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Closing date:

Oct. 23, 2001

**Transaction Summary****Settlement date:**

Oct. 25, 2001.

**Collateral:**

A pool of mortgage loans secured by first-ranking mortgages on residential properties located in Spain.

**Participants****Lead managers:**

Dresdner Kleinwort Wasserstein,

Credit Agricole Indosuez, and

Bankinter S.A.

**Issuer:**

Bankinter 3 Fondo de Titulización Hipotecaria.

**Seller:**

Bankinter S.A.

**Servicer:**

Bankinter S.A.

**Sociedad gestora:**

Europea de Titulización S.A.

**Subordinated line of credit provider:**

Bankinter S.A.

**Bonds swap provider:**

Bankinter S.A.

**GIC provider:**

Bankinter S.A.

## NEW ISSUE: BANKINTER 3 FONDO DE TITULIZACION HIPOTECARIA

**€1.322 billion mortgage-backed floating-rate bonds**

This presale report is based on information as of Oct. 10, 2001. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

| Class | Preliminary rating* | Preliminary amount (Mil. €) | Recommended credit support (%) |
|-------|---------------------|-----------------------------|--------------------------------|
| A     | AAA                 | 1,273.6                     | 3.70                           |
| B     | A+                  | 33.7                        | 2.15                           |
| C     | BBB+                | 15.2                        | 1.00                           |

\*The rating of the securities is preliminary and subject to change at any time.

**Rationale**

The ratings on the bonds issued by Bankinter 3 Fondo de Titulización Hipotecaria reflect:

- The ability of the servicer to perform its roles in this transaction;
- The sound legal structure of the transaction;
- The protection for noteholders provided by the levels of subordination and excess spread.

### Strengths, Concerns, and Mitigating Factors

**Strengths**

The strengths of the transaction observed in the rating analysis are:

- The strong credit quality of the collateral;
- All of the loans being first-charge mortgage loans;
- Low loan-to-value (LTV) ratios, with no loan having an LTV greater than 80%; and
- Strong origination and servicing provided by Bankinter S.A. (A/Stable/A-1).

**Concerns**

A concern identified with respect to the transaction is that a reserve fund in the form of a subordinated line of credit provided by Bankinter S.A. is not drawn down upon closing.

**Mitigating Factors**

Factors that mitigate this concern are as follows:

- The series A bonds are supported by the subordination of the series B and C bonds and the excess spread, and are not reliant on the undrawn subordinated line of credit.
- The series B bonds, which are capped at 'A-1' due to the 'A-1' short-term rating of

Bankinter S.A., are supported by the subordination of the series C bonds, excess spread, and the undrawn subordinated line of credit.

- The series C bonds are supported by the excess spread and undrawn subordinated line of credit.
- There are triggers to form a fully funded reserve fund by drawing down the subordinated line of credit upon a lowering of Bankinter S.A.'s short-term 'A-1' and long-term 'A' ratings.

**Main Transaction Parties****Bankinter 3 Fondo de Titulización Hipotecaria (Issuer)**

The issuer of the bonds is a separate special-purpose entity established for the purpose of this transaction and registered with the Comisión Nacional del Mercado de Valores. The issuer has been established for the purpose of issuing the bonds and purchasing the portfolio of loans.

**Bankinter S.A. (Originator and Servicer)**

The originator of the assets is Bankinter S.A., which was founded in 1965 as a joint venture between the former Bankinter and Bank of America. Since then, both banks have divested their participations and their shares are widely held and publicly traded on the Madrid stock market. Bankinter S.A. focuses on three main areas: retail banking, wholesale corporate banking, and middle-market operations and private banking.

**Interest Rate Swap Provider**

Bankinter S.A. is the interest rate swap provider under the terms of the swap agreement.

**Europea de Titulización S.A. (Sociedad Gestora)**

The role of Europea de Titulización S.A. is to generally represent and protect the interests of the noteholders and oversee the administration of the portfolio. Only this company is able to enforce the security under the terms and conditions of the bonds and it will always have to act in the best interest of the noteholders.

**The Account Bank**

The collection account will be held with Bankinter S.A. as long as it has a required short-term rating of 'A-1'.

**Transaction Structure**

The mortgage securitization law in Spain requires that the bonds be issued by a fondo (fund), whose activities are managed by a sociedad gestora, an independent management company authorized by the Ministry of Economy and Treasury. The fund's remit includes responsibility for purchasing the mortgage participations, issuing the bonds, and conducting related activities. The sociedad gestora represents and defends the interests of the bondholders and enters into the various contracts on behalf of the issuer.

The mortgage participations are issued and serviced by Bankinter S.A.

Each participation is backed by a single residential mortgage loan. Mortgagors make their payments directly to Bankinter S.A., which then pays these amounts to the fondo. If Bankinter S.A.'s short-term rating falls below 'A-1', the issuer's account will be transferred to an appropriately rated institution.

Series A bondholders are protected from potential credit losses on the underlying mortgages by the 3.7% subordination of the series B and C bonds. Series B bondholders are protected from potential credit losses on the underlying mortgages by the 2.15% subordination of the series C bonds and the undrawn subordinated line of credit. Series C bondholders are protected from potential credit losses on the underlying mortgages by the 1% subordination of the undrawn subordinated line of credit.

In each case, revenue shortfalls, resulting from mortgage defaults, should not impair the issuer's ability to meet full and timely interest payments on the series A, B, and C bonds. This is due to the fact that the issuer may use mortgage

principal receipts (not yet needed to redeem bond principal) to fund interest payments on the bonds.

Bankinter S.A. provided the subordinated credit line, and will continue to do so as long as it is rated at least 'A/A-1'. In the event of a lowering of its short- or long-term ratings, the subordinated credit line will be drawn down to the maximum amount to form the reserve fund within 5 days or 30 days, respectively, unless Bankinter provides for the benefit of the fondo, at its cost, a first demand security or guarantee to cover all draw-downs from an institution whose debt is rated at least 'A/A-1'.

An interest rate swap agreement between the sociedad gestora (on behalf of the issuer) and Bankinter S.A. converts the interest payments received on the mortgage participations into the variable amount payable on the bonds.

**Bond Terms**

Interest is payable on the 16th day of January, April, July, and October, beginning in January 2002 (subject to normal business conditions). Unless redeemed earlier, the bonds will be redeemed at their maturity in April 2038.

Principal is passed through to series A and B bondholders on interest payment dates if it is not needed to fund current interest on the series A bonds. All available principal will be used to redeem series A bonds until the ratio of series B bonds to series A bonds equals 4.46%. Once the ratio is 4.46%, principal will be allocated on a pro rata basis to both series until series A and B have fully redeemed. However, redemption of the series B bonds will be interrupted if 6% or more of the mortgages are at least 90 days delinquent, if the principal is only sufficient to pay series A, or there is any deficit in the amortization.

Once the series A and B bonds have been fully redeemed, then the series C will start to amortize.

The subordinated credit line is equal to the lesser of 1% of initial bonds issued or 2% of the outstanding balance of the mortgage loans. However, the subordinated credit line will not be reduced if one of the following events occurs:

- 2.5% of the mortgages are at least 90 days delinquent.
- Delinquencies of more than 12 months are greater than the amount obtained by multiplying 0.025% of the initial mortgage

loans by the number of payment dates since the original disbursement date.

- The weighted-average interest rate on the mortgage loans is less than the weighted-average interest rate on the bonds plus 0.4%.
- If principal collected is sufficient only to pay the series A bonds.

The bonds may be fully redeemed if:

- The remaining balance of the collateral falls below 10% of its original balance; or
- The sociedad gestora becomes bankrupt or its authorization is revoked and no replacement can be found.

### *Collateral Description*

The collateral securing the obligations consists of 1.32 billion pool of mortgage participations issued by Bankinter S.A. Each participation is backed by an individual first mortgage loan, which is fully amortizing and secured by a residential, owner-occupied property in Spain. The issuer is entitled to receive all principal and interest from the underlying mortgages.

Bankinter S.A. does not advance or guarantee amounts due on the mortgage participations. The participations are subject to the same risks of delayed payments and losses as the underlying mortgage loans. According to Spanish legislation, interest payments on the mortgage participations are not subject to any withholding tax.

About 20,000 mortgages back the collateral pool and have an average loan size of 70,000. All of the mortgages in the pool are floating-rate mortgages. The current interest rates on the mortgages range from 3.50% to 8.12% with an average rate of about 5.34%. The mortgage payments are level pay and made monthly. None of the loans has an LTV ratio greater than 80%, and the average current LTV is just under 62%. The mortgages were originated between January 1998 and December 2000.

As of the sale date of the bonds, none of the mortgages was delinquent.

### *Surveillance Details*

Continual surveillance is maintained on the transaction until the notes mature or are otherwise retired. To do this, regular servicer reports detailing the performance of the underlying collateral are analyzed, supporting ratings are monitored, and regular contact is made with the servicer to ensure that minimum servicing standards are being sustained and that any material changes in the servicer's operations are communicated and assessed.

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