

Various Rating Actions Taken In Three Bankinter Spanish RMBS Transactions Following Review

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OVERVIEW

- On March 23, 2018, we raised our unsolicited long-term sovereign rating on Spain to 'A-' from 'BBB+'.
- Following the sovereign upgrade, on April 6, 2018, we raised our long-term rating on Bankinter, the servicer in Bankinter 5, Bankinter 6, and Bankinter 8.
- On April 17, 2018, we revised our outlook assumptions for the Spanish residential mortgage market to benign to reflect the improved Spanish residential mortgage and real estate market, and lowered our projected losses at the 'B' rating level for the archetypal Spanish pool.
- On April 24, 2018, we placed on CreditWatch positive our ratings on all tranches of asset-backed notes in these three Bankinter transactions, as we needed to conduct a full analysis to determine the impact of these recent events.
- Following our review of these transactions under our relevant criteria, we have taken various rating actions and resolved our CreditWatch placements.
- Bankinter 5, 6, and 8 are Spanish RMBS transactions, which closed between December 2002 and March 2004.

MADRID (S&P Global Ratings) June 28, 2018--S&P Global Ratings today took

various credit rating actions in three Spanish residential mortgage-backed securities (RMBS) transactions: Bankinter 5 Fondo de Titulizacion Hipotecaria, Bankinter 6 Fondo de Titulizacion de Activos, and Bankinter 8 Fondo de Titulizacion de Activos (see list below).

Today's rating actions follow the application of our relevant criteria and our full analysis of the most recent transactions information that we have received, and reflect the transactions' current structural features (see "Related Criteria"). We have also considered our updated outlook assumptions for the Spanish residential mortgage market (see "Outlook Assumptions For The Spanish Residential Mortgage Market," published on April 17, 2018).

Our structured finance ratings above the sovereign (RAS) criteria classify the sensitivity of these transactions as moderate (see "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016). Therefore, after our March 23, 2018 upgrade of Spain to 'A-' from 'BBB+', the highest rating that we can assign to the senior-most tranche in these transactions is six notches above the Spanish sovereign rating, or 'AAA (sf)', if certain conditions are met (see "Spain Long-Term Ratings Raised To 'A-' On Economic Growth And Budgetary Consolidation; Outlook Positive"). For all the other tranches, the highest rating that we can assign is four notches above the sovereign rating.

The counterparty risks in these transactions relate to the guaranteed investment contract (GIC) accounts and the swaps, which are provided by Societe Generale (Madrid Branch) and Credit Agricole Corporate And Investment Bank S.A., respectively.

The replacement language in these transactions' GIC account agreements is in line with our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). Therefore, the application of these criteria does not cap our ratings in these transactions. As Societe Generale (Madrid Branch) is not rated, under our bank branch criteria we consider it to have the same rating as its parent branch, Societe Generale (see "General Criteria: Methodology Applied To Bank Branch-Supported Transactions," published on Oct. 14, 2013).

The transactions' hedge agreements provided by Credit Agricole Corporate And Investment Bank (A/Positive/A-1) 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. Under these 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.

Our European residential loans criteria, as applicable to Spanish residential

loans, establish how our loan-level analysis incorporates our current opinion of the local market outlook (see "Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Aug. 4, 2017). Our current outlook for the Spanish housing and mortgage markets, as well as for the overall economy in Spain, is benign. Therefore, we revised our expected level of losses for an archetypal Spanish residential pool at the 'B' rating level to 0.9% from 1.6%, in line with table 87 of our European residential loans criteria, by lowering our foreclosure frequency assumption to 2.00% from 3.33% for the archetypal pool at the 'B' rating level (see "Guidance: Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on April 17, 2018).

BANKINTER 5

After applying our European residential loans criteria to this transaction, the overall effect in our credit analysis results is a decrease in the required credit coverage for each rating level compared with our previous review, mainly driven by our revised foreclosure frequency assumptions. As the pool's attributes indicate better credit quality than the archetype, we increased the projected loss that we modeled to meet the minimum floor under our European residential loans criteria.

Rating level	WAFF (%)	WALS (%)
AAA	8.71	36.38
AA	5.91	31.60
A	4.44	21.21
BBB	3.29	14.74
BB	2.15	2.00
B	1.28	2.00

The class A, B, and C notes' credit enhancement has increased to 12.7%, 8.5%, and 5.4%, respectively, from 11.7, 7.3%, and 4.1% in our February 2017 review, due to the amortization of the notes and the reserve fund being at its required level and its floor.

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

The application of our European residential loans criteria supports a 'AA+ (sf)' rating on the class A notes without the support of the swap contract. However, the application of our RAS criteria allows our rating on this class of notes to be at four notches above our unsolicited 'A-' long-term sovereign rating on Spain. We have therefore raised to 'AA (sf)' from 'AA- (sf)' and removed from CreditWatch positive our rating on this class of notes, which continues to be delinked from the long-term ICR on the swap counterparty.

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The application of our European residential loans criteria supports a 'AA (sf)' rating on the class B notes without the support of the swap contract. Additionally, the application of our RAS criteria allows our rating on the class B notes to be at four notches above our unsolicited 'A-' long-term sovereign rating on Spain. We have therefore raised to 'AA (sf)' from 'A+ (sf)' and removed from CreditWatch positive our rating on this class of notes. This rating is now delinked from the long-term ICR on the swap counterparty.

The application of our European residential loans criteria and RAS criteria supports a 'AA- (sf)' rating on the class C notes when benefit is given to the swap agreement in our cash flow analysis. If no benefit is given to the swap agreement, this class of notes achieves a lower rating. Therefore, our rating on the class C notes continues to be capped at the long-term ICR plus one notch on the swap counterparty. We have therefore raised to 'A+ (sf)' from 'BBB+ (sf)' and removed from CreditWatch positive our rating on this class of notes.

BANKINTER 6

After applying our European residential loans criteria to this transaction, the overall effect in our credit analysis results is a decrease in the required credit coverage for each rating level compared with our previous review, mainly driven by our revised foreclosure frequency assumptions. As the pool's attributes indicate better credit quality than the archetype, we increased the projected loss that we modeled to meet the minimum floor under our European residential loans criteria.

Rating level	WAFF (%)	WALS (%)
AAA	10.88	27.32
AA	7.48	23.76
A	5.66	15.78
BBB	4.21	11.00
BB	2.82	2.00
B	1.74	2.00

The class A, B, and C notes' credit enhancement has increased to 14.8%, 10.7%, and 6.7%, respectively, from 14.6, 10.5%, and 6.5% in our February 2017 review, due to the amortization of the notes and the reserve fund being at its required level and its floor.

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

The application of our European residential loans criteria supports a 'AAA

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(sf)' rating on the class A notes. The application of our RAS criteria allows our rating on this class of notes to be six notches above our unsolicited 'A-' long-term sovereign rating on Spain. We have therefore raised to 'AAA (sf)' from 'AA+ (sf)' and removed from CreditWatch positive our rating on this class of notes, which continues to be delinked from the long-term ICR on the swap counterparty.

The application of our European residential loans criteria and RAS criteria supports a 'AA (sf)' rating on the class B notes when benefit is given to the swap agreement in our cash flow analysis. Therefore, our rating on the class B notes continues to be capped at the long-term ICR plus one notch on the swap counterparty. We have therefore removed from CreditWatch positive and affirmed our 'A+ (sf)' rating on this class of notes.

The application of our European residential loans criteria and RAS criteria supports a 'AA (sf)' rating on the class C notes when benefit is given to the swap agreement in our cash flow analysis. Therefore, our rating on the class C notes continues to be capped at the long-term ICR plus one notch on the swap counterparty. We have therefore removed from CreditWatch positive and affirmed our 'A+ (sf)' rating on this class of notes.

BANKINTER 8

After applying our European residential loans criteria to this transaction, the overall effect in our credit analysis results is a decrease in the required credit coverage for each rating level compared with our previous review, mainly driven by our revised foreclosure frequency assumptions. As the pool's attributes indicate better credit quality than the archetype, we increased the projected loss that we modeled to meet the minimum floor under our European residential loans criteria.

Rating level	WAFF (%)	WALS (%)
AAA	16.25	15.26
AA	11.01	15.19
A	8.27	11.25
BBB	6.11	9.51
BB	3.97	4.69
B	2.34	3.70

The class A, B, and C notes' credit enhancement has increased to 13.6%, 9.6%, and 6.0%, respectively, from 13.2, 9.2%, and 5.6% in our February 2017 review, due to the amortization of the notes and the reserve fund being at its required level and its floor.

Following the application of our criteria, we have determined that our assigned ratings on the classes of notes in this transaction should be the lower of (i) the rating as capped by our RAS criteria, (ii) the rating as capped by our counterparty criteria, or (iii) the rating that the class of

notes can attain under our European residential loans criteria.

The application of our European residential loans criteria supports a 'AAA (sf)' rating on the class A notes. The application of our RAS criteria allows our rating on this class of notes to be at six notches above our unsolicited 'A-' long-term sovereign rating on Spain. We have therefore raised to 'AAA (sf)' from 'AA+ (sf)' and removed from CreditWatch positive our rating on this class of notes, which continues to be delinked from the long-term ICR on the swap counterparty.

The application of our European residential loans criteria and RAS criteria supports a 'AA- (sf)' rating on the class B notes when benefit is given to the swap agreement in our cash flow analysis. If no benefit is given to the swap agreement, this class of notes achieves a lower rating. Therefore, our rating on this class of notes continues to be capped at the long-term ICR plus one notch on the swap counterparty. We have therefore removed from CreditWatch positive and affirmed our 'A+ (sf)' rating on this class of notes.

Our rating on the class C notes is not capped by our RAS analysis as the application of our European residential loans criteria, including our updated credit figures, determines our rating on the notes at 'BBB+ (sf)'. We have therefore raised to 'BBB+ (sf)' from 'BBB (sf)' and removed from CreditWatch positive our rating on this class of notes, which continues to be linked to the long-term ICR plus one notch on the swap counterparty.

Bankinter 5, 6, and 8 are Spanish RMBS transactions, which closed between December 2002 and March 2004. Bankinter S.A. originated the pools, which comprise loans granted to prime borrowers secured over owner-occupied residential properties in Spain.

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

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- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- Spanish RMBS Index Report Q1 2018, May 24, 2018
- Ratings On 213 Tranches In 82 Spanish RMBS Transactions Placed On CreditWatch Positive, April 24, 2018
- Outlook Assumptions For The Spanish Residential Mortgage Market, April 17, 2018
- Guidance: Methodology And Assumptions: Assessing Pools Of European Residential Loans, April 17, 2018
- Reduced Funding Risks Lead To Upgrades At Several Spanish Banks, April 6, 2018
- Spain Long-Term Ratings Raised To 'A-' On Economic Growth And Budgetary Consolidation; Outlook Positive, March 23, 2018
- 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	Rating	
	To	From

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

Ratings Raised And Removed From CreditWatch Positive

A	AA (sf)	AA- (sf)/Watch Pos
B	AA (sf)	A+ (sf)/Watch Pos
C	A+ (sf)	BBB+ (sf)/Watch Pos

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

Rating Raised And Removed From CreditWatch Positive

A	AAA (sf)	AA+ (sf)/Watch Pos
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Ratings Affirmed And Removed From CreditWatch Positive

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B	A+ (sf)	A+ (sf)/Watch Pos
C	A+ (sf)	A+ (sf)/Watch Pos

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

Ratings Raised And Removed From CreditWatch Positive

A	AAA (sf)	AA+ (sf)/Watch Pos
C	BBB+ (sf)	BBB (sf)/Watch Pos

Rating Affirmed And Removed From CreditWatch Positive

B	A+ (sf)	A+ (sf)/Watch Pos
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