

# BANKINTER 6 - FONDO DE TITULIZACION DE ACTIVOS

**Bankinter  
RMBS  
Spain**

## CLOSING DATE

[•] September 2003

**Madrid**

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**PLEASE NOTE:** This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of [•]. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The **definitive** ratings may differ from the **prospective** ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk.

## RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Expected Maturity
A	<b>Aaa</b>	€ 1295.3	95.95%	Aug 2038	[•]
B	<b>A2</b>	€ 27.7	2.05%	Aug 2038	[•]
C	<b>Baa3</b>	€ 27.0	2.00%	Aug 2038	[•]
Total		Euro 1,350 million		100%	

The ratings address the timely payment of interest, and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks, such as those associated with the timing of principal prepayments and other market risks, have not been addressed and may have a significant effect on yield to investors.

## OPINION

### Strengths Of The Transaction

- Good quality collateral
- 18M writeoff mechanism
- Strong triggers (on amortization of RF)
- Better seasoning than on previous BK deals
- **Aa3** rated originator
- The experience of Europea de Titulización as gestora and the supporting guarantee of the gestora obligations by all of its shareholders
- Weighted Average margin on the loans is slightly higher than on the previous deal

### Weakness And Mitigants

- LTV levels are marginally higher than on previous Bankinter deals (Some high LTV loans are included)
- Possibility that some of the variable rate loans will become fixed rate loans – this risk however should be covered by the basis swap



**Moody's Investors Service**

23 September, 2003

**STRUCTURE SUMMARY**

Issuer:	BANKINTER 6 FTA
Structure Type:	Mezzanine - Subordinated - RF
Seller/Originator:	BANKINTER
Interest Payments:	quarterly on February 26 <sup>th</sup> , May 26 <sup>th</sup> , August 26 <sup>th</sup> , and November 26 <sup>th</sup>
Principal Payments:	Pass-through pro-rata
Credit Enhancement/Reserves:	RF
Liquidity Facility:	N/A
Hedging:	basis swap
Principal Paying Agent:	BANKINTER
Security Trustee:	Europea de Titulizacion
Note Trustee:	Europea de Titulizacion
Arranger/Lead Manager:	BANKINTER, [ tbd ]

**COLLATERAL SUMMARY (09/01/03)**

Receivables:	Mortgage Loans
Number of Contracts:	16,430
Number of Borrowers:	16,430
Type of Equipment:	Residential Property
Geographic Diversity:	Madrid (28.54%), Cataluna (21.35%)
W. Average LTV:	67.52%
W.A. Remaining Term:	275.19 months
W.A. Seasoning:	19.43 months
Delinquency Status:	No loans more than 1 month in arrears at time of closing

**CREDIT SUPPORT**

<b>Class</b>	<b>Index Rate</b>	<b>Margin</b>
A	3M EURIBOR	[•]
B	3M EURIBOR	[•]
C	3M EURIBOR	[•]

***Recurrent plain vanilla Bankinter transaction but with some high LTV loans***

***FTA - transaction structured as an FTA (Fondo de Titulización de Activos)***

***1. Pro-Rata amortisation***

## **OVERVIEW**

Bankinter taps the market for the sixth time with this transaction consisting on the securitisation of standard mortgage loans and some high LTV mortgage loans. This represents Bankinter's first issuance including high LTV loans.

In addition and as a modification from the previous deals, the percentage of loans that could be renegotiated in terms of maturity has been extended from a level of 5% to 10%.

The product being securitised are first lien mortgage loans - granted to individuals who are resident in Spain and who will use these loans primarily to acquire or refurbish a primary residence (94.96% of the loans are financing a first residence) - All of the mortgage loan securing the PH's were originated by BANKINTER (**Aa3/P1**)<sup>1</sup> 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.

## **Structural and Legal Aspects**

The (BTAs) are issued by an asset securitisation fund (fondo de titulización de activos) which was created and is managed by Europea de Titulización, SGFTH, S.A., the management company. The BTA's are secured by PHs and CTHs (Certificados de Transmisión de Hipoteca).

Under Spanish law each PH and CTH represent 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 mortgage debtor and, under certain circumstances, the right to pursue the originator. 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 and CTH's represent 100% of the underlying mortgage loan and pay interest at the mortgage rate. Payments of interest on PHs and CTHs purchased by an asset securitisation fund are not subject to withholding tax. However, interest payments on the BTAs issued by the fund are subject to withholding tax.

Class B Notes will start amortising pro-rata with the Class A notes when they represent 4.1% of the outstanding balance under the Class A, B and C notes.

Class C Notes will start amortising pro-rata with the Class A and B notes when they represent 4.0% of the outstanding balance under Class A, B and C notes.

However, the pro-rata amortisation will cease if:

- There is a principal deficiency (i.e. there are not enough funds available to pay the principal withholding on any payment date), or
- The outstanding amounts that are more than 90 days and less than 18 months in arrears represent more than 2% outstanding amount of the loans for Class C and 2.25% for Class B, or
- The available amount under the reserve fund is equal to the then current required amount

In addition to these triggers, the pro-rata amortisation will cease when the loan balance is less than 10% of the initial loan balance.

This transaction incorporates a PDL definition, by which PDL will be the positive difference, if any, between (i) the positive difference existing between the Principal Balance Outstanding on the Bonds and the Balance Outstanding on the mortgages not more than 18 months in arrears and (ii) the funds available for amortisation.

<sup>1</sup> Bankinter's rating has been upgraded from **A1** to **Aa3** on November 6<sup>th</sup> 2002.

2. **SWAP**

The transaction includes a basis swap by which the index reference rates on the assets are exchange against the index reference rate on the notes.

If Bankinter, as swap provider, is downgraded below A1, it will have to (i) cash-collateralise its obligation under the swap to an amount satisfactory to Moody's, or (ii) find a suitable rated guarantor, or (iii) it would have to find a substitute.

3. **Reserve Fund**

Bankinter will provide a Reserve Fund. At each point in time the required amount to be available under the Reserve Fund will be the lesser of the following amounts:

- 1. [ 1.15%] of the initial balance of the notes
- 2. the higher of the following amounts:
  - [2.30 %] of the Outstanding notional balance of the notes
  - [1.00 %]of the initial amount of the Nominal balance of the notes

The Reserve Fund will be used to protect the Class A, B and C bonds against interest shortfall on an ongoing basis, and against shortfalls of principal at the end of the transaction.

Amortisation of the reserve fund will cease if the following scenarios occur:

- The outstanding amount over 90 days in arrears and less than 18 months in arrears represents more than 1.0% of the outstanding amount
- There is a principal deficiency

*Good quality collateral - strong performance in the past*

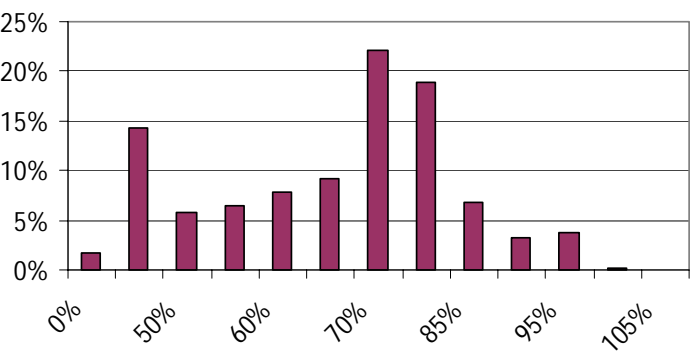
**COLLATERAL – REFERENCE PORTFOLIO**

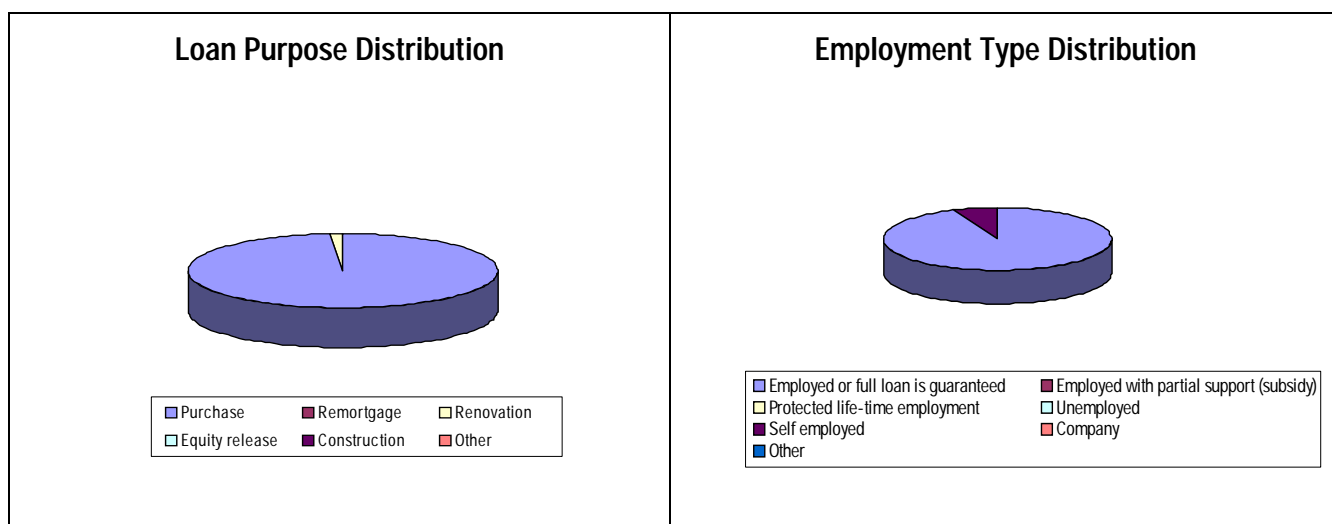
As already mentioned, the collateral is quite strong with the only peculiarity that some high LTV loans are included within the final pool cut. Approximately 30% of the mortgage loans are ranked over the 80% LTV limit. This is the first time Bankinter is including high LTV loans within their portfolio.

In addition, the percentage of loans that can be renegotiated in terms of maturity has been extended from a level of 5% to 10%. The main characteristics of the portfolio are as follows:

WA LTV	67.52%
LTV > 80%	27.85%
WA Seasoning	19.43 months
WA Remaining Term	275.19 months
Regional Diversification	Madrid: 28.54%; Cataluña: 21.35%

**LTMV for Total Portfolio**





**Bankinter - rating  
upgraded from A1 to  
Aa3**

## ORIGINATOR, SERVICER AND DUE DILIGENCE

Moody's **Aa3/P-1/B** ratings for Bankinter reflect the bank's solid credit fundamentals - strong efficiency levels, good asset quality and strong recurring earning power - as well its technological leadership. The ratings also take account of Bankinter's more limited position in the Spanish market. Bankinter's business focuses primarily on servicing and financing small- and medium-sized companies and the top end of the retail market. Its sophisticated clientele and its increasing reliance on non-conventional channels to distribute its products and services could make Bankinter's retail franchise more vulnerable to new participants in an increasingly commoditised market which compels the bank to maintain at all times a differentiated product offering and high quality of service. A low-cost structure and strong and stable non-interest income enables the bank to maintain a recurring earning power above that of many of its larger peers. We believe that behind Bankinter's success - demonstrated by its strong financial fundamentals - lies its flexible and agile commercial strategy, which results from the bank's technological leadership that allows it to react rapidly to market changes in a highly competitive environment.

## MOODY'S ANALYSIS

### Loan by loan analysis

In order to analyse the risk of the transaction and to assess the size of the credit enhancement consistent with the rating assigned, Moody's adopts a three-part focus to its analysis:

- **Collateral Analysis** - Although *Moody's does not believe that any predetermined model can accurately reflect all of the possible risk factors and combinations* within the Spanish mortgage market, a quantitative-based model (Loan-by-Loan) has been developed to assist in the analysis of mortgage loans under various conditions.

Under the loan-by-loan approach, Moody's calculates an enhancement level for each loan in the pool to be securitised in the following three ways:

- Deriving a *benchmark credit enhancement number* based on its loan-to-property value ratio (LTV). This number assumes that all of the characteristics of the loan (other than LTV) are identical with those of a good quality *benchmark loan*.

- **Assumptions:** In the loan-by-loan model, a benchmark credit enhancement figure is obtained by taking into account each loan's current LTV level, and by penalising or benefiting any parameter that on aggregate may shift from our benchmark loan assumption. The model takes into account the following severity of loss assumptions: (1) house price decline is 30%, (2) interest rates going up to 8%, (3) 27 months to sell a property, and (4) 7% costs associated with the sale of the property. High interest rates affect the affordability, but also increase the severity over the period in which repossession takes place.
- *Modifying* the resultant *benchmark credit enhancement number* for each loan so as to reflect how the individual characteristics of that loan differ from those of a benchmark loan. These adjustments can be both qualitative and quantitative.
- Adding the enhancement levels for each loan in the pool together, and then adjusting this result based on the overall *concentrations of certain loan characteristics* in the pool.
- The results of this loan by loan model are then reviewed by the rating committee along with performance data that has been provided by the originator, and information available to Moody's from previously securitised pools.
- **Structural Analysis:** This considers how the cash flows generated by the mortgage collateral are allocated to the parties within the transaction, and the extent to which various structural features of the transaction may provide additional protection to investors, or act as a source of risk themselves.
- **Legal Analysis:** Moody's considers whether the legal documents ensure that the cash flows are allocated to the assumptions made in its structural analysis.

*For more information regarding Spanish MBS rating methodology refer to Moodys.com – "Spanish Residential Mortgage Backed Securities, An Introduction to Moody's Rating Approach".*

## RATING RECOMMENDATION

The fact that this pool cut has some high LTV loans helps to explain why the enhancement levels are slightly higher than on the previous BK 5 deal. Also, although Moody's is very comfortable with Bankinter's underwriting criteria, we nevertheless feel that high LTV products are riskier than traditional mortgage products because:

- a. They directly impact the frequency and severity of losses.
- b. They impact the probability of default
- c. In the case of high LTV loans, the equity a borrower might have invested in a property is reduced.
- d. They introduce a degree of flexibility that may alter a borrower willingness to pay.

In addition:

- a. High LTV loans have a short track record
- b. They have a long term exposure with little collateral (for high LTV loans) and consequently a very slow equity build up.

Therefore, Moody's has incorporated these additional risks in its analysis in order to size the credit enhancement accordingly.

As compared with previous deals –

	BANKINTER 5		BANKINTER 4		BANKINTER 3		BANKINTER 2		BANKINTER 1																				
CLOSING	Dec-02		Sep-02		Oct-01		Oct-99		May-99																				
Wav LTV	63.96%		61.69%		60.81%		60.77%		57.23%																				
GEOG	Madrid (31%)		Madrid (35%)		Madrid(28.16%)		Madrid (34.77%)		Madrid (34.67%)																				
GEOG	Catalonia (14%)		Catalonia (16%)		Catalonia (14.18%)		Catalonia (11.87%)		Catalonia (13.41%)																				
SEASONING	1.95 Years		1.89 Years																										
B BOND	2.10%		2.10%		2.55%		4.15%		3.70%																				
C BOND	1.55%		1.55%		1.15%																								
	RF	0.85%	LOC	1.05%	LOC	1%	LOC	3.50%	LOC	2.75%																			
<table><tr><th colspan="2">BANKINTER 6</th></tr><tr><td>CLOSING</td><td>Sep-03</td></tr><tr><td>Wav LTV</td><td>67.52%</td></tr><tr><td>GEOG</td><td>Madrid (29%)</td></tr><tr><td>GEOG</td><td>Catalonia (21%)</td></tr><tr><td>SEASONING</td><td>1.62 Years</td></tr><tr><td>B BOND</td><td>2.05%</td></tr><tr><td>C BOND</td><td>2.00%</td></tr><tr><td>RF</td><td>1.15%</td></tr></table>												BANKINTER 6		CLOSING	Sep-03	Wav LTV	67.52%	GEOG	Madrid (29%)	GEOG	Catalonia (21%)	SEASONING	1.62 Years	B BOND	2.05%	C BOND	2.00%	RF	1.15%
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## RATING SENSITIVITIES AND MONITORING

Moody's will monitor the transaction on an ongoing basis to ensure that its transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

Europea de Titulización, S.G.F.T, S.A, in its capacity as management company, will prepare quarterly monitoring reports with respect to the portfolio and payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data. Moody's will monitor this transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. For updated monitoring information, please contact [monitor.madrid@moody.com](mailto:monitor.madrid@moody.com).

## RELATED RESEARCH

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports

- All BANKINTER NIR and PERFORMANCE OVERVIEWS

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