STANDARD & POOR'S

RatingsDirect®

September 25, 2008

New Issue: Bankinter 4 FTPYME Fondo de Titulizacion de Activos

€400 Million Floating-Rate Notes

Primary Credit Analysts:
Alvaro Astarloa, Madrid +34 913 896 964; alvaro_astarloa@standardandpoors.com
Jose Ramon Tora, Madrid (34) 91-389-6955; jose_tora@standardandpoors.com

Surveillance Credit Analyst:
Chiara Sardelli, Madrid (34) 91-389-6966; chiara_sardelli@standardandpoors.com

Table Of Contents

Table Of Contents (cont.)

New Issue: Bankinter 4 FTPYME Fondo de Titulizacion de Activos

€400 Million Floating-Rate Notes

Ratings Detail

Class	Rating*	Amount (Mil. €)	Available credit support (%)	Interest	Legal final maturity
Series A1¶	AAA	160.0	21.00	Three-month EURIBOR plus 32 bps	Oct. 18, 2051
Series A2 (G)§	AAA	174.4	21.00	Three-month EURIBOR plus 30 bps	Oct. 18, 2051
Series A3¶	AAA	19.6	21.00	Three-month EURIBOR plus 34 bps	Oct. 18, 2051
B	A	30.0	13.50	Three-month EURIBOR plus 50 bps	Oct. 18, 2051
C	BBB	16.0	9.50	Three-month EURIBOR plus 70 bps	Oct. 18, 2051

*Standard & Poor's ratings address timely interest and ultimate principal. ¶Three classes of notes were issued: A, B, and C. The class A notes comprise series A1 series A2 (G), and A3 notes. The class B and C notes were not split into series. §The series A2 (G) notes benefit from a guarantee from the Kingdom of Spain.

Transaction Participants	
Originator	Bankinter S.A.
Arrangers	Bankinter S.A. and Europea de Titulización S.G.F.T., S.A.
Trustee	Europea de Titulización S.G.F.T., S.A.
Servicer	Bankinter S.A.
Interest swap counterparty	Bankinter S.A.
GIC and bank account provider	Bankinter S.A.
Paying agent	Bankinter S.A.
Underwriters	Bankinter S.A.
Subordinated loan provider	Bankinter S.A.
Startup loan provider	Bankinter S.A.

Supporting Ratings

Institution/role	Ratings
Bankinter S.A. as servicer, GIC and bank account provider, and interest swap counterparty	A/Stable/A-1

Transaction Key Features*	
Closing date	Sept. 18, 2008
Collateral	Loans granted to Spanish SMEs
Principal outstanding (€)	400,001,845.15
Country of origination	Spain
Concentration	Largest 10 obligors (7.73% of final pool). Regional concentration: Madrid (28.07%), Andalucia (14.26%), and Catalonia (11.99%). Industrial concentration: wholesale commerce (14.32%), real estate (13.34%), other economic activities (11.67%), and construction (11.05%). The five major industries represent 55.30% of the pool
Average current loan size balance (€)	270,820.48
Seasoning (months)	18.79

Transaction Key Features*(cont.)	
Loan size range (€)	40,643.09 to 3,728,508.65
Weighted-average interest rate (%)	5.45
Arrears	At closing no loans were more than one month in arrears
Redemption profile	Amortizing (100%)
Excess spread at closing¶ (bps)	70
Cash reserve (%)	9.5

*Pool data as of July 2, 2008. ¶Available through the interest swap contract.

Transaction Summary

Standard & Poor's Ratings Services has assigned credit ratings to the floating-rate notes issued by Bankinter 4 FTPYME Fondo de Titulización de Activos.

Since we assigned preliminary ratings to this transaction (Sept. 16, 2008), the arranger has not made any material structural changes to this transaction.

The originator is Bankinter S.A., the second-largest Spanish banking group and the ninth-largest in the Eurozone by market capitalization. At closing, Bankinter sold to the issuer a €400 million closed portfolio of secured and unsecured loans granted to Spanish small and midsize enterprises (SMEs) based in Spain.

To fund this purchase, Europea de Titulización S.G.F.T., S.A., the trustee, issued three classes of floating-rate, quarterly paying notes, on the issuer's behalf.

The guarantee program by the Kingdom of Spain was set up in late 1998 to promote access to a more diversified source of financing for the Spanish SME sector. The legal framework for the guarantee has been evolving and the latest amendments took place in April 2003.

The following conditions must be met to access the guarantee program:

- The lending entity must have signed an agreement with the Ministry of Economy.
- The securitized assets must not be lent to financial entities.
- The borrowers must comply with the definition of an SME as provided in the European Commission (EC) circular dated May 6, 2003.
- The securitized assets must have a maturity greater than one year.
- At least 80% of the securitized portfolio must be loans to SMEs.
- The tranche that benefits from the guarantee must be rated at least 'AA' without the guarantee.

The guarantee by the Kingdom of Spain can be drawn either for interest or principal payments on the class A2 (G) notes as per the priority of payments, when available funds are insufficient.

Notable Features

This transaction is the fourth SME transaction to be completed by Bankinter of its loans to SME corporate clients. This securitization comprises a mixed pool of underlying mortgage-backed and other guarantee assets.

The ratings on the notes reflect the subordination of the respective classes of notes below them, the reserve fund, comfort provided by various other contracts, the rating on Bankinter (A/Stable/A-1), and the downgrade language in all of that entity's roles, including that of servicer.

Strengths, Concerns, And Mitigating Factors

Strengths

- Unlike other SME transactions, in the closing pool there are no loans granted to developers and the concentration in the real estate and construction industry is lower than the average.
- Credit enhancement adequately covers the various stresses we have applied to the transaction. Credit enhancement is provided by subordination, the available excess spread, the rating on the servicer, and the subordinated loan, which fully funded the reserve fund on the closing date.
- Bankinter is an experienced originator and servicer, with three SME transactions and 17 residential mortgage-backed securities (RMBS) transactions to date.
- Of the pool, 81.74% represents mortgage loans which carry a higher level of recoveries.
- Principal amortization of the notes accelerates if there are loans more than 18 months past due. This is done using trapped excess spread and by the amount equivalent to the outstanding balance of those overdue loans.
- We were provided with good-quality historical information. Although this information covers a benign cycle in the Spanish economy, we were also provided with Bankinter's latest delinquency rate for its SME loan book and probabilities of default for each obligor. These probabilities of default were approved by the Bank of Spain.
- The series A2 (G) notes benefit from a guarantee provided by the Kingdom of Spain (AAA/Stable/A-1+).

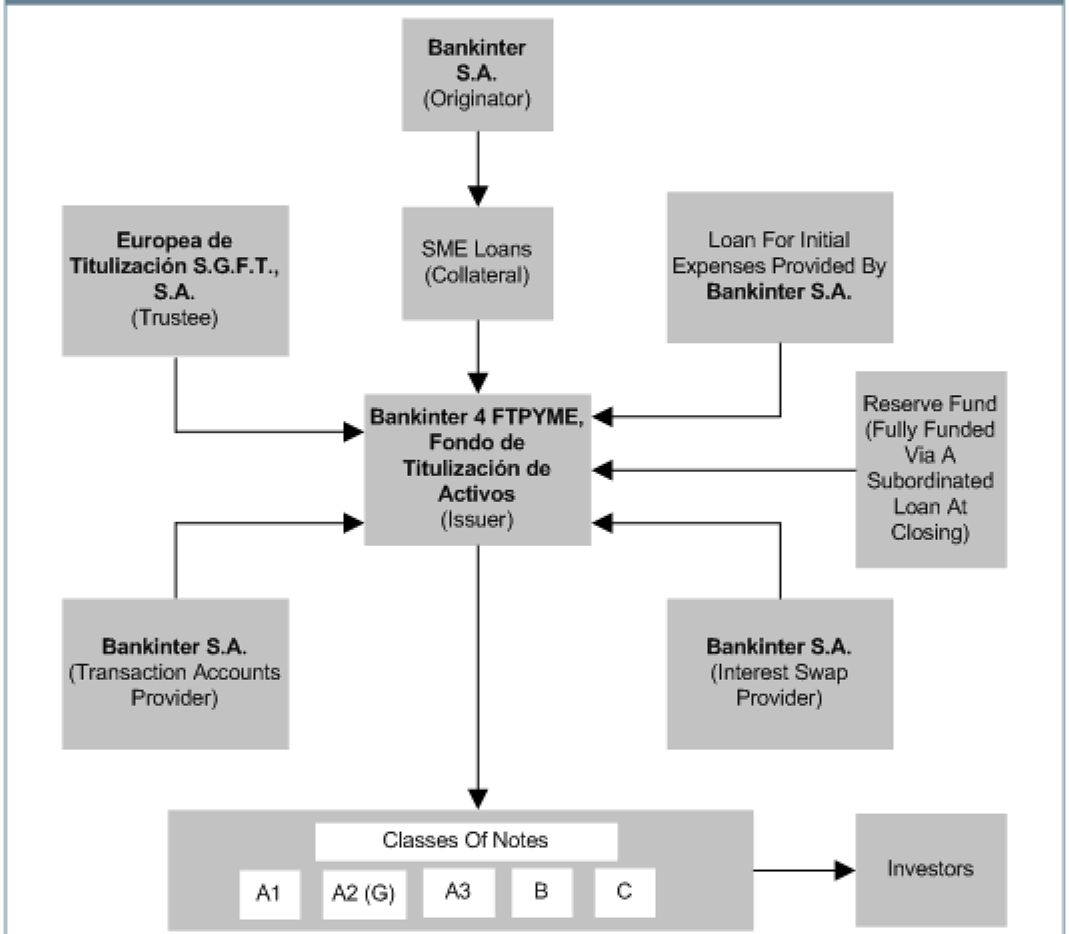
Concerns and mitigating factors

- Increasing delinquencies and cycle adjustment would lead to an increase in our default base case. This would also lead to an increase in subordination for the senior noteholders, which are protected for any credit loss.
- There is borrower concentration risk, as the top 10 borrowers represent 7.73% of the provisional pool and the biggest borrower represents 0.99% of the provisional pool. We took borrower concentrations into account in the credit analysis, stressing the default rates at each rating level.
- There is a limited geographical concentration risk as 65.98% of the provisional pool is concentrated in four regions: Madrid (28.07%), Andalucia (14.26%), Valencia (11.65%), and Catalonia (11.99%). We took geographical concentrations into account in the credit analysis, stressing the default rates at each rating level.
- Although the current weighted-average margin of the portfolio is approximately 70 basis points (bps), obligors can renegotiate the terms of their loans, and the weighted-average spread of the pool could decrease. We stressed the available margin in our cash flow analysis. Furthermore, margin renegotiation on the loans is subject to terms and conditions set by the trustee ("gestora").
- A basis swap is in place for this transaction (see "Interest swap agreement"), although unlike other transactions the swap does not guarantee a margin. The higher-than-average size of the reserve fund covers any interest or principal shortage.

Transaction Structure

At closing, Bankinter 4 FTPYME funded the purchase of the closed portfolio by issuing three classes of notes through the trustee, Europea de Titulización S.G.F.T. (see chart 1).

Chart 1: Bankinter 4 FTPYME, Fondo de Titulización de Activos Transaction Structure



© Standard & Poor's 2008.

The issuer is not a separate entity at law, but holds a distinct and closed pool of assets available for distribution to the noteholders.

The issuer is a "fondo de titulización de activos" created for the sole purpose of purchasing the unsecured loans and the mortgage certificates from Bankinter, issuing the notes, and carrying out related activities. The assets are insulated from the insolvency of the originator and the trustee.

The principal and interest on the notes are paid quarterly following a determined priority of payments. The transaction features some structural enhancements provided by the swap agreement, amortization of the notes, the reserve fund, and the servicing provided by Bankinter.

The series A2 (G) notes amortize sequentially to the series A1 notes unless a breach of trigger occurs (see "Redemption of the notes"). As in other Spanish transactions, interest and principal from the underlying assets are combined into a single priority of payments. A cumulative default ratio test protects senior noteholders by subordinating the payment of junior interest further down the priority of payments.

Trustee Or "Sociedad Gestora"

On the issuer's behalf, Europea de Titulización S.G.F.T., as trustee, enters into certain contracts (such as GICs, a swap agreement, and subordinated credit facilities and loans). These contracts are needed to protect it against certain credit losses and liquidity shortfalls that are assumed to arise in connection with the holding of the mortgage participations and the unsecured loans.

In this transaction, the trustee's main responsibilities are to create the issuer, issue the notes on the issuer's behalf, calculate the interest rate on the notes, notify noteholders of any relevant information applicable to the notes and mortgage participations, and organize the annual audit.

Bankinter S.A.

The rating on Spain-based Bankinter is supported by the bank's business flexibility, innovative culture, sophisticated management, outstanding efficiency, excellent asset quality track record, and sound and well-developed credit risk management. These positives are counterbalanced by meaningful reliance on wholesale funding, only adequate solvency, and lower business diversification and weaker overall market position than the largest nationwide competitors.

Bankinter's operations are focused on specific market segments where it has a competitive edge thanks to its strong management team, light and flexible operating structure, and superior IT systems. Leveraging on these strengths, Bankinter's talented management has demonstrated its ability to adapt to changing economic and market conditions. The bank is now gradually increasing the weight of SME banking and private banking in its profile, thereby enhancing its business diversification.

Bankinter has a relatively low risk profile, with high-quality residential mortgages accounting for 63% of its total portfolio, and limited market and operational risk. Asset quality indicators have remained significantly better than the market average throughout the economic cycle, as a result of the bank's good credit risk management and systems. The bank's strong credit expansion, particularly into SMEs, during the past few years—although now decelerating—adds some risk to the balance sheet. Bankinter's sound credit risk management and tight monitoring, good track record in the middle-market segment, and strong reserve cushions mitigate concerns about this risk. We consequently expect the effect on asset quality of a higher interest rate environment and expected slowing economic growth to be contained.

Operating profitability benefits from Bankinter's excellent and improving efficiency. This has helped absorb pressure on gross operating returns that have led bottom-line returns to average levels by domestic and international standards. Pressure on operating profitability is nevertheless abating amid a more comfortable interest rate environment and with Bankinter's less aggressive pricing.

Strong loan growth outpacing that of deposits has led Bankinter to rely on wholesale funding, including a substantial proportion of short-term financing in the funding mix. While wholesale funding needs remain manageable, they mean Bankinter has a comparatively higher exposure to trends in short-term (particularly domestic) debt markets.

Core risk-adjusted solvency is just adequate. Our analysis of Bankinter's solvency takes into account the bank's transfer of most of the credit risk associated with securitizations of mortgage loans, which has in turn freed up associated capital. We expect solvency to remain relatively stable, underpinned by slowing growth and the bank's strong capital generation capacity (including excess provisions).

Cash Collection Arrangements

Bankinter, as servicer, collects the amounts due under the loans and transfers them no later than the second business day after the seventh calendar day. Its collections to the treasury account are held on the issuer's behalf with Bankinter. The regularity of the cash sweep may be accelerated if Bankinter's creditworthiness deteriorates and would be swept daily if its rating was lowered below 'A-2'. This partially mitigates the potential risk of funds being commingled within the originator's accounts.

According to our criteria, always subject to changes or revisions, if the account provider is downgraded below 'A-1', it becomes an ineligible counterparty according to our requirements, and it has 60 calendar days to:

- Find a replacement with a short-term rating of at least 'A-1'; or
- Find an adequate guarantor with a short-term rating of at least 'A-1' complying with our criteria.

Any guarantee is subject to rating confirmation. The downgraded counterparty bears all the costs of the remedies.

Commingling reserve

To protect against commingling risk, if Bankinter is downgraded below a short-term rating of 'A-2', then:

- Within 30 calendar days, the servicer should find an eligible guarantor with a short-term rating of at least 'A-1'. The guarantor should provide the issuer with a first-demand, unconditional, and irrevocable guarantee equal to the commingling reserve amount to be applied to pay any amounts the servicer fails to pay to the issuer for the loans. This amount, if required to be paid, would be deposited in an issuer bank account in accordance with the bank account and cash management agreements. We would expect to review the guarantee at the time the downgrade occurs; or
- Within 10 calendar days, the servicer should deposit in the issuer's bank account an amount equal to the commingling reserve amount to be applied to pay any amounts the servicer fails to pay the issuer for the loans.

Alternatively, we encourage the servicer to request our written confirmation that the ratings on the notes would not be adversely affected.

On the date this commingling reserve is required, the initial amount should be a sufficient proportion of the principal amount outstanding to avoid affecting the ratings on the notes.

Cash reserve

The originator provided a €38 million subordinated loan, which funded the reserve fund at closing.

The reserve fund is fixed for the first three years and can amortize after this initial period. Its minimum required levels are established at the minimum amount of:

- 9.5% of the initial balance of the notes; or
- The higher of 19% of the outstanding principal balance of the notes and 4.75% of the initial balance of the notes.

It does not amortize if, on a previous payment date, it was not at its required minimum level, or if the arrears ratio (three months past due) is greater than 1%. The reserve fund is used to pay interest and principal on the notes if funds are insufficient.

Interest swap agreement

To hedge the reset and basis risk due from the mismatch between resetting timings of the collateral and the reference indices, the trustee on behalf of Bankinter 4 FTPYME entered into a basis swap agreement with Bankinter.

Under the swap agreement, Bankinter 4 FTPYME pays to the swap counterparty the reference index on the loans in the pool based on a notional amount of the performing principal balance of loans in the pool (loans in arrears for less than 18 months). In return, Bankinter 4 FTPYME receives from the swap counterparty three-month EURIBOR based on the same notional.

Documents provide that if the swap provider is downgraded to 'A-2', it is still an eligible counterparty, if it is agreed in 10 business days of the downgrade that it will collateralize 100% of the contract's mark-to-market complying with our requirements. If this option is not taken, then the swap counterparty would become ineligible and within 60 calendar days it should:

- Find a replacement with a short-term rating of at least 'A-1'; or
- Find a guarantor with a short-term rating of at least 'A-1'.

If the swap counterparty is downgraded to 'A-3' it becomes an ineligible counterparty and it must agree in 10 business days to deliver additional collateral, no lower than 25% of the mark to market obligation, complying with our requirements.

In the meantime, and after having complied with the previous steps, within 60 calendar days it must:

- Find a replacement with a short-term rating of at least 'A-1'; or
- Find an adequate guarantor with a Standard & Poor's short-term rating of at least 'A-1'.

If an ineligible counterparty is not replaced within the remedy period, the rating on the notes may be lowered to levels that could be supported by the counterparty's then-current rating. We will take the amount of collateral into consideration in analyzing the transaction after the counterparty is downgraded.

Any counterparty replacement or guarantee is subject to rating confirmation. The downgraded counterparty bears all the costs of the remedies.

Redemption of the notes

Amortization occurs for the:

- Series A1 notes, from the first payment date until fully amortized;
- Series A2 (G) notes, once the series A1 notes are fully amortized;
- Series A3 notes, once the series A2 (G) notes are fully amortized;
- Class B notes, once the series A1, A2 (G), and A3 notes are fully redeemed; and
- Class C notes, once the class B notes are fully redeemed.

The available amortization fund on each payment date is equal to the balance of the capital repayment fund.

The capital repayment fund, on each payment date, is the difference between:

- The principal outstanding balance under all the classes of notes; and
- The principal outstanding balance of all outstanding non-doubtful loans (no more than 18 months in arrears).

If the outstanding balance of delinquent loans exceeds 3% of the outstanding balance of non-doubtful loans, the series A1, A2 (G), and A3 notes amortize pro rata.

The conditions for the pro rata amortization of the class B and C notes are that they will amortize pro rata with the series A1, A2 (G) and A3 notes if:

- The ratio of the aggregate balance of delinquent loans to the aggregate balance of non-doubtful loans is below 1.25% for the class B notes and below 1.00% for the class C notes;
- The total outstanding principal balance of the class B and C notes represents at least 15% and 8% of the outstanding principal balance of all the notes;
- The cash reserve is at the required amount after the previous payment date; and
- The total outstanding balance of the non-doubtful SME loan portfolio is equal to or greater than 10% of the initial balance of the SME loan portfolio.

Priority Of Payments

On each quarterly interest payment date, the issuer pays in arrears the interest due to the noteholders. To make the payments, the issuer's available funds include the proceeds of the interest swap, the reserve fund, and, if necessary, principal received under the loans and any other proceeds received in connection with the loans.

All interest and principal received can be mixed to pay principal and interest due under the notes in the following order:

- Fees;
- Administration fees;
- Net payments under the swap agreement (other than swap termination payments due to a default or breach of contract by the swap counterparty);
- Interest on the series A1, A2 (G), and A3 notes;
- Interest on the class B notes, if not deferred;
- Interest on the class C notes, if not deferred;
- Amortization of the series A1, A2 (G), A3 notes, and the class B and C notes;
- Interest on the class B notes, if deferred;
- Interest on the class C notes, if deferred;
- Replenishment of the cash reserve;
- Swap termination payments, if any, when the issuer is not the defaulting party;
- Interest and principal payments under the subordinated loan;
- Interest payments and principal repayments under the subordinated start-up loan; and
- Any remaining margin paid back to the issuer.

A trigger ensures that in a stressful economic environment, the more senior notes amortize before interest on the subordinated classes of notes is paid.

Interest on the class B and C notes is subject to a deferral on a given payment date to a lower position in the priority of payments in the following situations.

Class B notes

If the cumulative ratio of defaulted loans (outstanding balance of the loans when qualified as defaulted divided by the balance of the pool at closing) is greater than 17%, interest on the class B notes pays in a lower position in the priority of payments until the series A1 and A2 (G) notes, and class B and C notes redeem.

Class C notes

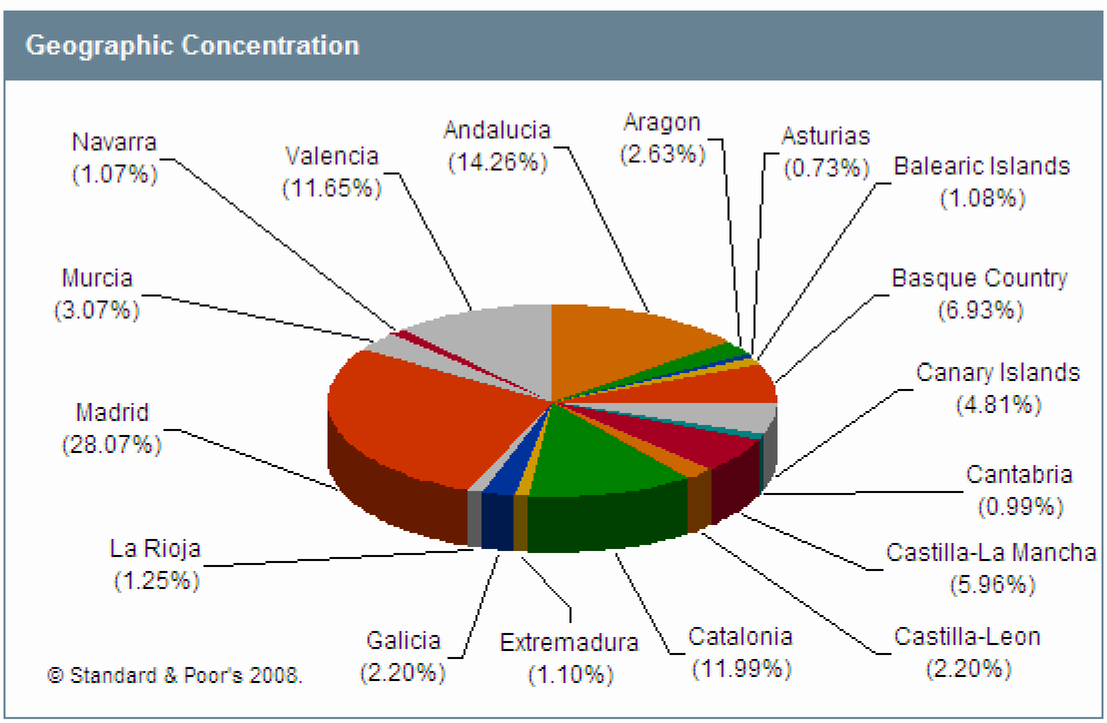
If the cumulative ratio of defaulted loans (outstanding balance of the loans when qualified as defaulted divided by the balance of the pool at closing) is greater than 11%, interest on the class C notes pays in a lower position in the priority of payments until the series A1 and A2 (G) notes and class B notes redeem.

Collateral Description

As of Sept. 15, 2008, the provisional pool comprised 1,477 secured and unsecured loans, and the total number of borrowers was 2,324. The pool was originated between February 1997 and April 2008, and the weighted-average seasoning is 18.79 months. Of the outstanding amount of the pool, 81.74% is secured by mortgages over properties and commercial premises in Spain.

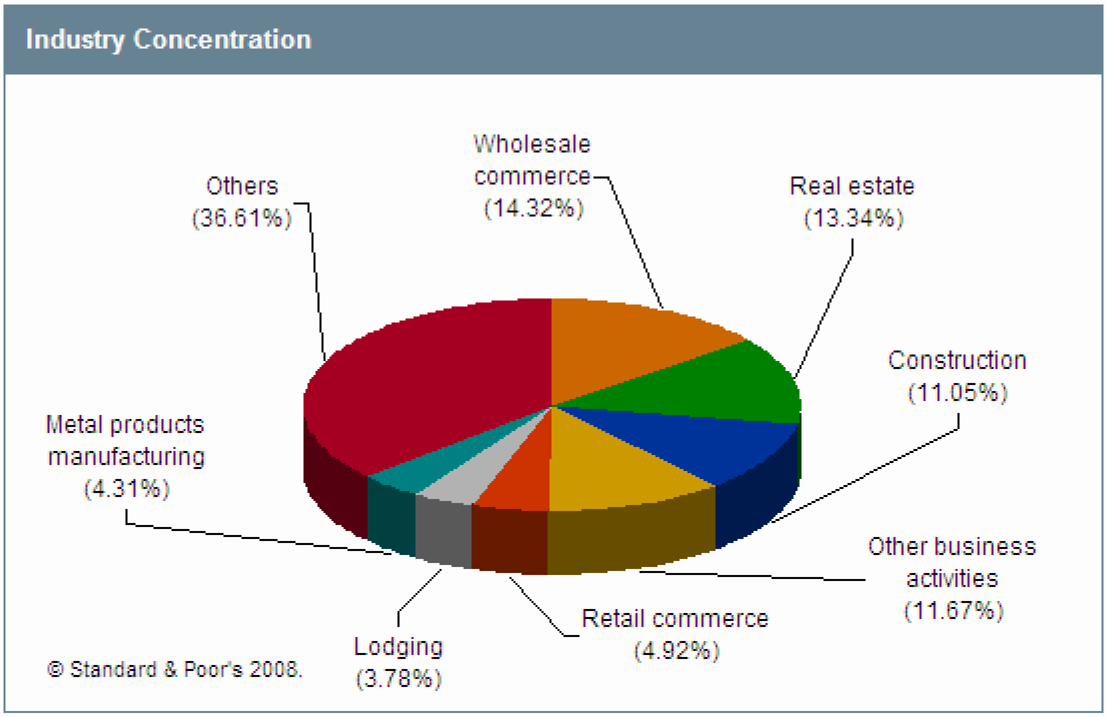
The pool has concentration at the obligor level. The largest obligor represents 0.99% of the provisional pool and the largest 10 obligors represent 7.73%. Of the pool, 65.18% is more than 12 months' seasoned. The weighted-average remaining life of the pool is 154.07 months, with 15.33% of the pool maturing within five years. The pool is exposed to different Spanish regions (see chart 2) and at closing the pool had no loans with arrears of more than one month.

Chart 2



The largest industry concentration is wholesale commerce, which represents 14.32% of the pool (see chart 3). The second-highest concentration is real estate (13.34%), followed by other business activities (11.67%). The five major industries represent 55.30% of the pool.

Chart 3



Of the pool, 100% is indexed to floating rates, EURIBOR and MIBOR (Madrid interbank offered rate) (see table 1). The weighted-average interest rate of the assets is 5.45% and the weighted-average margin is 70 bps over the various indices.

Table 1

Reference Index

Reference index	Outstanding balance (€)	% of closing pool
One-year EURIBOR/MIBOR	343,731,489.01	85.93
One-month EURIBOR/MIBOR	54,663,004.73	13.67
Three-month EURIBOR/MIBOR	1,627,351.41	0.41
Total	400,001,845.15	100

Credit Analysis

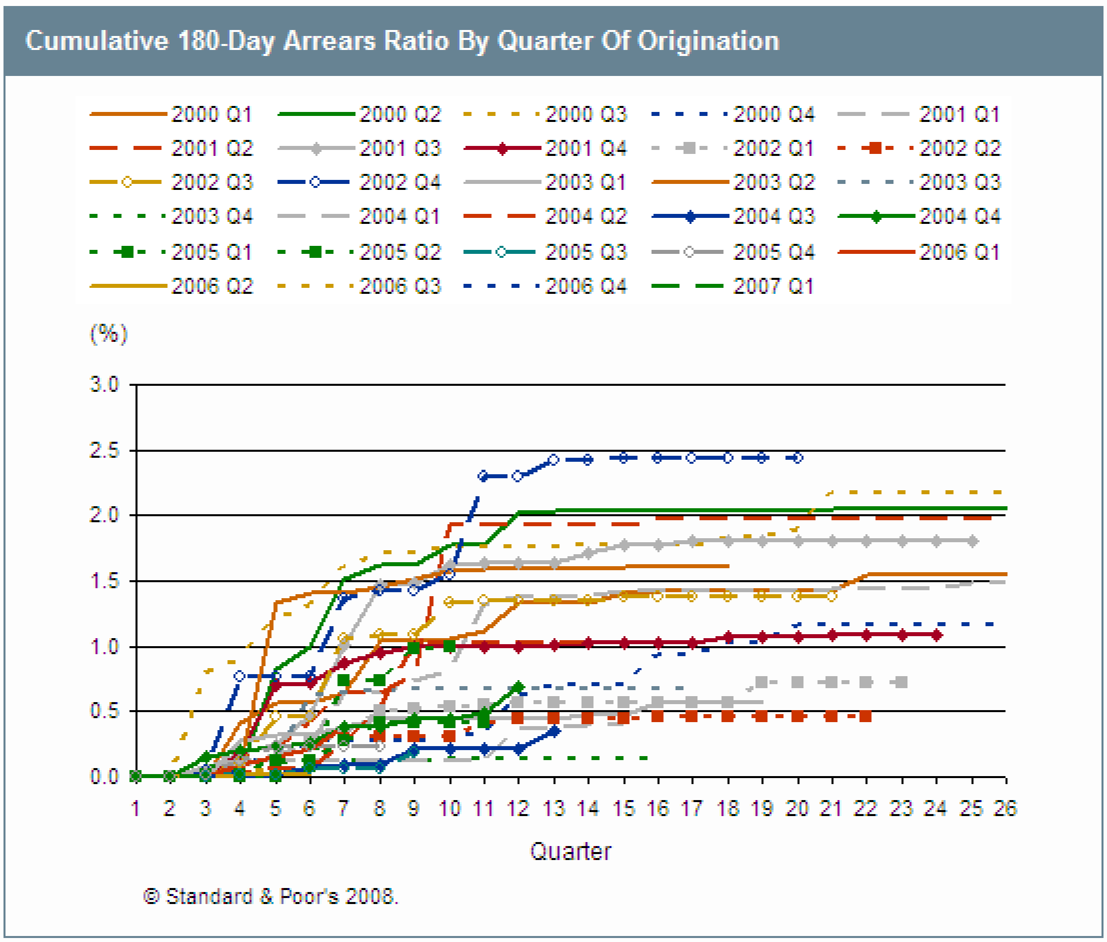
We conducted an actuarial analysis on historical data provided by the originator to assess the pool's credit risk, following the methodology explained in "Securitizing Spanish-Originated Loans to Small and Midsize Enterprises" (see "Related Articles"). In our analysis, we also included an adjustment to the historical rates provided by Bankinter due to the economic cycle. We also adjusted the base case default rate for geographical concentration and for real estate and construction industry exposure reasons.

With the historical data provided by the originator, we can determine a foreclosure probability and a loss rate at each rating level. The product of these two variables gives an estimate of the required loss protection during the life of the collateral in the absence of additional mitigating factors. The higher the targeted rating, the higher the required enhancement level.

Delinquency rate

In the transaction, the loss is recognized as soon as an agreement defaults if it is more than 18 months in arrears. The calculation of the cumulated default base-case assumption was based on the historical quarterly data provided by Bankinter (see chart 4) and the different concentrations shown in the pool, e.g., the percentage of developers, percentage of bullet loans, and industry and geographic concentration.

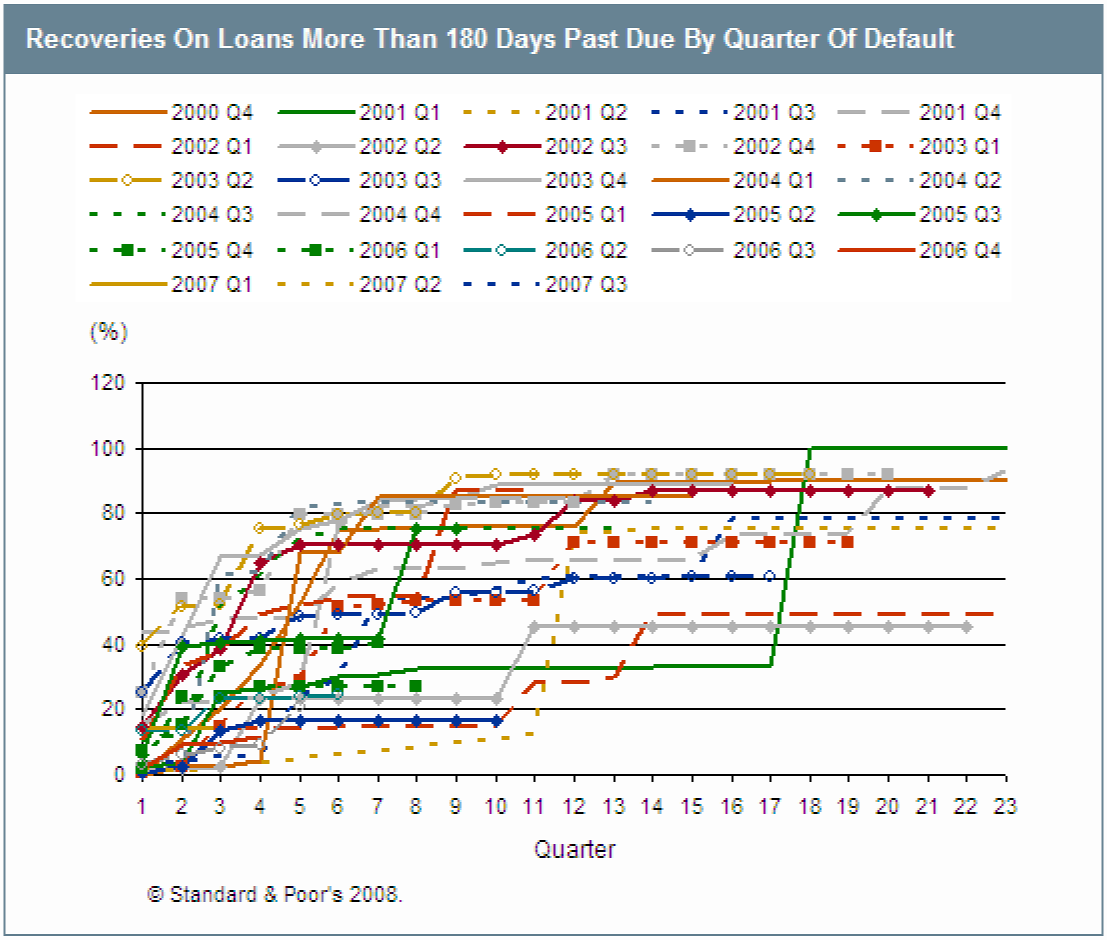
Chart 4



Recoveries

Chart 5 shows the historical levels of recoveries from the default (described as 180-day arrears) by quarter since origination.

Chart 5



Cash Flow Analysis

Prepayments

Prepayments correspond to the early exercise of the purchase option by loans and credit receivables. We stressed the annual prepayment rate up to 24.0% and down to 0.5%.

Commingling

We did not model any commingling stress within the structure, as there is downgrade language that sets up the foundation of a contingent commingling reserve if the servicer is downgraded below 'A-2' (see "Commingling reserve").

Timing of defaults

We assume defaults occur periodically in amounts calculated as a percentage of the default rate. Table 2 shows the timing of defaults.

Table 2

Timing Of Defaults

Percentage of default rate (equal)	Months when applied	Percentage of default rate (slow)	Months when applied	Percentage of default rate (fast)	Months when applied
1/3	1	5	7	30	1
1/3	13	5	13	30	7
1/3	25	10	19	20	13
—	—	20	25	10	19
—	—	30	31	5	25
—	—	30	37	5	31

Timing of recoveries

For this transaction, we assume that the issuer would regain recoveries 42 months after a payment default. The value of recoveries at the 'AAA' level is 100% minus the loss severity assumed at each rating level.

Interest and prepayments rate

We modeled three interest rate scenarios—up, down, and flat—using both high and low prepayment assumptions. Interest rates were 5% at the time of modeling and were modeled to rise by 2% a month to a cap of 12% ("up" scenario) and a floor of 2% ("down" scenario).

Key Performance Indicators

We maintain continual surveillance on the transaction until the notes mature or are otherwise retired. To do this, we analyze regular servicer reports detailing the performance of the underlying collateral, monitor supporting ratings, assess pool cuts, and make regular contact with the servicer to ensure that minimum servicing standards are sustained and that any material changes in the servicer's operations are communicated and assessed.

Key performance indicators for this transaction include:

- Rating migration of the collateral and default levels;
- Different concentrations of the collateral;
- Collateral prepayment levels; and
- The evolution of the ratings on the supporting parties.

Criteria Referenced

- "Revised Framework For Applying Counterparty And Supporting Party Criteria" (published on May 8, 2007).
- "European Legal Criteria for Structured Finance Transactions" (published on March 23, 2005).
- "Global Interest Rate and Currency Swaps: Calculating the Collateral Required Amount" (published on Feb. 26, 2004).
- "Standard & Poor's Global Interest Rate and Swap Counterparty Rating Criteria Expanded" (published on Dec. 17, 2003).
- "Global Cash Flow and Synthetic Criteria" (published on March 21, 2002).
- "Global CBO/CLO Criteria" (published on June 1, 1999).
- "Standard & Poor's Rating Methodology for CLOs Backed by European Small- and Midsize-Enterprise Loans"

(published on Jan. 30, 2003).

Related Articles

- "Transition Study: European Structured Finance Ratings Stable In 2007, But Pockets Of Weakness Emerged" (published on Jan. 25, 2008).
- "Securitizing Spanish-Originated Loans to Small and Midsize Enterprises" (published on April 7, 2003).
- "Stellar Growth in Spanish Securitization to Help it Maintain Europe's Number Two Slot" (published on June 2, 2004).

All criteria and related articles are available on RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. The criteria can also be found on Standard & Poor's Web site at www.standardandpoors.com.

Additional Contact:
Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

Additional Contact:
Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com