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Research:

Presale: Bankinter 5 Fondo de Titulización Hipotecaria

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Credit Analyst: Andrea Quirk, London (44) 20-7826-3736; Jose Ramon Tora, Madrid (34) 91-389-6955

€710 Million Mortgage-Backed Floating-Rate Notes

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Class	Preliminary credit rating*	Preliminary amount (Mil. €)	Recommended credit support (%)
A	AAA	684.10	4.50
B	A+	14.90	2.40
C	BBB+	11.00	0.85

*The credit rating on each class of securities is preliminary and subject to change at any time.

Profile

Expected closing date: December 2002.

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

Lead manager: Bankinter S.A.

Seller: Bankinter S.A.

Servicer: Bankinter S.A.

Fund manager (sociedad gestora): Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización ("Europea de Titulización").

Reserve fund provider: Bankinter S.A.

Interest rate swap provider: Bankinter S.A.

Guaranteed investment contract (GIC) provider: Bankinter S.A.

Supporting ratings: Bankinter S.A. (A/Stable/A-1).

Rationale

The preliminary credit ratings assigned to the €710 million mortgage-backed floating-rate notes to be issued by Bankinter 5 Fondo de Titulización Hipotecaria ("Fondo") reflect:

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

Final credit ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinion.

Strengths, Concerns, and Mitigating Factors

Strengths

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

- The credit quality of the collateral is strong as partly reflected by the relatively low LTV ratios. No loan has an LTV greater than 80%.
- All of the mortgage loans in the pool are first-charge mortgage loans.
- Principal can be used to pay class B and class C interest but only to the extent that the amount of principal used to pay class B and class C interest is less than or equal to the amount of subordination provided by the class B and class C notes and the reserve fund.
- Strong origination and servicing is provided by Bankinter (A/Stable/A-1).

Concern

A concern identified with respect to the transaction is that a small number of loans in the portfolio are for second homes or holiday homes.

Mitigating Factors

Standard & Poor's analysis of the portfolio and cash flow model stresses has taken the presence of holiday homes into consideration.

Main Transaction Parties

Bankinter 5 Fondo de Titulización Hipotecaria (Issuer)

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

Bankinter S.A. (Originator, Servicer, Interest Rate Swap Provider, and Account Bank)

The originator of the assets is Bankinter, which was founded in 1965 as a joint venture between the former Banco de Santander 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 focuses on three main areas: retail banking, wholesale corporate banking, and middle-market operations and private banking.

Bankinter will be the interest rate swap provider under the terms of the swap agreement.

The collection account will be held with Bankinter as long as it has the required short-term rating of 'A-1'. If Bankinter is downgraded, there is suitable replacement language in the documentation for a substitute account bank.

Europea de Titulización S.A. (Sociedad Gestora)

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

The mortgage securitization law in Spain requires the notes to 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 fondo's remit includes responsibility for purchasing the mortgage participations, issuing the notes, and conducting related activities.

The sociedad gestora will represent and defend the interests of the bondholders, and enter into the various contracts for the issuer.

Collateral Description

The collateral securing the notes will consist of a €710 million pool of mortgage participations issued by Bankinter. Each participation will be 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 will not advance or guarantee amounts due on the mortgage participations. The participations will be 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 will not be subject to any withholding tax.

There are currently 9,031 mortgages in the collateral pool with an average loan size of €80,801. The final pool will be determined at closing. All of the loans in the pool are floating-rate loans. 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 64%. The mortgages were originated between March 1997 and March 2002.

At the sale date of the notes, none of the mortgages will have been delinquent longer than one month.

Transaction Structure

The mortgage participations will be issued and serviced by Bankinter.

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

Class A bondholders will be protected from potential credit losses on the underlying mortgages by the 4.5% subordination of the class B and class C notes and the reserve fund.

Class B bondholders will be protected from potential credit losses on the underlying mortgages by the 2.4% subordination of the class C notes and the reserve fund.

Class C bondholders will be protected from potential credit losses on the underlying mortgages by the 0.85% reserve fund.

An interest rate swap agreement between the sociedad gestora (on behalf of the issuer) and Bankinter will convert the interest payments at the index payable on the mortgage participations into the variable amount payable at the index on the notes.

Bond Terms

Interest will be paid on the 12th day of February, May, August, and November, beginning in May 2003. Unless redeemed earlier, the notes will be redeemed at their maturity in November 2039.

All available principal will be used to redeem the class A notes until the balance of the class B notes and the balance of the class C notes is equal to 4.2% and 3.1%, respectively, of the outstanding balance of all classes of notes. Once these ratios have been reached, principal will be allocated on a pro rata basis to all classes. However, pro rata redemption will be interrupted if any of the following should occur:

- With respect to the amortization of the class B notes, if 2.5% or more of the mortgages are at least 90 days delinquent;
- With respect to the amortization of the class C notes, if 2% or more of the mortgages are at least 90 days delinquent,
- If the reserve fund is not at the required amount (as defined below) and if there is an deficit.

Principal can be used to pay interest on all classes of notes. However, principal cannot be used to pay interest on the class B and C notes if the amount of principal required to pay interest on the class B and C notes is greater than or equal to the amount of subordination of the class B and C notes and the reserve fund.

The reserve fund is determined the following way:

- The greater amount of 1.7% of the outstanding principal balance of the notes and 0.6% of the initial issuance of the notes is taken;
- This is compared with 0.85% of the initial issuance of the notes, and the lower of the two is set as the amount of the reserve fund.

The reserve fund will not be reduced, however, if arrears reach a certain level and if there is an amortization deficit.

The notes 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.

Surveillance Details

Continual surveillance will be 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 will be analyzed, supporting ratings will be monitored, and regular contact will be 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.

Analyst E-Mail Addresses

andrea_quirk@standardandpoors.com

jose_tora@standardandpoors.com

StructuredFinanceEurope@standardandpoors.com