

Ratings Raised Or Affirmed In Eight Bankinter Spanish RMBS Transactions Following Improved Collateral Performance

Primary Credit Analyst:

Soledad Martinez-Tercero, Madrid (34) 91-389-6954; soledad.martinez-tercero@spglobal.com

Secondary Contacts:

Rebecca Mun, London (44) 20-7176-3613; rebecca.mun@spglobal.com

Ibrahim Bundu-kamara, London +44-20-7176 1231; Ibrahim.Bundu-Kamara@spglobal.com

Isabel Plaza, Madrid (34) 91-788-7203; isabel.plaza@spglobal.com

OVERVIEW

- We have reviewed Bankinter 3, 4, 5, 6, 8, 10, 11, and 13 following improved collateral performance and/or credit enhancement levels.
- In error, we did not disclose the approach we have taken since updating our Spanish RMBS criteria in 2014 to applying a reduced servicing fee stress to the cash flow analyses for these transactions. We clarify this approach in this article.
- Following our review, we have raised our ratings on 13 classes of notes and affirmed our ratings on 16 classes of notes.
- Bankinter 3, 4, 5, 6, 8, 10, 11, and 13 are Spanish RMBS transactions, which closed between October 2001 and November 2006. Bankinter originated the pools, which comprise loans granted to prime borrowers secured over owner-occupied residential properties in Spain, and, in the case of Bankinter 11, loans with flexible features.

MADRID (S&P Global Ratings) Feb. 24, 2017--S&P Global Ratings today took various credit rating actions in Bankinter 3, Fondo de Titulizacion Hipotecaria, Bankinter 4, Fondo de Titulizacion Hipotecaria, Bankinter 5, Fondo de Titulizacion Hipotecaria, Bankinter 6, Fondo de Titulizacion de Activos, Bankinter 8, Fondo de Titulizacion de Activos, Bankinter 10, Fondo de

Titulizacion de Activos, Bankinter 11, Fondo de Titulizacion Hipotecaria, and Bankinter 13, Fondo de Titulizacion de Activos.

Specifically, we have:

- Affirmed our ratings on all classes of Bankinter 3 and Bankinter 6's notes; Bankinter 4's class B and C notes; Bankinter 8's class A notes; Bankinter 10's class A2, D, and E notes; Bankinter 11's class A2 and D notes; and Bankinter 13's class A2 and E notes.
- Raised our ratings on all classes of Bankinter 5's notes; Bankinter 4's class A notes, Bankinter 8, 10, and 11's class B and C notes; and Bankinter 13's class B, C, and D notes (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 June 24, 2016, and "Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Dec. 23, 2016. On Feb. 6, 2017, we republished these criteria to clarify our approach to the modeling of stressed servicing fees in Spanish transactions in what is now table 74). We base these assumptions on our expectation that economic growth will mildly deteriorate, unemployment will remain high, and the increase in house prices will slow down in 2017 and 2018.

Delinquencies have decreased since our previous full reviews in Q1 2015 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, at 35 basis points (bps) instead of 50 bps in our cash flow analysis, in line with table 74 of our European residential loans criteria.

In error, we did not disclose our use of this lower stress in the surveillance updates we have published on these transactions since 2014. Applying a lower servicing stress has been our approach since 2014 when we determined that, consistent with our criteria for rating certain other European RMBS transactions which exhibit similarly strong asset performance and servicing

platforms, we could apply a lower servicing fee stress in our cash flow analyses for certain Spanish RMBS transactions, which meet certain specified conditions. We clarified this approach in our updated European residential loans criteria and in this surveillance update.

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

In all eight transactions, the notes are amortizing pro rata. Based on their historical behavior, we expect they will continue to do so (except for Bankinter 3 and 4, which will continue to amortize pro rata until the legal maturity of the funds). In these two transactions, the pro rata amortization only occurs between the class A and B notes, 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 is increasing in Bankinter 3, 4, 5, 6, and 8 as their reserve funds have reached their required levels and cannot amortize further.

Bankinter is the swap counterparty for Bankinter 3 and 4, and Credit Agricole Corporate And Investment Bank (A/Stable/A-1) is the swap provider for Bankinter 5, 6, 8, 10, 11, and 13. 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-year 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 certain classes of notes is commensurate with higher rating levels than those currently assigned. For these classes of notes, we have raised our ratings. For those classes of notes for which we consider the current available credit enhancement to be commensurate with the currently assigned ratings, we have affirmed those ratings (see list below).

Bankinter 3, 4, 5, 6, 8, 10, 11, and 13 are Spanish RMBS transactions, which closed between October 2001 and November 2006. Bankinter originated the pools, which comprise loans granted to prime borrowers secured over owner-occupied residential properties in Spain. Bankinter 11 securitizes a residential mortgage-lending product called Hipoteca SIN, which comprises flexible loans that allow borrowers, with Bankinter's approval, to take payment holidays, make additional draws, and increase the term of their loans.

RELATED CRITERIA

- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Dec. 23, 2016
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 08, 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 02, 2015
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 09, 2014
- General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Legal Criteria: Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 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
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 01, 2012
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012

- General Criteria: Methodology: Credit Stability Criteria, May 03, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- 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
- Spanish RMBS Index Report Q3 2016, Dec. 13, 2016
- Kingdom of Spain 'BBB+/A-2' Ratings Affirmed; Outlook Stable, Sept. 30, 2016
- Low Lending Rates Keep Europe's Housing Markets' Recovery On Track, Aug. 4, 2016
- Outlook Assumptions For The Spanish Residential Mortgage Market, June 24, 2016
- 2015 EMEA RMBS Scenario And Sensitivity Analysis, Aug. 6, 2015
- Various Rating Actions Taken In Spanish RMBS Transaction Bankinter 13 Following Sovereign Upgrade, Jan. 27, 2016
- Ratings Raised In Spanish RMBS Transaction Bankinter 11 Following Sovereign Upgrade, Jan. 26, 2016
- Ratings Raised In Spanish RMBS Transaction Bankinter 10 Following Sovereign Upgrade, Jan. 26, 2016
- Ratings In Spanish RMBS Transaction Bankinter 8 Raised And Removed From CreditWatch Positive Following Sovereign Upgrade, Jan. 21, 2016
- Ratings Raised In Spanish RMBS Transaction Bankinter 5 Following Sovereign Upgrade, Jan. 14, 2016
- Ratings Raised In Spanish RMBS Transactions Bankinter 3 And 4 Following Sovereign Upgrade, Dec. 31, 2015
- Ratings Raised In Spanish RMBS Transaction Bankinter 6 Following Sovereign Upgrade, Dec. 22, 2015
- Various Rating Actions Taken In Spanish RMBS Transactions Bankinter 5, 8, And 10 Following Criteria Updates, March 5, 2015
- Various Rating Actions Taken In Spanish RMBS Transactions Bankinter 3, 4, 6, 11, And 13 Following Criteria Updates, Feb. 13, 2015

RATINGS LIST

Class	Rating
To	From

Bankinter 3 Fondo de Titulizacion Hipotecaria
€1.323 Billion Mortgage-Backed Floating-Rate Notes

Ratings Affirmed

A	AA+ (sf)
---	----------

B	AA- (sf)
C	BBB (sf)

Bankinter 4 Fondo de Titulizacion Hipotecaria
€1.025 Billion Mortgage-Backed Floating-Rate Notes

Rating Raised

A	AA+ (sf)	AA- (sf)
---	----------	----------

Ratings Affirmed

B	AA- (sf)
C	B- (sf)

Bankinter 5 Fondo de Titulizacion Hipotecaria
€710 Million Mortgage-Backed Floating-Rate Notes

Ratings Raised

A	AA- (sf)	A+ (sf)
B	A+ (sf)	BBB+ (sf)
C	BBB+ (sf)	BB+ (sf)

Bankinter 6 Fondo de Titulizacion de Activos
€1.35 Billion Mortgage-Backed Floating-Rate Notes

Ratings Affirmed

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

Bankinter 8 Fondo de Titulizacion de Activos
€1.07 Billion Mortgage-Backed Floating-Rate Notes

Ratings Raised

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

Rating Affirmed

A	AA+ (sf)
---	----------

Bankinter 10 Fondo de Titulizacion de Activos
€1.74 Billion Mortgage-Backed Floating-Rate Notes

Ratings Raised

Ratings Raised Or Affirmed In Eight Bankinter Spanish RMBS Transactions Following Improved Collateral Performance

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

Ratings Affirmed

A2	AA+ (sf)
D	B- (sf)
E	CCC- (sf)

Bankinter 11 Fondo de Titulizacion Hipotecaria
€900 Million Mortgage-Backed Floating-Rate Notes

Ratings Raised

B	AA- (sf)	A+ (sf)
C	BBB+ (sf)	BB+ (sf)

Ratings Affirmed

A2	AA+ (sf)
D	B- (sf)

Bankinter 13 Fondo de Titulizacion de Activos
€1.57 Billion Mortgage-Backed Floating-Rate Notes

Ratings Raised

B	A+ (sf)	BBB+ (sf)
C	BBB (sf)	BB (sf)
D	B+ (sf)	B- (sf)

Ratings Affirmed

A2	AA+ (sf)
E	D (sf)

Copyright © 2017 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.