

# BANKINTER 2, Fondo de Titulización Hipotecaria, Bonos de Titulización Hipotecaria

Spain

**CLOSING DATE:**

October 26, 1999

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**TRANSACTION IN BRIEF**

Rating:	<b>Aaa</b>	<b>Aaa</b>	<b>Aaa</b>	<b>Aaa</b>	<b>A2</b>
Series:	A1	A2	A3	A4	B
Amount:	€ 21.4 mn	€ 26.9 mn	€ 36.4mn	€ 222.5mn	€ 12.8
Margin:	0	0.75bp	15bp	25bp	50bp
Payment Dates:	March and September				
Final Maturity:	September 2034				
Issuer :	Bankinter 2, Fondo de Titulizacion Hipotecaria				

**Originators/Administrators**

Bankinter (A1/P1)

**Management**

company (Gestora): Europea de Titulizacion, SGFT, S.A.

**Depository/**

Paying Agent: Bankinter (A1/P1)

**Collateral Characteristics**

Type: Mortgage shares (Participaciones Hipotecarias: PHs)

Coupon: Underlying mortgage rate

Count: 5,211

Total Amount

(Approx.): € 320,000,000

**Provisional Pool of Underlying Mortgage Loans**

Type: Primary residential mortgage loans

WALTV: 57.72%

Average Loans: € 61,408

WAC (Current): 4.06 %

Interest Basis: Variable

Indices: MIBOR 12 months

Orig. Loan Purpose: Purchase, Construction and Renovation

Geog. Concentrations: Madrid 29.28%, Catalunya 10.52%,  
Vasque Country 11.32%

Structure: Senior/Mezzanine/LOC

Credit Enhancement: Mezzanine 4.15% B Bond / 3.25% L.O.C.

Issue Date: October 1999



## **RATING OPINION**

Moody's has assigned a **Aaa** rating to the Series A1, A2, A3 and A4 Bonos and a **A2** rating to the series B Bonos de Titulizacion Hipotecaria (BTH's mortgage securitisation bonds) issued by Bankinter 2.

These ratings are based on:

- the legal characteristics of the mortgage shares (participaciones hipotecarias – "PHs" )
- a loan by loan analysis of the quality of the mortgage loans underlying the mortgage shares,
- the analysis of other types of risk, including operational risk, prepayment, interest rate, and liquidity risk, as well as legal risk,
- adequate credit enhancement, i.e. the subordination available to each rated class which partially off-sets the above risks, (the subordinate position of the Series B Mezzanine Bonds with respect to the Series A Bonds),
- the strength of the cash flows, including the line of credit and any excess spread available to cover losses
- the experience of the Gestora Europea de Titulizacion, SGFT, S.A. and the supporting guarantee of the gestora obligations by all of its shareholders.
- the contractual obligations and credit strength of the parties to the transaction.

Moody's evaluation included the legal and regulatory context of the primary and secondary mortgage market and of structured transactions in Spain.

The ratings assigned to the BTHs address the timely payment of interest and payment of principal on or before the final maturity of the transaction in September 2034.

## **RATING SUMMARY**

### **Collateral**

#### **2nd Transaction done by Bankinter**

The underlying pool of loans backing the certificates are the second transaction done by Bankinter during 1999. The pool consists of good quality loans having LTV levels of 60.27%, a good geographical diversification with natural bias towards the region of Madrid (29.28%) and Cataluña (10.52%) and low arrears levels. The pool also benefits from Bankinter's strong capitalization, good asset quality, superior pre-provision profitability, and its technological leadership.

Although the pool's highlights far exceed the risks, Moody's has considered Bankinter's 2 short seasoning (approximate seasoning of 1 year) to be lower than the average within the Spanish Market.

## **STRUCTURE SUMMARY**

The (BTHs) are issued by a mortgage securitisation fund (fondo de titulización hipotecaria) which was created and is managed by Europea de Titulizacion, SGFT, S.A., the management company. The BTH's are secured by PHs.

Under Spanish law each PH represents a certain percentage of a single mortgage loan for the entirety of its remaining life and grants to its holder the right to undertake executory action against the originator and, under certain circumstances, the right to pursue the mortgage debtor. As the Fondo does not possess juridic personality any such action must be taken on its behalf by the Gestora. In this transaction all of the PH's represent 100% of the underlying mortgage loan and pay interest at the mortgage rate. Payments of interest on PHs purchased by a mortgage securitisation fund are not subject to withholding tax. However, interest payments on the BTHs issued by the fund are subject to withholding tax.

All of the mortgage loan securing the PH's were originated by Bankinter (**A1/P1**) which will continue to service the loans and will substitute or repurchase any PH that is found to be backed by a loan that fails to meet various criteria.

## **Basis and Liquidity Risk: Deal Not Protected by a Swap**

The structure is exposed to a degree of interest rate risk. The interest payable on the Series A and B BTH's pay 6 month Euribor, while the PH's are all linked to 12 month Mibor. This transaction is not protected by a swap.

Although Moody's believes that any substantial interest rate mismatches between Euribor and Mibor are likely to be relatively short lived, they could expose the structure to substantial liquidity risks .

This risk is mitigated by the size of the Line of Credit and of the class B notes which also provide protection against the risk that the average interest reset on 6 month Euribor might exceed that of 12 month Mibor over the life of the deal.

## **CREDIT ENHANCEMENT**

### **Typical Senior-Subordinated Structure**

The certificate holders are protected from losses primarily with a traditional senior/subordinated structure with a Line of Credit.

- The first layer of protection is *spread* in the transaction, which is the difference between (1) the interest earned on the PH's (MIBOR +0.75% approximately) (2) and the coupons paid on the BTH's and other obligations plus the Gestora fee. The value of the ongoing spread was assessed under a variety of adverse conditions which would minimise its availability, including high prepayment speeds, various loss distributions, and high arrears levels. Spread that is not used to cover shortfalls of interest or principal or to replenish one of the reserve funds within each interest period is not trapped within the structure.
- The second layer of protection for investors is the *Line of Credit*. At any moment the maximum credit amount will be 3.25% of the initial PH balance.
- The third layer of protection is the *Series B bonos* which initially amount to 4.15% of the PH original balance. Amortisation of the Series B Bonos will take place when the outstanding principal balance of the B Bonos is greater than or equal to 8% of the outstanding principal balance of the A Bonos.

### **Origination/Servicing**

Moody's reviewed the facilities, underwriting and collections procedures, and servicing systems of the originators and compared them with the overall lending practices of banks and mortgage lenders in Spain.

Moody's believes Bankinter is capable of fulfilling its servicing obligations in the transaction due to its solid credit fundamentals, strong capitalization, good asset quality, superior pre-provision profitability as well as its technological leadership.

### **Management Company (Gestora)**

The management company (Sociedad Gestora) has broad powers under the Spanish securitisation law.

Europea de Titulizacion is an experienced company. The obligations of the Gestora within the structure are guaranteed by its shareholders in proportion to their holdings. Argentaria accounts for 83% of the Gestora's capital. The remainder is owned by 15 institutions including JP Morgan 4%, Abbey National Bank S.A.E. 1,54%, Bankinter 1,53%, Barclays Bank 1,53%, Citibank España

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