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 one million (1,000,000.00) (the **"Start-Up Loan Agreement"**). 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, paying the State Guarantee fee, and partly financing assignment of the Loan receivables, at the difference between their total face capital and the face amount of the Bond Issue.

Outstanding Start-Up Loan principal will earn annual nominal floating interest, determined quarterly for each Interest Accrual Period, which shall be the result of adding: (i) the Bond Reference Rate determined for each Interest Accrual Period, and (ii) a 2.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Priority of Payments or Liquidation Priority of Payments, as the case may be. Interest shall be settled and be payable on the expiration date of each Interest Accrual Period on 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- (360-) day year. The first interest settlement date shall be January 19, 2009, because January 18, 2009 is not a Business Day.

Interest accrued and not paid on a Payment Date will not be accumulated to the Start-Up Loan principal and shall not earn 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 and paying the State Guarantee fee shall be repaid in twelve (12) consecutive quarterly instalments in an equal amount, on each Payment Date, the first of which shall be the first Payment Date, January 19, 2009, because January 18, 2009 is not a Business Day, and the following until the Payment Date falling on October 18, 2011, inclusive.
- (ii) The portion of Start-Up Loan principal used to finance partially acquisition of the Non-Mortgage Loan receivables and subscription for the Pass-Through Certificates and the portion, if any, not used, shall be repaid on the first Payment Date, January 19, 2009, because January 18, 2009 is not a Business Day.

All Start-Up 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 Start-Up Loan on that Payment Date, satisfying in the first place overdue interest and secondly principal repayment, in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

The Start-Up Loan Agreement shall not be terminated in the event of the Fund being terminated, in accordance with the provisions of section 4.4.4.v) of the Prospectus Registration Document. 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, out of the Fund's remaining resources.



#### **3.4.3.2 Subordinated Loan.**

The Management Company shall on the date of establishment of the Fund, for and on behalf of the Fund, enter with BANKINTER into a subordinated commercial loan agreement amounting to EUR thirty-eight million (38,000,000.00) (the “**Subordinated Loan Agreement**”). 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 Loans.

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.

Outstanding Subordinated Loan principal will accrue annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the result of adding: (i) the Bond Reference Rate determined for each Interest Accrual Period, and (ii) a 2.00% margin. Interest shall be settled and be payable upon expiration of each Interest Accrual Period on 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- (360-) day year. The first interest settlement date shall be January 19, 2009, because January 18, 2009 is not a Business Day, and interest shall accrue until said day, exclusive, and be paid on the same date. Interest will be paid 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 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, satisfying 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 Agency should not confirm the provisional ratings assigned to the Bonds as the final ratings by September 17, 2008.

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

Series B Bond interest payment is deferred with respect to Class A (Series A1, A2(G) and A3) Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments. Series C Bond interest payment is in turn deferred with respect to Class A (Series A1, A2(G) and A3) and Series B Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

Series B Bond principal repayment is deferred with respect to Class A (Series A1, A2(G) and A3) Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments, saving the provisions of section 4.9.3.5 of this Securities Note in relation to the Conditions for Pro Rata Amortisation of Series A1, A2(G), A3, B and C principal, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

Series C Bond principal repayment is deferred with respect to Class A (Series A1, A2(G) and A3) and Series B Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments, saving the provisions of section 4.9.3.5 of this Securities Note in relation to the Conditions for Pro Rata Amortisation of Series A1, A2(G), A3, B and C principal, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

In any event, payment of the economic obligations (interest payment and principal repayment) of Series A2(G) Bonds is secured by the State Guarantee.

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 certain variable yield on the amounts paid by the Fund through its Management Company into a financial account. The Guaranteed Interest Rate Account (Treasury Account) Agreement shall specifically determine that all amounts received by the Fund will be paid into a financial account in euros (the “**Treasury Account**”) opened at BANKINTER, in the name of the Fund by the Management Company, which amounts shall mostly consist of the following items:

- (i) cash amount received upon subscription for the Bond Issue being paid up;
- (ii) Loan principal repaid and interest collected;
- (iii) any other Loan or Loan collateral amounts received payable to the Fund;
- (iv) drawdown of Subordinated Loan Principal and the Cash Reserve amount from time to time;
- (v) Start-Up Loan principal drawn down;
- (vi) Interest Swap amounts paid to the Fund;
- (vii) amounts, if any, paid to the Fund upon enforcement of the State Guarantee;
- (viii) the amounts of the returns obtained on Treasury Account balances; and
- (ix) 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 13, 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 Bonds, be downgraded below A-1 by 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 sixty (60) calendar days from the time of the occurrence of that circumstance put in place, after notifying the Rating Agency, any of the options described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from this Agreement in order for the rating given to the Bonds by the Rating Agency not to be adversely affected:

- a) Obtaining from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as A-1 by S&P a first demand guarantee, in accordance with S&P’s criteria, 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 A-1.
- b) Transferring the Treasury Account to an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as A-1 by S&P, and arranging the highest possible yield for its balances, which may differ from that arranged with the Treasury Account Provider under this 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 not lower than that of Spanish State Government Debt (*Deuda Pública del Estado Español*) on the Closing Date, in an amount sufficient to guarantee the commitments established in this Agreement.
- d) In b) above, and in the event that the Treasury Account Provider’s short-term unsecured and unsubordinated debt obligations should subsequently be upgraded back to A-1 by S&P, the Management Company shall subsequently transfer the balances back to BANKINTER 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 Treasury Account Provider or the substituted Treasury Account Provider, as the case may be.

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 Loan amounts payable by the Obligors, and any other item including under the mortgaged property damage insurance contracts securing the Mortgage Loans. 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 Loans.

Loan 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 same. In this connection, Saturdays, Sundays and public holidays in the city of Madrid shall not be taken to be business days.

Nevertheless, in the event that the rating of the Servicer’s short-term unsecured and unsubordinated debt obligations should be downgraded below A-2 by S&P, Loan amounts received by the Servicer shall be paid to the Fund crediting the Treasury Account on the first day after the day 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 Loan repayment and interest instalments which 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 Loans assigned to the Fund. The Fund may only draw on the amount of such deposit to the extent of the Loan amounts owing to the Fund not received, if any, and received 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 S&P.

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

#### **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 the Initial Subordinated Loan principal.

**2. Application:** in turn, the Fund will apply the funds described above to the following payments:

- a) Payment of the price for acquiring the Non-Mortgage Loan receivables and subscribing for the Pass-Through Certificates at their face value.
- b) Payment of the Fund set-up and Bond issue and admission expenses and of the State Guarantee fee.
- 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 (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) Loan principal repayment income received during the Determination Period preceding the relevant Payment Date.
- b) Loan ordinary and late-payment interest income 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 on the Determination Date preceding the relevant Payment Date.
- e) Net amounts, if any, received by the Fund under the Interest Swap Agreement and, in the event of termination of this Agreement, the settlement payment amount payable by the Fund’s counterparty (Party B).
- 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 assets, securities or rights awarded to the Fund.
- g) Additionally, on the first Payment Date, the part of the Start-Up Loan principal not used.

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 until the latter, 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.

Additionally, and not included among the Available Funds, the Fund shall have the amount drawn upon enforcing the State Guarantee paid to the Fund from the Payment Date preceding the relevant Payment Date, used only for paying Series A2(G) Bond interest in 3<sup>rd</sup> place in section 2 below.

#### **2. Application.**

The Available Funds shall be applied on each Payment Date to meeting payment or withholding obligations falling due on each Payment Date in the following priority of payments, 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 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 the net amount, if any, payable by the Fund under the Interest Swap Agreement and, only in the event of termination of this 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 amount payable by the Fund.
3. Payment of interest due on Series A1, Series A2(G) and Series A3 Bonds and repayment to the State of amounts it shall have paid to the Fund upon the State Guarantee being drawn, for payment of guaranteed Series A2(G) Bond interest.

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 Loans, the latter reckoned at the amount of the Outstanding Balance as at the classification date of the Doubtful Loan, since the Fund was established is in excess of 17.00% of the initial Outstanding Balance of the Loans upon the Fund being established and provided that Series A1, Series A2(G) and Series A3 Bonds have not been and are not to be fully amortised and the amount due to the State upon the State Guarantee being enforced for amortising Series A2(G) has not been and is not to be repaid 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 Loans, the latter reckoned at the amount of the Outstanding Balance as at the classification date of the Doubtful Loan, since the Fund was established is in excess of 11.00% of the initial Outstanding Balance of the Loans upon the Fund being established and provided that Series A1, Series A2(G), Series A3 and Series B Bonds have not been and are not to be fully amortised and the amount due to the State upon the State Guarantee being enforced for amortising Series A2(G) has not been and is not to be repaid on the relevant Payment Date.

6. 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, increased by the amount to be repaid to the State upon the State Guarantee being enforced for amortising Series A2(G), and (ii) the Outstanding Balance of Non-Doubtful Loans.

Depending on the liquidity existing on each Payment Date, the amount actually applied to Amortisation Withholding shall be included among the Available Funds for Amortisation to 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 this payment is 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 this payment is 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 amount to be maintained.
10. Payment of the settlement payment amount payable by the Fund under the Interest 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 to the extent amortised.
13. Payment of Start-Up Loan interest due.
14. Repayment of Start-Up Loan principal to the extent amortised.
15. Payment to the Servicer of the fee established under the Servicing Agreement.

In the event that any other institution should replace BANKINTER as Loan Servicer, 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 accounts payable for different items exist in a same priority order number on a given Payment Date and the 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 approximately EUR ninety thousand (90,000.00). Because most of those expenses are directly related to the Outstanding Principal Balance of the Bond Issue and that balance 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 enforce Loans and their collaterals, 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 or not determined among ordinary expenses 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: source and application.

#### 1. Source.

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

Additionally, and not included among the Available Funds for Amortisation, the Fund shall have the amount drawn upon enforcing the State Guarantee paid to the Fund from the Payment Date preceding the relevant Payment Date, used only for repaying Series A2(G) Bond principal.

#### 2. Distribution of Available Funds for Amortisation between each Series.

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, by applying the following available funds (the "**Liquidation Available Funds**"): (i) the Available Funds, and (ii) the amounts obtained by the Fund from time to time upon

disposing of the Loan receivables and the remaining assets, in the following order of priority of payments (the “**Liquidation Priority of Payments**”):

1. Reserve to meet the final tax, administrative or advertising termination and liquidation expenses.<sup>(1)</sup>
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 Loan 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.
3. Payment of amounts due, if any, on the net amount payable by the Fund upon termination of the Interest Swap and, only in the event of termination of this 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 amount payable by the Fund.
4. Payment of interest due on Series A1, Series A2(G) and Series A3 Bonds and repayment to the State of amounts it shall have paid to the Fund upon the State Guarantee being drawn, for payment of guaranteed Series A2(G) Bond interest.
5. Repayment of Series A1, Series A2(G) and Series A3 Bond principal and repayment to the State of amounts it shall have paid to the Fund upon the State Guarantee being drawn for repaying Series A2(G) Bond principal in the same application order provided for in paragraph 2.1 of the Distribution of Available Funds for Amortisation established in section 4.9.3.5 of the Securities Note, saving upon the occurrence of the circumstance provided for in paragraph 2.2 of the Distribution of Available Funds for Amortisation, in which case the same order provided for in that paragraph 2.2 shall apply.
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 the financial expenses accrued and repayment of principal of the credit facility or the loan arranged.
11. Payment of the settlement payment amount payable by the Fund under the Interest 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 Loan Servicer, 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.



Other than the application provided for in 5<sup>th</sup> place above, when accounts payable for different items exist in a same priority order number on the Final Maturity Date or upon Early Liquidation 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.

Additionally, and not included among the Liquidation Available Funds, the Fund shall have:

- (i) The amount drawn upon enforcing the State Guarantee used only for paying interest and repaying principal on Series A2(G).
- (ii) As the case may be, in accordance with the provisions of section 4.4.3.3.(iii) of the Registration Document, the amount drawn under the credit facility or the loan arranged for early amortisation of outstanding Bonds and repayment of amounts due to the Spanish State upon the State Guarantee being enforced for Series A2(G) designed only for settling those items.

<sup>(1)</sup> Reserve set up as a means of assurance in order to allow the payments to be made by the Fund in connection with the expenses occurring upon the Fund terminating as described in section 4.4 of the Registration Document.

#### **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 designed to remunerate the Originator for the financial intermediation process carried out, enabling the financial transformation defining the Fund's activity, assignment to the Fund of the Loan receivables 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 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. 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 month preceding the first Payment Date, January 19, 2009, because January 18, 2009 is not a Business Day.

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 accrued, if any, in the following quarterly period in the Priority of Payments 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 Agency should not confirm any of the provisional ratings assigned to each Bond Series as final by September 17, 2008 or in the event of termination of the Management and Subscription Agreement.

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

#### **3.4.7.1 Interest Swap.**

The Management Company shall, for and on behalf of the Fund, enter with BANKINTER, into an interest swap agreement (the “**Interest Swap Agreement**” or the “**Interest Swap**”) based on the standard 2002 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 Interest Swap Agreement, the Fund will make payments to BANKINTER calculated on the Loan rate benchmark index, and in consideration BANKINTER will make payments to the Fund calculated on the Reference Rate determined for the Bonds, all as described hereinafter.

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

**Party B :** BANKINTER.

#### **1. Settlement dates.**

The settlement dates shall fall on the Bond Payment Dates, i.e. on January 18, April 18, July 18 and October 18 in every year, or the next succeeding Business Day if any of these dates is not a Business Day. The first settlement date shall be January 19, 2009, because January 18, 2009 is not a Business Day.

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 13, 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 Interest 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 19, 2009, because January 18, 2009 is not a Business Day, 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 Interest 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 Loans.

#### **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 Party A calculation period days 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 total interest amount at the benchmark indices of ordinary interest due on the Loans, excluding Doubtful Loans, on the relevant calculation date, whether or not paid by the Obligors, during the Party A calculation period, by (ii) the Notional Amount, multiplied by the result of dividing 360 by the number of Party A calculation period days.

In this connection:

- (i) Ordinary interest due will be reduced in the Loan receivable assignment interest accrued payable by the Fund.
- (ii) As the case may be, ordinary interest due will also be deemed to comprise the accrued interest received by the Fund both upon the sale of the Loan receivables and upon prepayment thereof by BANKINTER in accordance with the rules laid down for substituting the Loans.
- (iii) In the case of renegotiated novated fixed-rate Loans, the Loan reference rate shall be deemed to be the EURIBOR BASIS fixed rate on Reuters' ISDAFIX2 screen, or any other replacement page, at 11:00AM CET on the effective date of that novation for the term of the average life of the Loan based on its new repayment schedule. In the absence of a same term EURIBOR BASIS fixed rate, the same shall be calculated by a straight-line interpolation between the EURIBOR BASIS fixed rates on Reuters' ISDAFIX2 screen for the term above and below the average life of the Loan.

**Calculation of the average life of a novated fixed-rate Loan:** average of the time periods from the effective date of the novation until each Loan 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 Loan expressed in years.*

*P = Principal to be repaid on each settlement date in accordance with the applicable repayment system.*

*d = Number of days elapsed between the effective date of the novation and the relevant settlement date.*

*T = Outstanding principal on the effective date of the novation.*

- (iv) Loan ordinary interest due dates shall be deemed to be the collection dates on which interest is to be paid to the Fund under the Servicing Agreement.

#### 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 Reference Rate determined for the Bonds in the Interest Accrual Period coinciding with the Party B calculation period.

**6. Maturity Date.**

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

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

If on a Payment Date the Fund (Party A) should not have sufficient liquidity to pay 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 Interest Swap Agreement. In the event of termination, the Fund (Party A) shall take over the obligation to pay the settlement amount established on the terms of the Interest Swap Agreement, the foregoing 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 Interest Swap Agreement.

If on a Payment Date Party B should not pay the aggregate amount payable to Party A, the Management Company may, on behalf of the Fund, choose to terminate the Interest 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 Interest 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.

Without prejudice to the foregoing, other than in a permanent event of financial imbalance of the Fund, the Management Company shall endeavour, for and on behalf of the Fund, to enter into a new interest swap agreement.

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

(1) In the event that, in accordance with S&P's updated counterparty criteria of May 8, 2007 - *Revised Framework For Applying Counterparty Supporting Party Criteria*-, the rating of the short-term unsecured and unsubordinated debt obligations of Party B (or its successor) should be downgraded to A-2 (or its equivalent) by S&P, or the rating of the long-term unsecured and unsubordinated debt obligations of Party B (or its successor) should be downgraded to BBB+ (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, and ("the Required Ratings"), then Party B (or its successor) may continue as the Interest Swap Agreement counterparty if, within not more than 10 Business Days, at its own cost, it agrees to post cash or securities as collateral to Party A, at an amount covering 100% of the mark-to-market value of the Interest Swap, in accordance with the criteria then in force published by S&P. Failing an agreement by Party B (or its successor) within the period of 10 Business Days aforesaid, then Party B (or its successor) will, within 60 calendar days, at its own cost, do one of the following:

(A) transfer all of its rights and obligations with respect to the Interest Swap Agreement to a replacement credit institution with short-term unsecured and unsubordinated debt obligations rated at least A1 by S&P; or

(B) procure a credit institution suitable for S&P with short-term unsecured and unsubordinated debt obligations rated at least A-1 by S&P to become co-obligor in respect of the obligations of Party B under the Interest Swap Agreement.

(2) In the event that, in accordance with S&P's updated counterparty criteria of May 8, 2007 - *Revised Framework For Applying Counterparty Supporting Party Criteria*-, Party B (or its successor) should be downgraded below the Required Ratings, thereby for the unsecured and unsubordinated debt obligations to be rated A-3 or below, and it should therefore become an ineligible counterparty, then Party B (or its successor) will, within 60 calendar days, at its own cost, do one of the following:

(A) transfer all of its rights and obligations with respect to the Interest Swap Agreement to a replacement credit institution with short-term unsecured and unsubordinated debt obligations rated at least A-1 by S&P; or

(B) procure a credit institution suitable for S&P with short-term unsecured and unsubordinated debt obligations rated at least A-1 by S&P to become co-obligor in respect of the obligations of Party B under the Interest Swap Agreement.

While any of the above are 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 Interest 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 Interest Swap Agreement.**

### **9.1 Additional Termination Events:**

With respect to Party A and Party B: where (a) there is default on payment of Class A (Series A1, A2(G) and A3) Bond interest or (b) the Management Company notifies, in accordance with the provisions of section 4.4.3 of the Registration Document, Early Liquidation of the Fund in the Early Liquidation Event established in section 4.4.3.1.(i) of the Registration Document. In this connection, both Parties shall be Affected Parties.

(“Additional Termination Event” is a concept defined in the ISDA master agreement for the Interest Swap Agreements which shall result in the relevant Interest Swap Agreement being terminated if the Management Company, for and on behalf of the Fund (Party A), or Party B should decide this in the event established in the preceding paragraph.)

In that termination event, Party B shall accept the obligation to pay the settlement amount provided for in the relevant Interest Swap Agreement. Should the settlement amount under the relevant Interest 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 Interest Swap Agreement, subject to Party A’s written consent, with a Required Rating by S&P, subject to notice to the Rating Agency and to the CNMV.

9.3 The Interest Swap Agreement shall be submitted to Spanish laws.

9.4 The occurrence, as the case may be, of Termination of the Interest 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.

9.5 The Interest Swap Agreement shall be fully terminated in the event that the Rating Agency should not confirm the provisional ratings assigned to each Series as final ratings by September 17, 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 Bond 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 the Fund’s behalf, 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 A-1 by S&P, the Management Company shall within not more than sixty (60) calendar days, from the time of the occurrence of that circumstance, after notifying the Rating Agency, 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, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, the commitments made by the Paying Agent, for such time as the Paying Agent remains downgraded below A-1, or (ii) revoke the Paying Agent’s designation as Paying Agent and thereupon designate another institution with short-term unsecured and unsubordinated debt obligations rated at least as high as A-1 by S&P to take its place before terminating the Paying Agent Agreement. 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 costs, expenses and taxes incurred in connection with doing and arranging the above shall be borne by BANKINTER.

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 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.

The Paying Agent Agreement shall be fully terminated in the event that the Rating Agency should not confirm the provisional ratings assigned to each Series as final ratings by September 17, 2008 or in the event of termination of the Management and Subscription Agreement.

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

The Originator and assignor is BANKINTER, S.A.

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

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

BANKINTER 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 consolidated financial information as at June 30, 2008, December 31, 2007 and June 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 applicable International Financial Reporting Standards applicable to it under Regulation EC 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards and Bank of Spain Circular 4/2004, December 22, for credit institutions, on public and privileged financial information rules and standard financial statements.

	30.06.2008 (A)	30.06.2007 (B)	31.12.2007	Year-on-year change $\Delta\% ((A)-(B))/(B)$
<b>BALANCE SHEET (EUR thousand)</b>				
Total assets	50,887,894	46,305,588	49,648,680	9.90
Total average assets	51,800,097	47,083,996	48,126,612	10.02
Customer credit	39,042,310	34,508,100	37,580,125	13.14
Customer credit (exsecuritisation)	41,211,348	37,051,466	39,923,558	11.23
Customer resources	40,400,590	35,497,893	38,774,288	13.81
Off-balance sheet funds managed	9,754,117	12,230,328	11,350,919	-20.25
<b>PROFIT AND LOSS ACCOUNT (EUR thousand)</b>				
Intermediation margin	312,887	285,878	587,894	9.45
Ordinary margin	499,904	476,744	949,854	4.86
Operating margin	242,777	227,917	430,376	6.52
Pre-tax profit	181,323	329,450	484,462	-44.96
Net Profit attributed to the Group	132,402	251,140	361,863	-47.28
<b>RATIOS (%)</b>				
Delinquency rate	0.67%	0.28%	0.36%	139.29
Delinquency coverage rate	211.61%	502.48%	370.25%	-57.89
Efficiency ratio	49.84%	51.70%	53.94%	-3.59
ROE	14.88%	32.70%	23.46%	-54.50
ROA	0.51%	1.08%	0.75%	-52.21
Capital ratio	9.48%	9.92%	9.55%	-4.48
Tier 1	6.78%	6.78%	6.32%	0.00
<b>BANKINTER SHARES</b>				
Number of shares	405,893,880	396,876,110	396,876,110	2.27
Latest price	7.23	13.28	12.55	-45.56
BPA	0.33	0.63	0.92	-47.62
DPA	0.15	0.14	0.29	7.33
<b>BRANCHES &amp; CENTRES</b>				
Branches	364	342	360	6.43
Commercial management centres				
Corporate	51	51	51	0.00
SMEs	162	143	161	13.29
Private Banking	50	46	47	8.70
Virtual branches	565	539	552	4.82
Number of Agents	1,011	982	996	2.95
Telephone and Internet branches	3	3	3	0.00
<b>STAFF</b>				
Employees (full-time)	4,641	4,225	4,530	9.85

### 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, 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 the Prospectus.

The Management Company shall discharge for the Fund the functions attributed to it in Royal Decree 926/1998.

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 Agency 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 Agency 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 notify and first secure the authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agency, and provided that such actions are not detrimental to the rating assigned to the Bonds by the Rating Agency. 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 Non-Mortgage Loan receivables and 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 Loan income amount actually received by the Fund matches the amounts that must be received by the Fund, on the terms of assignment of the Loan receivables and on the terms of their respective agreements communicated by the Originator, and that the Loan 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 counterparties in 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 the Liquidation Priority of Payments, as the case may be.
- (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.
- (xvii) Determining the amount payable by the State for amounts due to the guaranteed Series A2(G) Bondholders and, if necessary, enforcing the State Guarantee.

### **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 duties to manage and be the authorised representative of 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 those duties 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 Bonds by the Rating Agency 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 Agency of that substitution.

*Forced substitution.*

- (i) In the event that the Management Company should be adjudged insolvent or have its licence to act as a securitisation fund management company revoked by the CNMV, it shall find a substitute management company, in accordance with the provisions of the foregoing section.
- (ii) In the event for which provision is made in the preceding section, if four months should have elapsed from the occurrence determining the substitution and no new management company should have been found willing to take over management, the Fund shall be liquidated early, the Bonds issued by the same shall be redeemed and the loans shall be repaid, in accordance with the provisions of this Prospectus and of the Deed of Constitution.

The Management Company agrees to execute such public and private documents as may be necessary for it to be substituted by another management company, in accordance with the system for which provision is made in the preceding paragraphs of this section. The substitute management company shall be substituted in the Management Company's rights and duties under 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 by the Rating Agency 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 lower than the minimum amount determined. The minimum amount shall be cumulatively reset in the same proportion, from the year 2010, inclusive, and be effective from January 1 of each year.

If on a Payment Date the Fund should not have sufficient liquidity to settle the above-mentioned fee, the amount due shall accrue interest at the Bond Reference Rate, payable on the following Payment Date 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, 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 Loan receivables assigned to the Fund, as established in article 2.2.b) of Royal Decree 926/1998, and for the Pass-Through Certificates as established in article 61.3 of Royal Decree 685/1982, shall continue as attorney for the Management Company to be responsible for servicing and managing the Loans, and relations between BANKINTER and the Fund, represented by the Management Company, shall be governed by the Loan Servicing and Pass-Through Certificate Custody Agreement (the “**Servicing Agreement**”) in relation to custody and servicing of the Loans and custody of the Pass-Through Certificates.

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

- (i) To service and manage the Loans acquired by the Fund subject to the system terms and ordinary servicing and management procedures established in the Servicing Agreement.
- (ii) To continue servicing the Loans, devoting the same time and efforts to them as it would devote and use to service its own loans 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 manage the Loans 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 damages and losses resulting from a breach of the obligations undertaken, although the Servicer shall not be liable for actions put in place 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, as servicer of the Loans, and as custodian of the relevant agreements and Pass-Through Certificates, and in particular those for which provision is made in articles 1730 and 1780 of the Civil Code and 276 of the Commercial Code.

#### **3.7.2.1 Ordinary system and procedures for servicing and managing the Loans.**

##### **1. Custody of deeds, agreements, documents and files.**

The Servicer shall keep all Loan deeds, agreements, documents and data files in 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 Loan, or any other competent authority should so require 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 such deeds, agreements, documents and files. The Servicer shall, in addition, whenever it is asked to do so by the Management Company, provide within two (2) Business Days of that request and free of charge, a copy or photocopy of any of such deeds, agreements and documents.

##### **2. Collection management.**

The Servicer shall continue managing collection of all Loan amounts payable by the Obligors and any other item including under the mortgaged property insurance contracts securing the Mortgage Loans.

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 Loans.

Loan 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 same. In this connection, Saturdays, Sundays and public holidays in the city of Madrid shall not be taken to be business days.

Nevertheless, in the event that the rating of the Servicer's short-term unsecured and unsubordinated debt obligations should be downgraded below A-2 by S&P, the Loan amounts received by the Servicer shall be paid to the Fund crediting 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 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 Loan repayment and interest instalments which 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 Loans assigned to the Fund. The Fund may only draw on the amount of such deposit to the extent of the Loan amounts owing to the Fund not received, if any, 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 S&P.

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

### **3. Fixing the interest rate.**

Because the Loans are floating-rate loans, notwithstanding a possible renegotiation to a fixed rate, the Servicer shall continue setting the interest rates applicable in each interest period as established in the relevant agreements underlying each Loan, submitting such communications and notices as may be established therein.

### **4. Mortgage extension.**

If the Servicer should actually become aware at any time that for any reason the value of a mortgaged property securing a Mortgage Loan shall have fallen in excess of the percentages permitted by law, in accordance with the provisions of article 29 of Royal Decree 685/1982, then the Obligor at issue shall be asked:

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

If within two (2) months of being requested to extend the Obligor should fail to do so or repay the portion of the Mortgage Loan referred to in the preceding paragraph, the Obligor shall be deemed to have chosen to repay the Mortgage Loan 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 Loan, fulfilment by the Obligors of their obligations under the Loans, delinquency status, changes in the characteristics of the Loans, and actions for payment in the event of late payment, legal actions and auction of real estate or assets, the foregoing subject to 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 concerning the Loans or the rights attaching thereto as the Management Company may request, and in particular the documents required for the Management Company, as the case may be, to bring legal actions.

#### **6. Loan subrogation.**

The Servicer shall be authorised to permit subrogations in the position of the Obligor under the Loan agreements, exclusively where the characteristics of the new obligor are not less creditworthy than those of the former Obligor and those characteristics observe the lending policies 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 fully or partially limit this authority of the Servicer or set conditions therefor, in the event that those substitutions might adversely affect the ratings accorded to the Bonds by the Rating Agency.

In relation to the Mortgage Loans, a mortgagor may apply to the Servicer for subrogation under the Mortgage Loans pursuant to Act 2/1994. Subrogation of a new creditor under the Mortgage Loan and the ensuing payment of the amount due shall, as the case may be, result in prepayment of the Mortgage Loan and early amortisation of the respective Pass-Through Certificate.

#### **7. Authorities and actions in relation to Loan renegotiation procedures.**

The Servicer may not voluntarily cancel the Loans or their security arrangements for any reason other than payment of the Loan, relinquish or settle in regard thereto, forgive the Loans in full or in part or extend the same, or in general do anything that may diminish the legal effectiveness or economic value of the Loans or of the security arrangements, without prejudice to its heeding requests by Obligors using the same efforts and procedure as if they were own loans.

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 first 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 Loan, either by an interest rate renegotiation or by an extension of the maturity period, provided in the case of Mortgage Loans that those novations are not detrimental to the ranking of the mortgage.

Without prejudice to the provisions hereinafter, any novation changing a Loan subscribed by the Servicer shall be made exclusively 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 a change. The Management Company may nevertheless initially authorise the Servicer to entertain and accept Loan interest rate and term renegotiations, without requiring the Management Company's prior consent, subject to the following general enabling requirements:

##### **a) Renegotiating the interest rate.**

Only the following may be renegotiated on the Loans: (i) the applicable margin, (ii) the benchmark index, and (iii) their novation to a fixed rate.

Loan interest rate may be renegotiated subject to the following rules and limitations:

1. The Servicer may under no circumstances 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 Loan. The Servicer shall, without encouraging 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 Loan interest rate clause 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 credits and loans. For these purposes, arm's length interest rate shall be deemed to be the rate offered by the Servicer in the Spanish market for loans or credits granted to SMEs in an amount and on terms substantially similar to the Loan.

The Management Company may, on the Fund's behalf, at any time during the term of the Servicing Agreement, cancel, suspend or modify the Servicer's authorisation to renegotiate the interest rate.

2. The margin applicable to a Loan (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 Loan principal is less than 0.55%. For the purposes prescribed in this section, the provisions of section 3 below shall govern in the case of renegotiated fixed-rate Loans in regard to homogenisation in regard to margin over a benchmark index.

For the purposes of this section, margin shall mean the contractual margin or, as the case may be, the renegotiated margin.

3. For the purposes of paragraph 2 above, the novated fixed-rate Loan margin shall be deemed to be the difference between the fixed rate applicable to the Loan 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 Loan based on its new repayment schedule. In the absence of a same term EURIBOR BASIS fixed rate, 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 Loan.

**Calculation of the average life of a novated fixed-rate Loan:** average of the time periods from the effective date of the novation until each Loan settlement date, using for weighting purposes the weights the principal to be repaid on each settlement date have, 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 Loan 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 on the effective date of the novation.

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

The final maturity or final amortisation date of the Loans 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 Loan 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 aggregate of the capital or principal assigned to the Fund of the Loans with respect to which the maturity date is extended may not exceed 10% of the Loan capital or principal assigned to the Fund.
- (iii) The term of a specific Loan may be extended provided that the following requirements are met:
  - a) That the Loan capital or principal repayment instalment frequency is at all events maintained or increased, maintaining the same repayment system and interest rate reset frequency
  - b) That the new final maturity or final repayment date does not extend beyond July 26, 2047.
- (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 renegotiation of the interest rate of a Loan or its due dates, the Servicer shall forthwith notify the Management Company of the terms resulting from each renegotiation. Such notice shall be made through the software or data file provided for the terms of the Loans to be updated.

In the event of a renegotiation of the interest rate of the Loans or their due dates, consented to by the Management Company, for and on behalf of the Fund, the change in the terms shall affect the Fund.

## **8. Action against Obligors in the event of default on the Loans.**

### ***Actions in the event of late payment.***

The Servicer shall use the same efforts and procedure for claiming overdue Loan amounts it applies for the rest of its portfolio loans.

In the event of default by the Obligor of the payment obligations, the Servicer shall put in place the actions described in the Servicing Agreement, taking for that purpose the steps it would ordinarily take if they were its own portfolio loans 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 the amounts due by the Obligors or their guarantors.

### ***Legal actions.***

The Servicer shall, using its fiduciary title to the Loans or using the power referred to in the following paragraph, take all relevant actions against Obligors failing to meet their Loan payment obligations and against guarantors, if any. Such an 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 in the event that this should be necessary, the Management Company shall in the Deed of Constitution confer 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 Fund, or in its own name but for the Management Company as the Fund's authorised representative, demand in or out of court that any Loan Obligor and guarantors, if any, pay the debt and take legal action against the same, in addition to other authorities required to discharge its duties as Servicer.

The Servicer shall generally commence the relevant legal proceedings, if, for a period of six (6) months, a Loan Obligor having failed to honour his payment obligations should not resume payments to the Servicer and the latter, 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 file an executive action if the Management Company, acting for the Fund, and after analysing the specific circumstances of the case, should deem this necessary.

If six (6) months should elapse from the oldest default without the Obligor having resumed payments or the Servicer, with the Management Company's consent, securing a payment commitment satisfactory to the Fund's interests, and the Servicer should fail to file the recovery action without there being proper reasons therefor, the Management Company may, on behalf of the Fund, proceed directly to commence the appropriate legal proceedings to fully claim the debt.

In the event that the proceedings commenced by the Servicer should be stopped without there being proper reasons therefor, the Management Company may, as the case may be, on behalf of the Fund, take over from the latter and continue with the legal proceedings.

In addition to the Servicer's legal actions against Obligors as provided for above in this section, the Management Company, for the Fund, may also take action against Obligors who are in breach of their Loan payment obligations and against guarantors, if any. That action shall be brought observing the formalities for the relevant legal procedure in accordance with the provisions of the Civil Procedure Act, satisfying, as the case may be, the requirements as to right of action allowing that to be done.

If this should be legally required, and for the purposes prescribed in the Civil Procedure Act, BANKINTER shall confer in the Deed of Constitution as full and extensive an irrevocable power of attorney as may be required at Law in order for the Management Company, acting for and on behalf of the Fund, to demand through a notary public any Loan Obligor and guarantors, if any, to pay the debt.

1. As for the Mortgage Loans, in the event of default by any Obligor (or third-party guarantors, if any), 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, which also apply to the pass-through certificates:
  - (i) To demand the Servicer to apply for foreclosure.
  - (ii) To take part on an equal standing with the Servicer, 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.
  - (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 apply for Mortgage Loan foreclosure claiming both principal and interest.
  - (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, without the above period having to elapse.

In the events provided in paragraphs (iii) and (iv), the Management Company, for and on behalf of the Fund, may apply to the Judge or Notary with jurisdiction to commence or continue with the respective foreclosure proceedings, attaching to the application the original 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 Loan.

The Management Company, for and on behalf of the Fund as holder of the Pass-Through Certificates, may also take part on an equal standing 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 Mortgage Loan payment. 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.

2. In the event of default by the Obligor (or third-party guarantors, if any) of Non-Mortgage Loan payment obligations, the Management Company, acting for the Fund shall have:
  - (i) An executive action against those Obligors (and third-party guarantors, if any), taking the steps provided for such proceedings in the Civil Procedure Act (articles 517.4 and 517.5).
  - (ii) In the case of Non-Mortgage Loans secured with a pledge in units in investment funds, and after first entering the assignment of the security in the register of the institution in charge of the book record of the units, the enforcement means provided for in the agreement proper, in the Civil Procedure Act and in the Civil Code (article 1872).
  - (iii) In the case of Loans secured with a money pledge, and subject to delivery, as the case may be, of the bank-book, passbook, receipt or public deed supporting the pledged receivable or entry or recording therein or in the relevant originals, protocols or records concerning transfer of the pledge, the enforcement means provided for in the agreement proper, in the Civil Procedure Act and in the Civil Code (article 1872) shall be available.

The Servicer agrees to promptly advise of payment demands, legal actions and all and any other circumstances affecting collection of overdue Loan amounts. Furthermore, the Servicer will provide the Management Company with all such documents as the latter may request in relation to said Loans and in particular the documents required for the Management Company to take legal actions, as the case may be.

#### **9. Damage insurance for properties mortgaged under the Mortgage Loans.**

The Servicer shall not take or fail to take any action resulting in cancellation of any fire and damage insurance policy covering the properties mortgaged under the Mortgage Loans 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 Loans in order to keep those policies in full force and effect in relation to each Mortgage Loan 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 fire and damage insurance on the Obligor's behalf where it is able to do so under the Mortgage Loan deed, advancing payment of the premiums, without prejudice to being reimbursed by the Obligor for amounts so paid.

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

#### **10. Set-off.**

In the exceptional event that any of Loan 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 Loan should be fully or partially set-off against that credit, the Servicer shall remedy that circumstance or, if it cannot be remedied, 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 payment is made, calculated on the terms applicable to the relevant Loan.

#### **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 Agency 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 and chattel property.**

The Servicer agrees to notify the Management Company of the places, dates, terms and valuation of the real estate mortgaged as security for the Mortgage Loans and of the chattels attached as security for the Loans, auctions scheduled, and proposed action and bid, in suitable advance in order that the Management Company may put in place such actions 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 and chattel 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 or chattel 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 the obligations undertaken by the Servicer as Originator of the securitised Loans terminate, once all the Loans have been repaid, or when the liquidation of the Fund concludes after it terminates, without prejudice to a possible early revocation of its appointment under the Servicing Agreement.

In the event of insolvency of the Servicer or of administration by the Bank of Spain or in the event of a breach by the Servicer of the obligations imposed on the Servicer under the Servicing Agreement or in the event of the Servicer's credit rating falling or being lost or its financial circumstances changing to an extent that may be detrimental to or place 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 Agency, to do any of the following in order for the rating assigned to the Bonds by the Rating Agency not to be adversely affected: (i) demand the Servicer to subcontract or subdelegate to another institution the performance of the obligations and undertakings accepted in the Servicing Agreement; (ii) have another institution with sufficient credit rating and quality secure all or part of the Servicer's obligations; (iii) post collateral in the form of cash or securities in favour of the Fund in an amount sufficient to secure all or part of the Servicer's obligations in order for there to be no detriment to the rating given to the Bonds by the Rating Agency, and (iv) terminate the Servicing Agreement, in which case the Management Company shall previously designate a new Servicer with sufficient credit quality and accepting the obligations contained in the Servicing Agreement or, as the case may be, in a new servicing agreement. In the event of insolvency of the Servicer, only (iv) above shall be valid. Any additional expense or cost derived from the aforesaid actions shall be covered by the Servicer and at no event by the Fund or the Management Company.

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 the Mortgage Loan mortgaged property insurers, if any) of the transfer to the Fund of the outstanding Loans, and that the 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 and third-party guarantors and mortgaged property insurers, if any, 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 third-party guarantors and mortgaged property insurers, if any, directly or, as the case may be, through a new Servicer it shall have designated.

Furthermore, and in the same events, the Management Company may request the Servicer to do such things and satisfy such formalities as may be necessary, including third-party notices and entries in the relevant accounting records, in order to guarantee maximum efficiency of the assignment of Loan

receivables and ancillary guarantees with respect to third parties, all on the terms given in section 3.7.2.1.8 of this Building Block.

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 Agency should not confirm the provisional ratings assigned to each Series as final ratings by September 17, 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 the Obligor's Loan obligations, without prejudice to the liabilities undertaken thereby in the Deed of Constitution as Originator of the Loan receivables acquired by the Fund.

The Servicer agrees to indemnify the Fund or its Management Company for any damage, loss or expense resulting for the same on account of any breach by the Servicer of its obligations to custody, service and report on the Loans 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 where the breach of the obligation to pay any and all principal repayment and interest and other Loan amounts owing to the Fund paid by the Obligor does not result from the Obligor's default and is attributable to the Servicer.

Upon the Loans 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 direct recourse against the Servicer; that recourse shall lie with the Management Company, as the representative of the Fund, on the terms described in this section.

### **3.7.2.4 Servicer's remuneration.**

In consideration of the custody, servicing and management of the Loans 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 Loans 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. 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, through its Management Company, due to a shortage of liquidity in the Fund Priority of Payments, fail to pay on a Payment Date the full fee due to the Servicer, the 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 Loan servicing and management expenses of an exceptional nature incurred, such as in connection with legal and/or recovery actions, including procedural expenses and costs, or managing and overseeing the sale of assets or properties 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 respectively given in section 5.2 of the Registration Document and 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) Start-Up Loan:  
Start-Up Loan Agreement  
Description in section 3.4.3.1 of this Building Block.
- (iii) Subordinated Loan:  
Subordinated Loan Agreement  
Description in section 3.4.3.2 of this Building Block.
- (iv) Interest Swap:  
Interest Swap Agreement  
Description in section 3.4.7.1 of this Building Block.
- (v) Financial Intermediation:  
Financial Intermediation Agreement  
Description in section 3.4.6.4 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 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 Fund 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 ratio of such Outstanding Principal Balances to the initial face amount of each Bond.
- iv) Obligors' Loan 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 Loan 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 made 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, not less than one (1) Business Day before each Payment Date.

**b) Information referred to each Payment Date:**

In relation to the Loans on the Determination Date preceding the Payment Date:

- 1. Outstanding Balance.
- 2. Interest and principal amount of instalments in arrears.
- 3. Interest rate and, if the interest floats, benchmark indices of the Loans.
- 4. Loan maturity dates.
- 5. Outstanding Balance of Doubtful Loans and cumulative amount of Doubtful Loans from the date of establishment of the Fund.

In relation to the Fund's economic and financial position:

- 1. 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.

**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 fiscal 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 Loans, 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 through dissemination channels and systems typical of financial markets, such as Reuters, Bridge Telerate, Bloomberg or any other similarly characterised means.

2. Extraordinary notices.

Unless otherwise provided in the Deed of Constitution and in the Prospectus, 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 Day or other calendar day (as established in this Prospectus) being valid for such notices.

Exceptionally, the Nominal Interest Rate determined for the Bonds in each Series for the first Interest Accrual Period shall be notified in writing by the Management Company 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 the CNMV may require of it or by the laws in force from time to time, irrespective of the above.

**4.1.5 Information to the Rating Agency.**

The Management Company shall provide the Rating Agency with periodic information as to the position of the Fund and the performance of the Loans in order that it may monitor the rating of the Bonds and 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 September 8, 2008.**

## GLOSSARY OF DEFINITIONS

“**Act 13/1985**” shall mean Financial Intermediary Investment Ratios, Equity and Reporting Duties Act 13/1985.

“**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, as currently worded.

“**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, as currently worded.

“**Act 35/2006**” shall mean Personal Income Tax Act 35/2006, November 28, partly amending the Corporation, Non-Resident Income and Wealth Tax Acts

“**AIAF**” shall mean AIAF Mercado de Renta Fija.

“**Amortisation Deficiency**” shall mean, on a Payment Date, the positive difference, if any, between (i) the Amortisation Withholding, and (ii) the Available Funds for Amortisation.

“**Amortisation Withholding**” shall mean, on each Payment Date, the positive difference, if any, on the Determination Date preceding the relevant Payment Date, between (i) the Outstanding Principal Balance of the Bond Issue, increased by the amount to be repaid to the Spanish State upon the State Guarantee being enforced for amortising Series A2(G), and (ii) the Outstanding Balance of Non-Doubtful Loans.

“**Asset-Backed Bonds**” or “**Bonds**” shall mean Class A (consisting of Series A1, A2(G) and A3) Bonds, Series B Bonds and Series C Bonds issued by the Fund.

“**Available Funds for Amortisation**” shall mean the amount to be allocated to Bond amortisation on each Payment Date which shall be the Amortisation Withholding amount actually applied in sixth (6<sup>th</sup>) place in the order of priority for application of the Available Funds on the relevant Payment Date.

“**Available Funds**” shall mean, in relation to the Priority of Payments and on each Payment Date, the amounts to be allocated to meeting the Fund’s payment or withholding obligations, which shall have been credited to 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**” shall mean the issue of asset-backed bonds issued by the Fund having a face value of EUR four hundred million (400,000,000.00), consisting of four thousand (4,000) Bonds comprised of five Series (Series A1, Series A2(G), Series A3, 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.

“**Building Block**” shall mean a Securities Note building block, prepared using the block provided in Annex VIII to Regulation 809/2004.

**“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).

**“Capital Transfer and Documents Under Seal Tax Act”** shall mean the Consolidation of the Capital Transfer and Documents Under Seal Tax Act, approved by Legislative Royal Decree 1/1993, September 24.

**“Cash Reserve”** shall mean the Initial Cash Reserve set up on the Closing Date and subsequently provisioned up to the Required Cash Reserve amount.

**“CET”** shall mean “Central European Time”.

**“Civil Code”** shall mean the Spanish Civil Code approved by a Royal Decree dated July 24, 1889.

**“Civil Procedure Act”** shall mean Civil Procedure Act 1/2000, January 7.

**“Class A Bonds”** shall mean Series A1, A2(G) and A3 Bonds issued by the Fund having a total face amount of EUR three hundred and fifty-four million (354,000,000.00).

**“Class A”** shall mean Class A (comprising Series A1, A2(G) and A3) Bonds issued by the Fund.

**“Closing Date”** shall mean September 18, 2008, the date on which the cash amount for subscribing for the Bonds shall be paid up.

**“CNMV”** shall mean National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

**“Commercial Code”** shall mean the Spanish Commercial Code of 1885.

**“Conditions for Pro Rata Amortisation”** shall mean the conditions set down in section 4.9.3.5 of the Securities Note for amortisation of Series A1 and/or A2(G) and/or A3 and/or B and/or C Bonds.

**“Corporation Tax Act”** shall mean the Consolidation of the Corporation Tax Act, approved by Legislative Royal Decree 4/2004, March 5.

**“Corporation Tax Regulations”** shall mean the Corporation Tax Regulations approved by Royal Decree 1777/2004, July 30.

**“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, assignment by BANKINTER to the Fund of Non-Mortgage Loan receivables and Mortgage Loan receivables by issuing Pass-Through Certificates, and issue by the Fund of the Asset-Backed Bonds.

**“Delinquent Loans”** shall mean Loans that are delinquent at a date with a period of arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Loans.

**“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 the date of establishment of the Fund, inclusive, and the first Determination Date, January 13, 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 4.4.4.3 of the Registration Document, on which the assets remaining in the Fund have all been liquidated and the Liquidation Available Funds have all 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), not including the first date but including the last date.

**“Distribution of Available Funds for Amortisation”** shall mean the rules for applying the Available Funds for Amortisation between each Series on each Payment Date established in section 4.9.3.5 of the Securities Note.

**“Doubtful Loans”** shall mean Loans that are delinquent at a date with a period of arrears 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 based on indications or information obtained from the Servicer.

**“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 contained 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.

**“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. October 18, 2051 or the following Business Day if that is not a Business Day.

**“Financial Intermediation Agreement”** shall mean the agreement designed to remunerate BANKINTER for the financial intermediation process carried out, enabling the financial transformation defining the Fund's activity, the assignment to the Fund of the Loans and the rating assigned to each Bond Series, entered into between the Management Company, for and on behalf of the Fund, and BANKINTER.

**“Fund”** shall mean BANKINTER 4 FTPYME 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 by drawing down fully the Subordinated Loan amount totalling EUR thirty-eight million (38,000,000.00).

**“Interest Accrual Period”** shall mean the 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.

**“Interest Swap Agreement”** or **“Interest Swap”** shall mean the interest swap agreement to be entered into based on the standard 2002 ISDA Master Agreement (ISDA Master Agreement - Multicurrency - Cross Border) and the year 2006 definitions (ISDA 2006 Definitions) between the Management Company, acting for and on behalf of the Fund, and BANKINTER.

**“IRR”** shall mean internal rate of return as defined in section 4.10.1 of the Securities Note.

**“Issuer”** shall mean BANKINTER 4 FTPYME 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 Early Liquidation, the amounts to be allocated to meeting the Fund’s payment or withholding obligations, as follows: (i) the Available Funds, and (ii) the amounts obtained by the Fund from time to time upon disposing of the Loan receivables and of the assets remaining.

**“Liquidation Priority of Payments”** shall mean the 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.

**“Loan Servicing and Pass-Through Certificate Custody Agreement”** shall mean the Loan custody, management 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.

**“Loans”** shall mean the loan receivables owned by BANKINTER granted to non-financial small and medium-sized enterprises (legal persons) (SMEs, as defined by the European Commission -Recommendation of May 6, 2003-) domiciled in Spain, assigned by BANKINTER to the Fund upon being established.

In this Prospectus the term “Loans” shall be used to refer collectively to the Non-Mortgage Loan receivables and the Mortgage Loan receivables or the Pass-Through Certificates perfecting their assignment.

**“Management and Subscription Agreement”** shall mean the management and subscription agreement entered into between the Management Company, for and on behalf of the Fund, and BANKINTER as Lead Manager and Subscriber of the Bond Issue.

**“Management Company”** shall mean EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

**“Mortgage Act”** shall mean the Mortgage Act of February 8, 1946.

**“Mortgage Loans”** shall mean the Loans with real estate mortgage security assigned by BANKINTER to the Fund upon BANKINTER issuing and the Fund subscribing for Pass-Through Certificates.

**“Nominal Interest Rate”** shall mean the 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 Loans”** shall mean Loans that at a date are not deemed to be either Delinquent Loans or Doubtful Loans.

**“Non-Doubtful Loans”** shall mean Loans that are not deemed to be Doubtful Loans at a date.

**“Non-Mortgage Loans”** shall mean Loans without special security, secured by pledging money and/or units in investment funds or with third-party personal guarantees, assigned by BANKINTER to the Fund upon being sold by BANKINTER and acquired by the Fund.

**“Obligors”** shall mean the Loan borrowers (non-financial small and medium-sized enterprises domiciled in Spain).

**“Order of December 22, 1999”** shall mean the Order of December 22, 1999 approving form 345 for the annual return to be submitted by pension fund management companies, pension plan sponsors, entities benefiting from alternative welfare systems for benefits similar to those of pension schemes and mutual benefit funds, and the terms and hardware and software designs for replacing the inner sheets with computer-legible means.

**“Order of January 10, 2007”** shall mean Presidency Ministry Order PRE/3/2007, January 10, 2007, relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing.

**“Originator”** shall mean BANKINTER, originator of the Non-Mortgage Loan receivables and of the Mortgage Loan receivables by means issuing Pass-Through Certificates.

**“Outstanding Balance of the Loans”** shall mean the sum of outstanding capital or principal and overdue capital or principal not paid into the Fund for each and every one of the Loans.

**“Outstanding Principal Balance of Class A”** shall mean the sum of the Outstanding Principal Balance of Series A1, A2(G) and A3 making up Class A.

**“Outstanding Principal Balance of the Bond Issue”** shall mean the sum of the Outstanding Principal Balance of Series A1, A2(G), A3, B and C making up the Bond Issue.

**“Outstanding Principal Balance of the Series”** shall mean the sum of the outstanding principal to be repaid (outstanding balance) at a date on all the Bonds making up the Series.

**“Pass-Through Certificates”** shall mean the pass-through certificates issued on the Mortgage Loans by BANKINTER and subscribed for by the Fund.

**“Paying Agent”** shall mean the firm servicing the Bonds. The Paying Agent shall be BANKINTER (or any other institution taking its stead as Paying Agent).

**“Payment Date”** shall mean January 18, April 18, July 18 and October 18 in each year or the following Business Day if any of those is not a Business Day. The first Payment Date shall be January 19, 2009, because January 18, 2009 is not a Business Day.

**“PRICEWATERHOUSECOOPERS”** shall mean PricewaterhouseCoopers Auditores S.L.

**“Priority of Payments”** shall mean the priority for applying the Fund’s payment or withholding obligations both for applying the Available Funds and for distribution of Available Funds for Amortisation.

**“Prospectus”** shall mean this document.

**“RAMÓN & CAJAL”** shall mean RAMÓN Y CAJAL ABOGADOS, S.L.

**“Rating Agency”** shall mean 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 four- (4-) month Euribor and five- (5-) 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.

**“Registration Document”** shall mean the asset-backed securities registration document, prepared using the outline provided in Annex VII to Regulation 809/2004.

**“Regulation 809/2004”** shall mean Commission Regulation (EC) No. 809/2004, April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

**“Required Cash Reserve”** shall mean, on each Payment Date, the lower of: (i) EUR thirty-eight million (38,000,000.00) and (ii) the higher of a) 19.00% of the Outstanding Principal Balance of the Bond Issue and b) a sum of EUR nineteen million (19,000,000.00).

**“Risk Factors”** shall mean the document containing a description of the major risk factors linked to the issuer, the securities and the assets backing the issue.

**“Royal Decree 1065/2007”** shall mean Royal Decree 1065/2007, July 27, approving General Regulations for tax management and inspection actions and procedures and implementing rules common to procedures applicable to taxes.

**“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 629/1993”** shall mean Royal Decree 629/1993, May 3, on operating standards in securities markets and mandatory registrations.

**“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 Standard & Poor’s Rating Services, 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, as currently worded.

**“Securities Note”** shall mean a securities note, prepared using the outline provided in Annex XIII to Regulation 809/2004.

**“Series A1 Bonds”** shall mean Series A1 Bonds issued by the Fund having a total face amount of EUR one hundred and sixty million (160,000,000.00) comprising one thousand six hundred (1,600) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series A1”** shall mean Series A1 Bonds issued by the Fund.

**“Series A2(G) Bonds”** shall mean Series A2(G) Bonds issued by the Fund having a total face amount of EUR one hundred and seventy-four million four hundred thousand (174,400,000.00) comprising one thousand seven hundred and forty-four (1,744) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series A2(G)”** shall mean Series A2(G) Bonds issued by the Fund.

**“Series A3 Bonds”** shall mean Series A3 Bonds issued by the Fund having a total face amount of EUR nineteen million six hundred thousand (19,600,000.00) comprising one hundred and ninety-six (196) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series A3”** shall mean Series A3 Bonds issued by the Fund.

**“Series B Bonds”** shall mean Series B 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 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 sixteen million (16,000,000.00) comprising one hundred and sixty (160) 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 Loans and custody of the documents representing the Pass-Through Certificates under the Loan Servicing and Pass-Through Custody Agreement, i.e. BANKINTER (or any other institution taking its stead as Servicer).

**“SMEs”** shall mean small and medium-sized enterprises as defined by the European Commission in the Recommendation of May 6, 2003.

**“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, for a sum of EUR one million (1,000,000.00).

**“Start-Up Loan”** shall mean the loan granted by BANKINTER to the Fund, in accordance with the provisions of the Start-Up Loan Agreement.

**“State Guarantee”** shall mean the guarantee which the Spanish Economy and Finance Ministry shall grant to the Fund for Series A2(G) Bonds for a face amount of EUR one hundred and seventy-four million four hundred thousand (174,400,000.00), equivalent to the sum of (i) the face amount, and (ii) the finance charges corresponding to that amount in said Series. That guarantee secures, waiving the benefit of discussion established in Civil Code article 1830, payment of the Series A2(G) Bond economic obligations payable by the Fund.

**“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, for a sum of EUR thirty-eight million (38,000,000.00).

**“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.

**“Value Added Tax Act”** shall mean Value Added Tax Act 37/1992, December 28.