

BANKINTER 5 - FONDO DE TITULIZACION HIPOTECARIA

Bankinter
RMBS
Spain

CLOSING DATE

December 2002

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RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Expected Maturity
A	Aaa	€684.100.000	96.35%	Dec-39	Feb-17
B	A2	€14.900.000	2.10%	Dec-39	Feb-17
C	Baa3	€11.000.000	1.55%	Dec-39	Feb-17
Total		€710 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**

- Structurally, this transaction is benefited by a basis swap
- Good Seasoning + good geographical distribution
- Strong performance on previous deals
- 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

Weaknesses and Mitigants

- LTV levels are marginally higher than on the previous BANKINTER 4 deal



STRUCTURE SUMMARY

Issuer:	BANKINTER
Structure Type:	Senior - Mezzanine - Subordinated - RF
Seller/Originator:	BANKINTER
Servicer:	BANKINTER
Interest Payments:	Quarterly on February 12 th , May 12 th , August 12 th , and November 12 th
Principal Payments:	Pass-through fully sequential
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

COLLATERAL SUMMARY

Receivables:	Mortgage Loans
Number of Contracts:	9,031
Number of Borrowers:	9,031
Type of Equipment:	Residential Property
Geographic Diversity:	Madrid (31.51%), Cataluna (14.32%)
Average LTV:	63.96%
Remaining Term:	267 months
Seasoning:	2.07 years
Delinquency Status:	No loans in arrears at time of closing

CREDIT SUPPORT

Class	Subordination	Reserve Fund	Spread
A	3.65%	0.85%	(Weighted average margin on the loans = 0.67%)
B	1.55%	0.85%	(Weighted average margin on the loans = 0.67%)
C	--- %	0.85%	(Weighted average margin on the loans = 0.67%)

**Recurrent Plain Vanilla
Bankinter Transaction**

OVERVIEW

Bankinter taps the market for the fifth time with this transaction consisting on the securitisation of standard mortgage loans.

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 - All of the mortgage loan securing the PH's were originated by BANKINTER (**Aa3/P1**)¹ 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.

Structurally this transaction is exactly the same as the previous one with only one peculiarity – Bankinter 5 will introduce pro rata amortisation in all its notes. Previously, prorrata was only held for the Mezzanine piece while the Sub Piece was fully sequential.

STRUCTURAL AND LEGAL ASPECTS

**FTH - Transaction
Structured As An FTH
(Fondo De Titulizacion
Hipotecaria)**

The (BTHs) are issued by an asset securitisation fund (fondo de titulización hipotecaria) which was created and is managed by Europea de Titulizacion, SGFTH, 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.

**1. Pro-Rata
amortisation**

- Class B Notes will start amortising pro-rata with the Class A notes when they represent 4.20% 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 3.10% 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 in arrears represent more than 2.5% of the outstanding amount of the loans (for Class B), or the outstanding amounts that are more than 90 days in arrears represent more than 2.0% of the outstanding amount of the loans (for Class C).
 - 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.

1. Bankinter's rating has just been upgraded from **A1** to **Aa3** on November 6th 2002.

2. SWAP

1. The transaction includes a basis swap by which the index reference rates on the assets is matched with the index reference rate on the notes - (i.e. 12M EURIBOR and 12M MIBOR with 3M EURIBOR)

In order to protect the transaction from the potential interest risk, the Fondo will enter into a swap agreement with Bankinter (**Aa3/P-1**). According to the swap agreement:

- The Fondo will pay all interest received from the portfolio; and
- Bankinter will pay the notes reference interest rate, on a notional amount equal to the outstanding amount of the loans at the determination date.

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. 0.85% of the initial balance of the notes
2. the higher of the following amounts:
 - 1.70% of the Outstanding notional balance of the notes
 - 0.60% 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 represents more than 1.0% of the outstanding amount
- There is a principal deficiency

COLLATERAL – REFERENCE PORTFOLIO

*Good Quality Collateral
- Strong Performance
In The Past*

As of December, the portfolio comprised **9,031 mortgage loans** representing a provisional portfolio of **€729,713,801.77**.

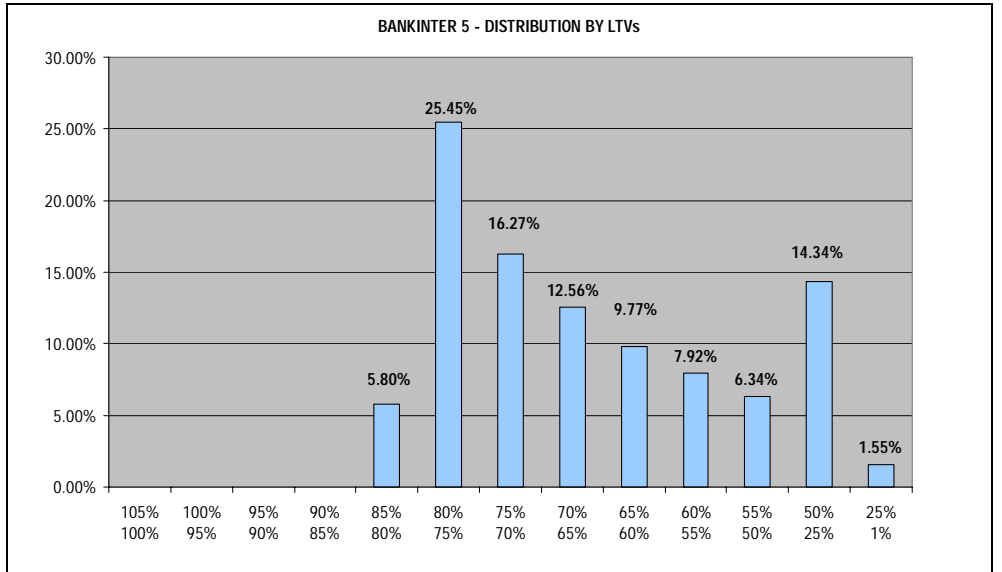
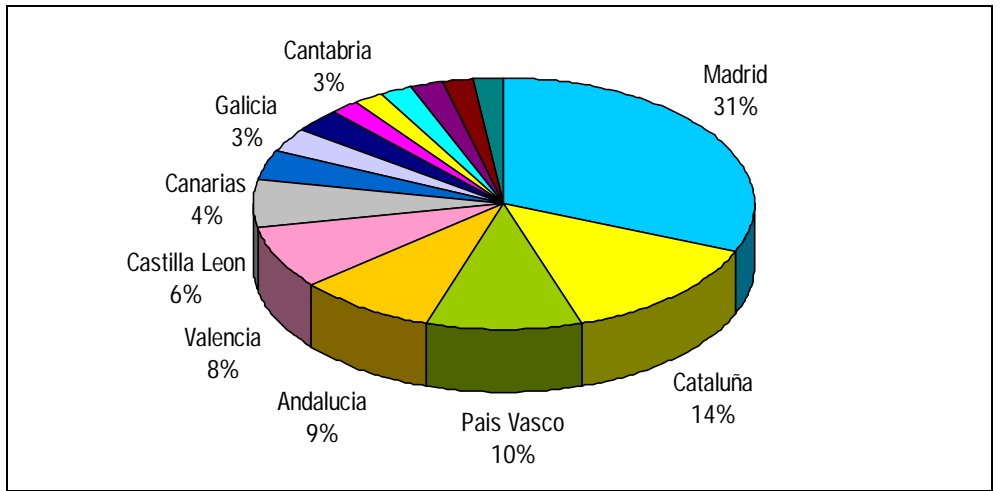
WALTV is 63.96% - at present time approximately 5.80% of loans have current LTVs over 80%. – however at the time securitization every loan will have LTVs below 80%.

Seasoning 2.07 years

The portfolio is almost entirely made of first properties mortgage loans – **only 5.85% of the portfolio is composed of second home properties** (based on outstanding loan balance) and 7.8% (based on number of loans).

Good geographical distribution with some concentrations in Madrid (31.51%) and Cataluña (14.32%).

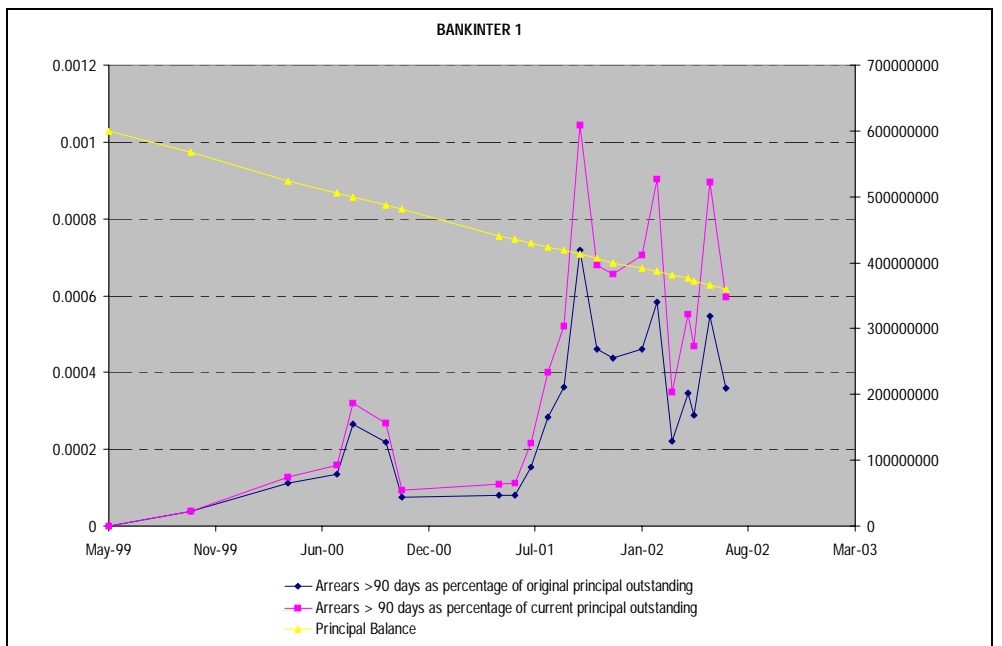
In line with the pattern adopted by previous Bankinter transaction, the margin over the loans is relatively low. These low margins are the result of an aggressive campaign that Bankinter is carrying out within the Spanish Market. However, the underwriting criteria is still quite conservative. All the loans are linked to 1 year Euribor and Mibor. **The weighted average margin over the loans is 0.67%**. (higher than on the previous deal)



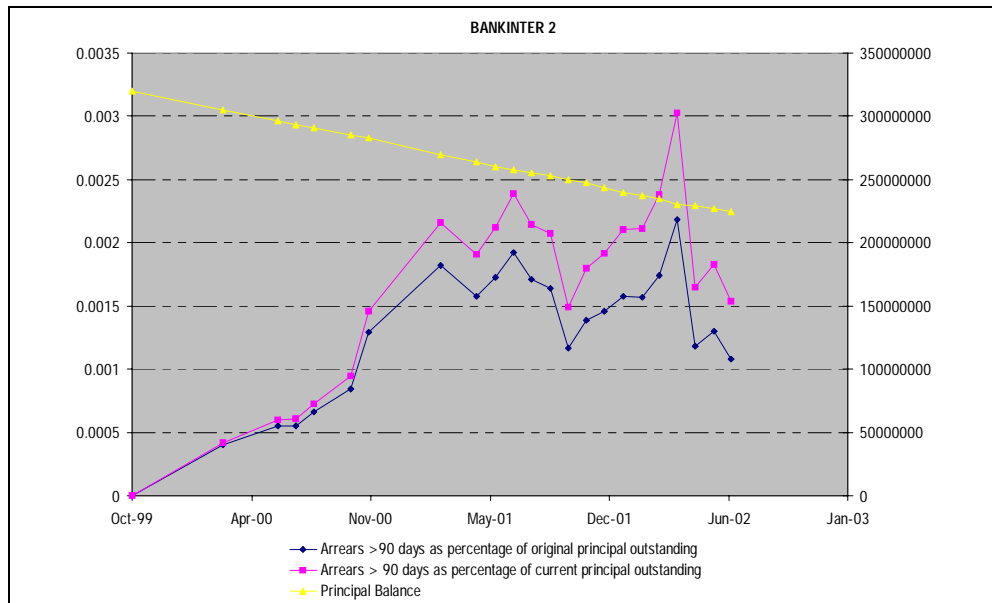
Performance Data

Performance criteria is very good for the previous 3 transactions - with 90+ arrears levels not increasing the 0.3% level on BANKINTER 2 - and well below the 0.15% mark on BANKINTER3

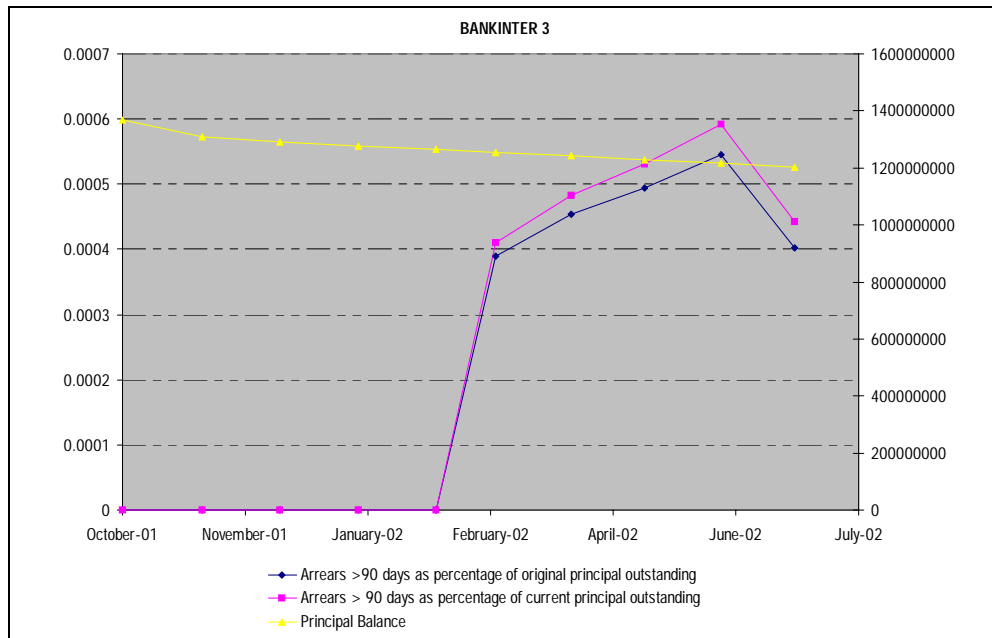
BANKINTER 1



BANKINTER 2



BANKINTER 3



ORIGINATOR, SERVICER AND DUE DILIGENCE

Bankinter - Rating Just Upgraded From A1 To Aa3

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

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

As compared with previous Bankinter transactions - The quality of the loans this time around is very similar to the previous Bankinter 4 transaction (perhaps slightly weaker in terms of higher LTV levels). However, Bankinter 5 benefits from lower Loan size and higher seasoning than in the previous Bankinter transaction. In addition Bankinter's rating has been just upgraded which gives us comfort for all those documents where Bankinter is acting as counterparty. Moreover, Bankinter transactions have behaved well in the past (90+arrears levels below 0.25%).

Structurally, this transaction is also benefited by a basis swap and by the fact that the fully prorrata structure makes the capital cost of the structure throughout the deal's life less severe when calculating the excess spread valuation than on previous occasions.

As compared with previous deals –

	BANKINTER 5	BANKINTER 4	BANKINTER 3	BANKINTER 2	BANKINTER 1
CLOSING	Dec-02	Oct-02	Oct-01	Oct-99	May-99
LTV	63.43%	61.47%	60.86%	57.72%	57.23%
GEOG	Madrid (31%)	Madrid (30%)	Madrid(28.19%)	Madrid (29.28%)	Madrid (34.67%)
GEOG	Catalonia (14%)	Catalonia (16%)	Catalonia (14.11%)	Catalonia (10.52%)	Catalonia (13.41%)
SEASONING	2.07 Years	1.89 Years			
B BOND	2.10%	2.10%	2.55%	4.15%	3.70%
C BOND	1.55%	1.55%	1.15%		
LOC	0.85%	1.05%	1.00%	3.25%	2.75%
TOTAL	4.50%	4.70%	4.70%	7.40%	6.45%

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.

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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