

Various Rating Actions Taken In Two Bankinter Spanish RMBS Transactions Following Improved Credit Enhancement

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OVERVIEW

- We have reviewed Bankinter 6 and 8 following improved credit enhancement levels.
- Following our review, we have taken various rating actions in both transactions.
- Bankinter 6 and 8 are Spanish RMBS transactions, which closed in September 2003 and March 2004, respectively. Bankinter originated the pools, which comprise loans granted to prime borrowers secured over owner-occupied residential properties in Spain.

MADRID (S&P Global Ratings) Feb. 21, 2018--S&P Global Ratings today took various credit rating actions in Bankinter 6, Fondo de Titulizacion de Activos and Bankinter 8, Fondo de Titulizacion de Activos (see list below).

Today's rating actions follow our credit and cash flow analysis of the most recent transaction information that we have received and reflect each of the transactions' structural features, and the application of our relevant criteria (see "Related Criteria").

In our opinion, the outlook for the Spanish residential mortgage and real estate market is not benign and we have therefore increased our expected 'B'

foreclosure frequency assumption to 3.33% from 2.00%, when we apply our European residential loans criteria, to reflect this view (see "Outlook Assumptions For The Spanish Residential Mortgage Market," published on Dec. 27, 2017, and "Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Dec. 4, 2017). We base these assumptions on our expectation that economic growth will mildly deteriorate, unemployment will remain high, and the recent increase in house prices will slow down in 2018 and 2019.

Delinquencies have remained stable since our previous full reviews in Q1 2017 and are well below our Spanish residential mortgage-backed securities (RMBS) index (see "Related Research").

Bankinter S.A. (BBB/Positive/A-2) has a standardized, integrated, and centralized servicing platform. It is a servicer for a large number of Spanish RMBS transactions, and the historical performance of the Bankinter transactions has outperformed our Spanish RMBS index. We believe that these factors should contribute to the likely lower cost of replacing the servicer, and have therefore applied a lower floor to the stressed servicing fee of 35 basis points (bps) instead of 50 bps in our cash flow analysis, in line with table 74 of our European residential loans criteria.

Our credit analysis results in these transactions have improved due to the higher seasoning of the pools, the transactions' performance, and the lower current loan-to-value (LTV) ratios.

In both transactions, the notes are amortizing pro rata. Based on their historical behavior, we expect they will continue to do so until the transactions reach a 10% pool factor (the outstanding collateral balance as a proportion of the original collateral balance), when amortization will switch back to sequential. Credit enhancement in both transactions continues to increase in percentage terms as their reserve funds have reached their required levels and cannot amortize further.

Credit Agricole Corporate And Investment Bank (A/Positive/A-1) is the swap provider for Bankinter 6 and 8. Each transaction's hedge agreement mitigates basis risk arising from the different indexes between the securitized assets and the notes. We do not consider the replacement language in the swap agreements of these transactions to be in line with our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). Under our current counterparty criteria, we give benefit to the swap in our analysis at rating levels up to our long-term issuer credit rating (ICR) on the corresponding swap counterparty, plus one notch. In our analysis, we do not give benefit to the swap at rating levels above one notch higher than our long-term ICR on the swap counterparties. At these levels, we model the basis risk as unhedged.

Under our structured finance ratings above the sovereign criteria (RAS criteria), we applied a hypothetical sovereign default stress test to

determine whether a tranche has sufficient credit and structural support to withstand a sovereign default and so repay timely interest and principal by legal final maturity (see "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016).

Following the application of our relevant criteria, we have determined that our assigned rating on each class of notes in this transaction should be the lower of (i) the rating as capped by our RAS criteria and (ii) the rating that the class of notes can attain under our European residential loans criteria.

We also consider credit stability in our analysis (see "Methodology: Credit Stability Criteria," published on May 3, 2010). To reflect moderate stress conditions, we adjusted our weighted-average foreclosure frequency assumptions by assuming additional arrears of 8% for one- and three-year horizons, for 30-90 days arrears, and 90+ days arrears. This did not result in our ratings deteriorating below the maximum projected deterioration that we would associate with each relevant rating level, as outlined in our credit stability criteria.

Taking into account the results of our credit and cash flow analysis, the application of our criteria, and the transactions' counterparties, we consider that the current available credit enhancement for the class B and C notes in Bankinter 6 and 8 is commensurate with higher rating levels than those currently assigned. For these classes of notes, we have raised our ratings.

At the same time, we have affirmed our 'AA+ (sf)' ratings on Bankinter 6 and 8's class A notes as we consider that the available credit enhancement is commensurate with the currently assigned ratings.

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RELATED CRITERIA

- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Aug. 4, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported

Transactions, Oct. 14, 2013

- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Global Derivative Agreement Criteria, June 24, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- Spanish RMBS Index Report Q3 2017, Nov. 22, 2017
- Outlook Assumptions For The Spanish Residential Mortgage Market, Dec. 27, 2017
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Ratings Raised Or Affirmed In Eight Bankinter Spanish RMBS Transactions Following Improved Collateral Performance, Feb. 24, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

RATINGS LIST

Class	To	Rating	From
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Bankinter 6 Fondo de Titulizacion de Activos
€1.35 Billion Mortgage-Backed Floating-Rate Notes

Ratings Raised

B	A+ (sf)	BBB+ (sf)	
C	A+ (sf)	BBB+ (sf)	

Rating Affirmed

A	AA+ (sf)
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Bankinter 8 Fondo de Titulizacion de Activos
€1.07 Billion Mortgage-Backed Floating-Rate Notes

Ratings Raised

B	A+ (sf)	A (sf)	
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Various Rating Actions Taken In Two Bankinter Spanish RMBS Transactions Following Improved Credit Enhancement

C	BBB (sf)	BBB- (sf)
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Rating Affirmed

A	AA+ (sf)
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