



Fitch Takes Rating Actions on Spanish Covered Bond Programmes Ratings

21 Feb 2012 12:04 PM (EST) Fitch Ratings-London-21 February 2012: Fitch Ratings has taken rating actions on the Cédulas Hipotecarias (Spanish legislative covered bonds, CH) issued by Caja Laboral Popular, Banco Espanol de Credito S.A. (Banesto), Banco Santander (Santader), Banco Mare Nostrum S.A., Cajamar Caja Rural, Sociedad Cooperativa de Credito (Cajamar), Banco Guipuzcoano, Unnim Banc, S.A. (Unnim), Banco Popular Espanol S.A., as follows:

Caja Laboral Popular ('BBB+/Negative/'F2'), CH downgraded to 'AA-/ Rating Watch Negative (RWN) from 'AA+/RWN
Banesto ('A/Negative/'F1'), CH downgraded to 'A' from 'AA-/RWN, removed from RWN
Santader ('A/Negative/'F1'), CH downgraded to 'AA-/RWN from 'AA+/RWN,
Banco Mare Nostrum ('BBB'/Negative/'F3'), CH affirmed at 'AA-'
Cajamar ('BBB+/Negative/'F2'), CH downgraded to 'AA-/RWN from 'AA', placed on RWN
Banco Guipuzcoano ('BBB+/'F2'), CH downgraded to 'AA-/RWN from 'AA/RWN, maintained on RWN to reflect the RWN on the issuer's Issuer Default Rating (IDR)
Unnim ('BB+/'Stable/'B'), CH 'A-' rating placed on RWN
Banco Popular Espanol ('BBB+/'F2'), CH downgraded to 'AA-/RWN from 'AA/RWN, maintained on RWN to reflect the RWN on the issuer's IDR

The rating actions follow the agency's downgrade of Spain to 'A/Negative/'F1' on 27 January 2012 and the subsequent rating actions on some of the issuing institutions (see "Fitch Takes Rating Actions on Six Eurozone Sovereigns", "Fitch Comments Further on Downgrade of Spain to 'A'; Outlook Negative", "Fitch Downgrades Caja Laboral to 'BBB+', Outlook Negative" and "Fitch Downgrades Santander to 'A/Negative Outlook Following Sovereign Action", available at www.fitchratings.com). All RWN also reflect the recalculation of OC pending redetermination of refinancing costs and receipt of full and updated data set from the issuers.

As an exception to its covered bonds rating methodology, Fitch continues to cap the rating on a probability of default (PD) basis of the CH to the Long-term IDR of the Spanish Sovereign (see "Fitch Downgrades 4 Spanish Covered Bond Programmes and 1 Portuguese Covered Bond Programme", dated 14 October 2011 on www.fitchratings.com). In the agency's view, the lack of liquidity mitigants in the Spanish CH template does exacerbate the risk of non payment on the CH in case of an issuer defaulting just before a bullet payment is due. Therefore, the timing of an issuer default may not occur sufficiently apart from the due date of a CH to allow the administrator to gather enough cash flows from the natural amortisation of the cover pool to redeem principal on a hard bullet maturing CH. However, in the agency's opinion, to avoid a default on the CH, an intervention by the Spanish authorities is likely due to the importance of the CH as a funding tool for Spanish financial institutions.

The CH ratings on a PD basis have been revised as follows:

Caja Laboral Popular, Discontinuity Factor (D-factor) of 41%, CH's rating on a PD basis of 'A' (cap applied at the rating of Spain) from 'AA-'.
Banesto, D-factor of 41.5%, CH's rating on a PD basis of 'A' (cap applied at the rating of Spain) from 'AA-'.
Santader, D-factor of 40.8%, CH's rating on a PD basis of 'A' (cap applied at the rating of Spain) from 'AA-'.
Banco Mare Nostrum, D-factor of 41.3% CH's rating on a PD basis of 'A', unchanged.
Cajamar, D-factor of 41.2%, CH's rating on a PD basis of 'A' (cap applied at the rating of Spain) from 'A+'.
Banco Guipuzcoano, D-factor of 41.9%, CH's rating on a PD basis of 'A' (cap applied at the rating of Spain) from 'A+'.
Unnim, D-factor of 41.5% CH's rating on a PD basis of 'BBB', unchanged
Banco Popular Espanol, D-factor of 41.3%, CH's rating on a PD basis of 'A' (cap applied at the rating of Spain) from 'A+'.

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Additional information is available at www.fitchratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings. Applicable criteria, 'Covered Bonds Rating Criteria', dated 12 August 2011, 'Covered Bonds Counterparty Criteria', dated 14 March 2011, 'Counterparty Criteria for Structured Finance Transactions', dated 14 March 2011, 'Counterparty Criteria for Structured Finance Transactions: Derivative Addendum', dated 14 March 2011 'EMEA Residential Mortgage Loss Criteria' dated 16 August 2011, 'EMEA Criteria Addendum - Spain - Mortgage Loss and Cash Flow Assumptions', dated 11 August 2011 are available on www.fitchratings.com.

Applicable Criteria and Related Research:

Covered Bonds Rating Criteria
Covered Bonds Counterparty Criteria
Counterparty Criteria for Structured Finance Transactions
Counterparty Criteria for Structured Finance Transactions: Derivative Addendum
EMEA Residential Mortgage Loss Criteria
EMEA Criteria Addendum - Spain - Mortgage Loss and Cash Flow Assumptions

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