MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades 7 tranches and affirms 7 tranches in 3 Spanish ABS-SME deals

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Madrid, December 01, 2017 -- Moody's Investors Service ("Moody's") has today upgraded the ratings of seven tranches and affirmed seven tranches in three Spanish ABS-SME deals.

Issuer: BANKINTER 2 PYME, FTA

....EUR682M Class A2 Notes, Affirmed Aa2 (sf); previously on Jan 23, 2015 Upgraded to Aa2 (sf)

....EUR16.2M Class B Notes, Affirmed Aa2 (sf); previously on Jan 23, 2015 Upgraded to Aa2 (sf)

....EUR27.5M Class C Notes, Upgraded to Aa2 (sf); previously on Mar 10, 2017 Upgraded to A1 (sf)

....EUR10.7M Class D Notes, Upgraded to Baa1 (sf); previously on Mar 10, 2017 Upgraded to Ba1 (sf)

....EUR14.6M Class E Notes, Affirmed C (sf); previously on Jun 27, 2006 Definitive Rating Assigned C (sf)

Issuer: BANKINTER 3 FTPYME, FTA

....EUR288.9M Class A2 Notes, Affirmed Aa2 (sf); previously on Jun 13, 2016 Upgraded to Aa2 (sf)

....EUR91.2M Class A3 (G) Notes, Affirmed Aa2 (sf); previously on Jun 13, 2016 Upgraded to Aa2 (sf)

....EUR23.1M Class B Notes, Upgraded to Aa2 (sf); previously on Mar 10, 2017 Upgraded to A1 (sf)

....EUR6M Class C Notes, Upgraded to Baa3 (sf); previously on Mar 10, 2017 Upgraded to Ba2 (sf)

....EUR10.8M Class D Notes, Upgraded to B2 (sf); previously on Mar 10, 2017 Upgraded to B3 (sf)

....EUR17.4M Class E Notes, Affirmed C (sf); previously on Nov 13, 2007 Definitive Rating Assigned C (sf)

Issuer: GC FTGENCAT CAIXA TARRAGONA 1, FTA

....EUR25.7M Class B Notes, Upgraded to Aa2 (sf); previously on Mar 10, 2017 Upgraded to A1 (sf)

....EUR16.8M Class C Notes, Upgraded to Ba2 (sf); previously on Jan 23, 2015 Affirmed Caa3 (sf)

....EUR13.8M Class D Notes, Affirmed C (sf); previously on Jul 1, 2008 Definitive Rating Assigned C (sf)

The three transactions are ABS backed by small to medium-sized enterprise (ABS SME) loans located in Spain and originated by Bankinter, S.A. ("Bankinter") (Baa1/P-2) in BANKINTER 2 PYME, FTA and BANKINTER 3 FTPYME, FTA and originated by Caixa Catalunya, Tarragona i Manresa which was merged in 2010 with Catalunya Banc SA, now part of Banco Bilbao Vizcaya Argentaria, S.A. (A3/P-2) in GC FTGENCAT CAIXA TARRAGONA 1, FTA.

RATINGS RATIONALE

The ratings are prompted by the increase in the credit enhancement available for the affected tranches due to portfolio amortization.

Credit Enhancement levels for Class C and Class D notes in BANKINTER 2 PYME, FTA have increased to 39.7% and 21.5% from 28.9% and 14.5% respectively since last rating action.

In the cases of Class B notes and Class C notes in BANKINTER 3 FTPYME, FTA Credit Enhancement levels have increased to 36.2% and 29.4%, this compares with the observed Credit Enhancement levels at latest rating actions taken on this deal which were at 26.3% and 20.5% respectively.

In the case of GC FTGENCAT CAIXA TARRAGONA 1, FTA, Credit Enhancement levels for Class B have increased to 64.8% from 38.4% since last rating action while in the case of Class C notes it has increased up to 18.9% from 0%. The sudden increase in Credit Enhancement is explained by a significant increase in recoveries over the last months that has been capable to increase Reserve Fund size which was fully depleted at last rating action last March 2017.

Revision of key collateral assumptions

As part of the review, Moody's reassessed its default probabilities (DP) as well as recovery rate (RR) assumptions based on updated loan by loan data on the underlying pools and delinquency, default and recovery ratio update.

Moody's maintained its DP on current balance and Recovery rate assumptions as well as portfolio credit enhancement (PCE) due to observed pool performance in line with expectations on BANKINTER 2 PYME, FTA and BANKINTER 3 FTPYME, FTA. In the case of GC FTGENCAT CAIXA TARRAGONA 1, FTA, we have maintained its DP on current balance as well as portfolio credit enhancement but we have increased recovery rate assumption to 60% from 35% to reflect significantly improved Recoveries performance.

Exposure to counterparties

Today's rating action took into consideration the notes' exposure to relevant counterparties, such as servicer, account banks or swap providers.

Moody's considered how the liquidity available in the transactions and other mitigants support continuity of notes payments, in case of servicer default, using the CR Assessment as a reference point for servicers.

Moody's also matches banks' exposure in structured finance transactions to the CR Assessment for commingling risk, with a recovery rate assumption of 45%.

Moody's also assessed the default probability of the account bank providers by referencing the bank's deposit rating.

Moody's assessed the exposure to the swap counterparties. Moody's considered the risks of additional losses on the notes if they were to become unhedged following a swap counterparty default by using CR Assessment as reference point for swap counterparties.

Principal Methodology:

The principal methodology used in these ratings was "Moody's Global Approach to Rating SME Balance Sheet Securitizations" published in August 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors or circumstances that could lead to an upgrade of the ratings include: (1) performance of the underlying collateral that is better than Moody's expected, (2) deleveraging of the capital structure, (3) improvements in the credit quality of the transaction counterparties, and (4) reduction in sovereign risk.

Factors or circumstances that could lead to a downgrade of the ratings include: (1) performance of the underlying collateral that is worse than Moody's expected, (2) deterioration in the notes' available credit enhancement, (3) deterioration in the credit quality of the transaction counterparties, and (4) an increase in sovereign risk.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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