

Research:

New Issue: Bankinter 6 Fondo de Titulizacion de Activos

€1.35 billion mortgage-backed floating-rate notes

Publication date: 07-Oct-2003

Credit Analyst: Andrea Quirk, London (44) 20-7826-3736; Patricia Perez Arias, London (44) 20-7826-3840

■ Ratings Detail

Profile

New Ratings

Class A	AAA
Class B	A+
Class C	BBB+

Closing date: Sept. 26, 2003

Transaction Summary

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

Participants

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.

Reserve fund provider: Bankinter S.A.

Interest rate swap provider: Bankinter S.A.

GIC provider: Bankinter S.A.

Account bank: Bankinter S.A.

Supporting ratings: Bankinter S.A. (A/Stable/A-1) as interest rate swap provider, account bank, and GIC provider.

■ Rationale

The credit ratings assigned to the €1.35 billion mortgage-backed floating-rate notes issued by Bankinter 6 Fondo de Titulización de Activos (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.

■ 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. The weighted-average LTV ratio of the portfolio is not greater than 67.52%.
- All of the loans in the pool are first-charge mortgage loans.
- Principal can be used to pay class B and C interest, but only to the extent that the amount of principal used to pay it is less than or equal to the amount of subordination of the class C notes and reserve.
- Bankinter S.A. (A/Stable/A-1) provides strong origination and servicing capabilities.

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.

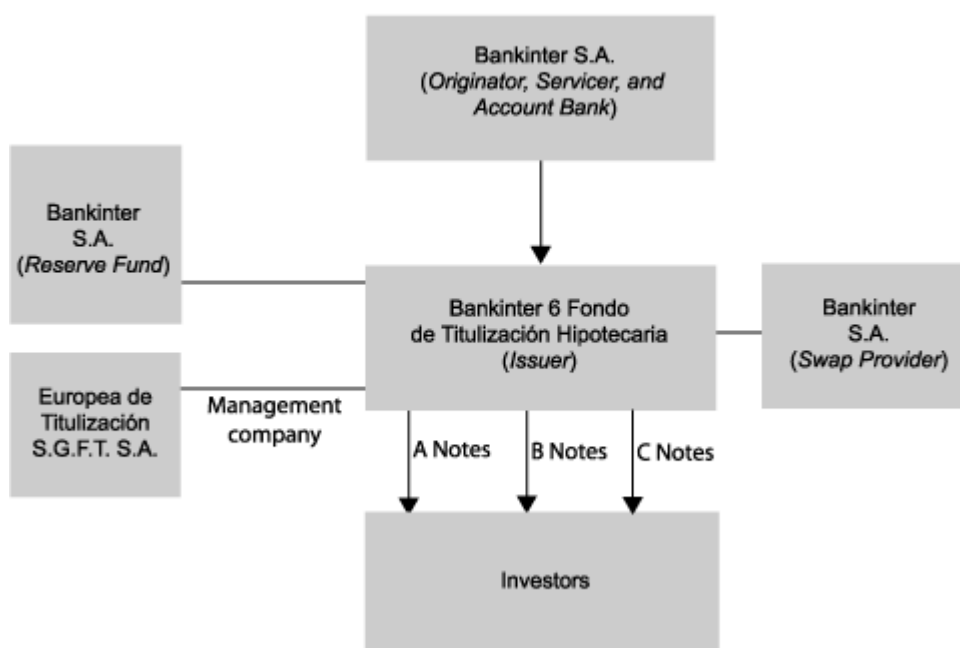
Mitigating Factor

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

Transaction Structure

The mortgage participations were issued and are serviced by Bankinter. Each participation is backed by a single residential mortgage loan. Mortgagors make their payments directly to Bankinter, which then pays these amounts to Fondo (see chart). If the short-term rating on Bankinter falls below 'A-1', the issuer's account is transferred to an appropriately rated institution.

Bankinter 6 Fondo de Titulización Hipotecaria Structure



Class A noteholders are protected from potential credit losses on the underlying mortgages by the 5.2% subordination of the class B and C notes and the reserve fund.

Class B noteholders are protected from potential credit losses on the underlying mortgages by the 3.15% subordination of the class C notes and the reserve fund.

Class C noteholders are protected from potential credit losses on the underlying mortgages by the 1.15% reserve fund.

An interest-rate swap agreement between the fund manager (sociedad gestora), on behalf of the issuer, and Bankinter converts the interest payments at the index payable on the mortgage participations into the variable rate payable on the notes.

Main Transaction Parties

Bankinter 6 Fondo de Titulización de Activos (Issuer)

The issuer of the notes is a separate SPE, established for the purpose of this transaction and registered with the Comisión Nacional del Mercado de Valores. The issuer was established to issue the notes and purchase 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 Bankinter's 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 is the interest-rate swap provider under the terms of the swap agreement.

The collection account is 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 de Fondos de Titulización (Sociedad Gestora)

The role of Europea de Titulización S.A., Sociedad Gestora de Fondos de Titulización is to represent

and protect the interests of the noteholders generally, and oversee the administration of the portfolio. Only this company can enforce the security under the terms and conditions of the notes, and it always has 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. The fondo's remit includes responsibility for purchasing the mortgage participations, issuing the notes, and conducting related activities.

The sociedad gestora represents and defends the interests of the noteholders, and enters into the various contracts for the issuer.

■ Collateral Description

The collateral securing the notes consists of a €1.409 billion pool of mortgage participations issued by Bankinter. 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 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.

At closing there were 16,430 mortgages in the collateral pool with an average loan size of €85,758. 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 a current LTV ratio greater than 98.81%, and the weighted-average current LTV ratio is just under 67.52%. The mortgages were originated between March 1997 and December 2002.

At the sale date of the notes, none of the mortgages were delinquent longer than one month.

■ Note Terms

Interest is paid on the 26th day of February, May, August, and November beginning on Feb. 26, 2004. Unless redeemed earlier, the notes will be redeemed at their maturity on Aug. 26, 2038.

All available principal is used to redeem the class A notes until the balances of the class B and C notes are equal to 4.1% and 4.0%, respectively, of the outstanding balance of all classes of notes. Once these ratios have been reached, principal is allocated on a pro rata basis to all classes. However, pro rata redemption is interrupted if:

- With respect to the amortization of the class B notes, if 2.25% or more of the mortgages are between three and 18 months delinquent;
- With respect to the amortization of the class C notes, if 2.00% or more of the mortgages are between three and 18 months delinquent; and
- If the reserve fund is not at the required amount (as defined below) and if there is an amortization 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 these classes is greater than or equal to the amount of subordination provided by the class C notes and the reserve fund.

The reserve fund is set as the lower of:

- The greater amount of 2.30% of the outstanding principal balance of the notes and 1.00% of the initial issuance of the notes; and
- 1.15% of the initial issuance of the notes.

The reserve fund is not reduced, however, if arrears reach a certain level or 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 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.

■ **Analyst E-Mail Addresses**

andrea_quirk@standardandpoors.com

patricia_perezarias@standardandpoors.com

StructuredFinanceEurope@standardandpoors.com