MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades four Bankinter 3 FTPYME, FTA Spanish SME ABS notes following internal review

Global Credit Research - 18 Jul 2013

Frankfurt am Main, July 18, 2013 -- Moody's Investors Service has today downgraded the ratings of four classes of notes issued by BANKINTER 3 FTPYME, FTA (Bankinter 3). Bankinter 3 is a Spanish asset-backed securities transaction backed by loans to small and medium-sized enterprises (SME ABS) originated by Bankinter, S.A. (Ba1). The rating action follows an internal review after a correction to the Coefficient of Variation (CoV) of the loss distribution. Considering the corrected CoV level, insufficient credit enhancement to address sovereign risk and exposure to counterparty risk has prompted today's action. At the same time, the rating agency affirmed the Class D notes at Caa2 (sf). See towards the end of the ratings rationale section of this press release for a detailed list of affected ratings.

RATINGS RATIONALE

Today's rating action follows Moody's internal review and correction of one of the key collateral assumptions, the CoV, that it had used in its original ratings review on 26 November 2012. Following the initial rating review, Moody's downgraded by one notch the ratings of two senior notes and by one to two notches the ratings of mezzanine and junior notes in the transaction. The rating agency has now adjusted its volatility assumption to 108.0% from 98.0%. Moody's also revised its key collateral assumptions with a mean default rate of 15.5% for the current portfolio and fixed recovery of 60.0%, which corresponds to a portfolio credit enhancement of 22.1%.

The credit enhancement levels in Bankinter 3 in May 2013 were 20.99%, 10.81%, 8.71% and 3.41% for the Class A, B, C and D notes, respectively. The reduction of the reserve fund in combination with slow deleverage results in the limited changes of credit enhancement since November 2012. In summary, the negative effect of the input correction with insufficient credit enhancement has led to the one-notch downgrade of the two senior notes, the two-notch downgrade of the Class B notes and the one-notch downgrade of the Class C junior note.

The determination of the applicable credit enhancement that drives today's rating action reflects the introduction of additional factors in Moody's analysis to better measure the impact of sovereign risk on structured finance transactions (see "Structured Finance Transactions: Assessing the Impact of Sovereign Risk", 11 March 2013). This report is available on www.moodys.com and can be accessed via the following link. (http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF319988)

-- Other Developments May Negatively Affect the Notes

In consideration of Moody's new adjustments, any further sovereign downgrade would negatively affect structured finance ratings through the application of the country ceiling or maximum achievable rating, as well as potentially increased portfolio credit enhancement requirements for a given rating.

As the euro area crisis continues, the ratings of structured finance notes remain exposed to the uncertainties of credit conditions in the general economy. The deteriorating creditworthiness of euro area sovereigns as well as the weakening credit profile of the global banking sector could further negatively affect the ratings of the notes.

Moody's describes additional factors that may affect the ratings in the Request for Comment, "Approach to Assessing Linkage to Swap Counterparties in Structured Finance Cashflow Transactions: Request for Comment", 02 July 2012.

In reviewing this transaction, Moody's used ABSROM to model the cash flows and determine the loss for each tranche. The cash flow model evaluates all default scenarios that are then weighted considering the probabilities of the inverse normal distribution assumed for the portfolio default rate. In each default scenario, Moody's calculates the corresponding loss for each class of notes given the incoming cash flows from the assets and the outgoing payments to third parties and noteholders. Therefore, the expected loss for each tranche is the sum product of the probability of occurrence of each default scenario; and the loss derived from the cash flow model in each default scenario for each tranche.

As such, Moody's analysis encompasses the assessment of stressed scenarios.

When remodelling the transaction affected by today's rating action, some inputs have been adjusted to reflect the new approach described above.

The methodologies used in this rating were "Moody's Approach to Rating EMEA SME Balance Sheet Securitisations", published in May 2013 and "The Temporary Use of Cash in Structured Finance Transactions: Eligible Investment and Bank Guidelines", published in March 2013. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

LIST OF AFFECTED RATINGS

Issuer: BANKINTER 3 FTPYME, FTA

....EUR288.9M A2 Notes, Downgraded to Baa2 (sf); previously on Nov 26, 2012 Downgraded to Baa1 (sf)

....EUR91.2M A3 (G) Notes, Downgraded to Baa2 (sf); previously on Nov 26, 2012 Downgraded to Baa1 (sf)

....EUR23.1M B Notes, Downgraded to B2 (sf); previously on Nov 26, 2012 Downgraded to Ba3 (sf)

....EUR6M C Notes, Downgraded to B3 (sf); previously on Nov 26, 2012 Downgraded to B2 (sf)

....EUR10.8M D Notes, Affirmed Caa2 (sf); previously on Nov 26, 2012 Downgraded to Caa2 (sf)

REGULATORY DISCLOSURES

Moody's did not receive or take into account a third-party assessment on the due diligence performed regarding the underlying assets or financial instruments related to the monitoring of this transaction in the past six months.

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 rating action on the support provider and in relation to each particular 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 rating action, and whose ratings may change as a result of this 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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