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Various Rating Actions Taken In Spanish RMBS Transactions Bankinter 3, 4, 6, 11, And 13 Following Criteria Updates

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OVERVIEW

- We have reviewed Bankinter 3, 4, 6, 11, and 13 by conducting our credit and cash flow analysis under our updated Spanish RMBS criteria and our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating.
- Our updated RAS criteria constrain our ratings on several classes of notes in each transaction.
- Following our review, we have taken various rating actions in all five transactions.
- Bankinter 3, 4, 6, 11, and 13 are Spanish RMBS transactions, which closed between October 2001 and November 2006 and securitize first-ranking mortgage loans. Bankinter originated the pools, which comprise loans granted to prime borrowers secured over owner-occupied residential properties located in Spain.

MADRID (Standard & Poor's) Feb. 18, 2015--Standard & Poor's Ratings Services today took various credit rating actions in Bankinter 3 Fondo de Titulizacion Hipotecaria, Bankinter 4 Fondo de Titulizacion Hipotecaria, Bankinter 6 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 Bankinter 3's class A notes, Bankinter 4's class A and B notes, Bankinter 6's class A notes, Bankinter 11's class A2 and B notes, and Bankinter 13's class A2 and E notes; and
- Lowered our ratings on Bankinter 3's class B and C notes, Bankinter 4's class C notes, Bankinter 6's class B and C notes, Bankinter 11's class C and D notes, and Bankinter 13's class B, C, and D notes (see list below).

Upon publishing our updated criteria for Spanish residential mortgage-backed securities (RMBS criteria) and our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria), we placed those ratings that could potentially be affected "under criteria observation" (see "**Italian And Spanish RMBS And Covered Bond Program Ratings Placed Under Criteria Observation**," and "**Italy And Spain RMBS Methodology And Assumptions**," both published on Sept. 18, 2014, and "**Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance**," published on Sept. 19, 2014).

Following our review of these transactions, our ratings that could potentially be affected by the criteria are no longer under criteria observation.

Today's rating actions follow our credit and cash flow analysis of the most recent transaction information that we have received as of each transaction's latest payment date. Our analysis reflects the application of our RMBS criteria and our RAS criteria.

Under our 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.

Our RAS criteria designate the country risk sensitivity for RMBS as 'moderate'. Under our RAS criteria, these transactions' notes can therefore be rated four notches above the sovereign rating, if they have sufficient credit enhancement to pass a minimum of a "severe" stress. However, as all six of the conditions in paragraph 48 of the RAS criteria are met, we can assign ratings in these transactions up to a maximum of six notches (two additional notches of uplift) above the sovereign rating, subject to credit enhancement being sufficient to pass an "extreme" stress (see "**Understanding Standard & Poor's Rating Definitions**," published on June 3, 2009 for our definitions of severe and extreme levels of economic stress).

As our long-term rating on the Kingdom of Spain is 'BBB', our RAS criteria cap at 'AA (sf)' the maximum potential rating for the class A notes in Bankinter 3 and 6, and the class A2 notes in Bankinter 11 and 13.

Bankinter 3 and 4 have similar priorities of payments, while Bankinter 6, 11, and 13 have similar structures. Furthermore, Bankinter 11 and 13 feature interest deferral triggers, based on the level of principal deficiency experienced by each transaction, which protect the more senior classes of notes in stressful scenarios. The triggers have never been breached and we don't expect them to be breached.

Bankinter 3's and 4's class A and B notes amortize pro rata and the class C notes amortize fully sequentially. All of Bankinter 6, 11, and 13's classes of notes amortize pro rata. The reserve funds in all five transactions are at their required levels.

Bankinter S.A. (BBB-/Stable/A-3) is the swap counterparty in Bankinter 3 and 4, and Credit Agricole Corporate And Investment Bank (A/Negative/A-1) is the swap provider in Bankinter 6, 11, and 13. Each transaction's hedge agreement mitigates basis risk arising from the different indexes between the securitized assets and the notes. We don't consider the replacement language in the swap agreements of these transactions to be in line with our current counterparty criteria, although the agreements feature a minimum required rating and replacement framework to which we give some credit in our analysis (see "**Counterparty Risk Framework Methodology And Assumptions**," published on June 25, 2013). Under our current counterparty criteria, our ratings in these transactions are capped at our long-term issuer-credit rating on the corresponding swap counterparty, plus one notch. Therefore, our ratings in Bankinter 3 and 4 are capped at 'BBB (sf)', and at 'A+ (sf)' in Bankinter 6, 11, and 13, unless higher ratings are possible in our analysis without giving benefit to the swap agreement.

The available credit enhancement (based on the collateral balance excluding defaults and including cash reserve available in the transaction) has increased for all classes of notes in all five transactions since our previous reviews (see "Related Research").

Class	Available credit enhancement (%)				
	3	4	6	11	13
A	19.67	13.34	12.06	-	-
A2	-	-	-	11.03	11.01
B	15.35	10.17	8.16	7.58	8.20
C	7.50	1.91	4.34	4.21	5.17
D	-	-	-	2.04	2.89
E	-	-	-	-	0.00

Available excess spread covers defaulted loans and maintains each reserve fund at its required level in all five transactions. The level of excess spread in these transactions is relatively low.

Severe delinquencies of more than 90 days are relatively stable and below our Spanish RMBS index in all five transactions (see "**Spanish RMBS Index Report Q2/Q3 2014: Delinquencies Continue To Rise As The Housing Market Slowly Recovers**," published on Jan. 2, 2015). Defaults are defined as mortgage loans in arrears for more than 18 months in these transactions. Cumulative defaults are also generally lower than in other Spanish RMBS transactions that we rate.

Prepayment levels remain low and the transactions are unlikely to pay down significantly in the near term, in our opinion.

	Severe delinquencies (%)[1]	Cumulative defaults (%)[2]
Bankinter 3	0.29	0.11
Bankinter 4	0.36	0.08
Bankinter 6	0.67	0.24
Bankinter 11	0.64	0.36
Bankinter 13	0.97	1.26

[1] As a percentage of the outstanding portfolio. [2] As a percentage of the closing portfolio.

After applying our RMBS criteria to these transactions, our credit analysis results show a decrease in the weighted-average foreclosure frequencies (WAFF) for most rating levels, and an increase in the weighted-average loss severities (WALS) for each rating level in all five transactions.

The decreases in the WAFF are mainly due to our updated treatment of original loan-to-value ratios and the different adjustments that we apply to seasoned loans under our revised RMBS criteria. The increases in the WALS are mainly due to the application of our revised market value decline assumptions. The overall effect is an increase in the required credit coverage for each rating level in each transaction.

Following the application of our RAS criteria and our RMBS criteria, we have determined that our assigned rating on each class of notes in these transactions 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 RMBS criteria. Our ratings on the class A and B notes in Bankinter 3, 4, and 6, and the class A2 and B notes in Bankinter 11 and 13 are constrained by the rating on the sovereign.

The senior-most classes of notes in Bankinter 3, 6, 11, and 13 pass all of the conditions under our RAS criteria, and benefit from enough credit enhancement to withstand our extreme stress. Consequently, our ratings on these classes of notes can be a maximum of six notches above the sovereign rating. We have therefore affirmed our 'AA (sf)' ratings on Bankinter 3 and 6's class A notes, and Bankinter 11 and 13's class A2 notes.

Bankinter 4's class A notes have enough credit enhancement to withstand our stresses up to four notches above the sovereign rating. We have therefore affirmed our 'A+ (sf)' rating on Bankinter 4's class A notes.

The class B notes in Bankinter 11 have sufficient credit enhancement to withstand our severe stresses up to three notches above the sovereign rating. We have therefore affirmed our 'A (sf)' rating on Bankinter 11's class B notes.

Our credit and cash flow results indicate that the available credit enhancement for Bankinter 13's class B notes is sufficient to withstand our stresses up to one notch above the sovereign rating. We have therefore lowered to 'BBB+ (sf)' from 'A (sf)' our rating on Bankinter 13's class B notes.

Our credit and cash flow results also indicate that the available credit enhancement for Bankinter 3 and 6's's class B and C notes, Bankinter 4's class C notes, and Bankinter 11 and 13's class C and D notes is commensurate with lower ratings than those currently assigned. We have therefore lowered our ratings on these classes of notes.

Our credit and cash flow results also indicate that the available credit enhancement for Bankinter 4's class B notes is commensurate with the currently assigned rating. We have therefore affirmed our 'BBB (sf)' rating on this class of notes.

In addition to the decreased WAFF and the increased WALS, the more severe cash flow modeling assumptions under our revised RMBS criteria (including additional stresses on servicing fees, delinquencies, back-ended default curves, delayed recession timing, and longer recovery timing) contributed to greater overall stresses on the transactions. These assumptions led to us lowering our ratings on affected mezzanine and junior tranches.

We have affirmed our 'D (sf)' rating on Bankinter 13's class E notes as they are experiencing ongoing interest shortfalls due to a lack of liquidity.

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 WAFF assumptions by assuming additional arrears of 8% for one-year and three-year horizons. This did not result in our rating deteriorating below the maximum projected deterioration that we would associate with each relevant rating level, as outlined in our credit stability 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 RMBS criteria, to reflect this view (see "**Outlook Assumptions For The Spanish Residential Mortgage Market**," published on Sept. 18, 2014). We base these assumptions on our expectation of modest economic growth, continuing high unemployment, and house prices leveling off in 2015.

On the back of improving but still depressed macroeconomic conditions, we don't expect the performance of the transactions in our Spanish RMBS index to improve in 2015.

We expect severe arrears in the portfolio to remain at their current levels, as there are a number of downside risks. These include weak economic growth, high unemployment, and fiscal tightening. On the positive side, we expect interest rates to remain low for the foreseeable future.

Bankinter 3, 4, 6, 11, and 13 are Spanish RMBS transactions, which closed between October 2001 and November 2006, and securitize mainly first-ranking mortgage loans. Bankinter S.A. originated the pools, which comprise loans granted to prime borrowers secured over owner-occupied residential properties in Spain.

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SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties, and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Reports included in this

credit rating report are available at **http://standardandpoorsdisclosure-17g7.com**.

RELATED CRITERIA AND RESEARCH

Related Criteria

- **Global Framework For Assessing Operational Risk In Structured Finance Transactions**, Oct. 9, 2014
- **Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance**, Sept. 19, 2014
- **Italy And Spain RMBS Methodology And Assumptions**, Sept. 18, 2014
- **Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance**, Sept. 13, 2013
- **Counterparty Risk Framework Methodology And Assumptions**, June 25, 2013
- **Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings**, Oct. 1, 2012
- **Global Investment Criteria For Temporary Investments In Transaction Accounts**, May 31, 2012
- **Methodology: Credit Stability Criteria**, May 3, 2010
- **Understanding Standard & Poor's Rating Definitions**, June 3, 2009

Related Research

- **Low Interest Rates Are Only Slowly Reviving Europe's Housing Markets**, Feb. 5, 2015
- **Spanish RMBS Index Report Q2/Q3 2014: Delinquencies Continue To Rise As The Housing Market Slowly Recovers**, Jan. 2, 2015
- **Credit Conditions: The Eurozone Crawls Into 2015 With Weak Momentum**, Dec. 4, 2014
- **Standard & Poor's Ratings Definitions**, Nov. 20, 2014
- **Italian And Spanish RMBS And Covered Bond Program Ratings Placed Under Criteria Observation**, Sept. 18, 2014
- **Outlook Assumptions For The Spanish Residential Mortgage Market**, Sept. 18, 2014
- **Low Interest Rates Are Underpinning Europe's House Price Recovery**, July 28, 2014
- **European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors**, July 8, 2014
- **Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality**, July 2, 2014
- **Various Rating Actions Taken In Spanish RMBS Transactions Bankinter 5, 6, And 8 Following Review**, June 4, 2014
- **Various Rating Actions Taken In Spanish RMBS Transactions Bankinter 10, 11, And 13 Following Review**, June 4, 2014
- **Various Rating Actions Taken In Spanish RMBS Transactions Bankinter 3 And 4 Following Review**, April 30, 2013

RATINGS LIST

Class	Rating	
	To	From
Bankinter 3 Fondo de Titulizacion Hipotecaria		
€1.323 Billion Mortgage-Backed Floating-Rate Notes		
Rating Affirmed		
A	AA (sf)	
Ratings Lowered		
B	A+ (sf)	AA (sf)
C	BBB (sf)	BBB+ (sf)
Bankinter 4 Fondo de Titulizacion Hipotecaria		

€1.025 Billion Mortgage-Backed Floating-Rate Notes

Ratings Affirmed

A	A+ (sf)
B	BBB (sf)

Rating Lowered

C	B- (sf)	BB+ (sf)

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

Rating Affirmed

A	AA (sf)

Ratings Lowered

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

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

Ratings Affirmed

A2	AA (sf)
B	A (sf)

Ratings Lowered

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

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

Ratings Affirmed

A2	AA (sf)
E	D (sf)

Ratings Lowered

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

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