New Issue Rating Report

IM GBP MBS 3, FT

MBS/Structured Finance

SCOPE Scope Ratings

www.scoperatings.com

RATINGS

Class	Rating	Notional (EURm)	Notional (% assets)	CE (% assets)	Coupon	Final maturity
Series A	A+$_{SF}$	702	78	25	3-mo Euribor + 20bp	22 December 2058
Series B	B-$_{SF}$	198	22	3	3-mo Euribor + 30bp	22 December 2058
Total notes		900	100			
Total assets		900	100			

The transaction closed on 11 December 2015. The ratings are based on the final portfolio dated 4 December 2015, provided by the originator. Scope's structured finance ratings constitute an opinion about relative credit risks and reflect the expected loss associated with the payments contractually promised by an instrument on a particular payment date or by its legal maturity. See Scope's website for the SF Rating Definitions.

Rated issuer

Purpose	Liquidity/Funding
Issuer	IM Grupo Banco Popular MBS 3, Fondo de Titulización
Originator	Grupo Banco Popular (non-rated)
Asset class	MBS
Assets	EUR 900m
Country of assets	Spain
Notes	EUR 900m
ISIN Series A	ES0305109003
ISIN Series B	ES0305109011
Closing date	11 December 2015
Legal final maturity	22 December 2058
Payment frequency	Quarterly
Payment dates	22 Mar., 22 Jun., 22 Sep., 22 Dec.

Transaction profile

IM GBP MBS 3, FT is a granular, true-sale securitisation of a EUR 900m portfolio of non-conforming, first-lien, mortgage-secured loans granted by Grupo Banco Popular (Banco Popular Español SA and its fully owned subsidiary, Banco Popular Pastor SA) to Spanish individuals and resident/non-resident foreigners, primarily to finance the purchase of residential properties in Spain.

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Rating rationale (Summary)

The ratings reflect: the legal and financial structure of the transaction; the quality of the underlying collateral in the context of the Spanish macroeconomic environment; the capability of the servicers, Banco Popular and Banco Pastor; counterparty risk arising from exposure to Banco Popular as the account bank and paying agent; and the management capability of Intermoney Titulización SGFT SA.

The class A rating is primarily driven by the limited structural protection against the counterparty credit risk exposure to Banco Popular. Transaction documents also allow the account bank to have a relatively low minimum credit quality of BB (or equivalent private credit assessment by Scope).

The 25% credit enhancement provided by the structure is more than sufficient to support the class A rating and protect the notes against losses from a portfolio of mortgages we consider high-risk assets. The securitised mortgages are 'non-conforming' due to the very high, original loan-to-value (LTV) ratios (between 85-130%); an expected high probability of default; and/or aggressive terms and conditions such as very long maturities. Additionally, 3.5% of the portfolio is backed by commercial properties.

Scope's outlook on the Spanish economy reflects positively on the transaction. However, significant and fundamental economic imbalances in Spain increase uncertainties over the long run, which may particularly threaten the class B notes due to its very long expected weighted average life of 28.7 years.

The ratings also reflect available excess spread and the possible impact of negative carry due to interest reset risk and stressed servicing costs. The class B notes are more exposed to these risks due to their long lives, but are ultimately supported by a 3% credit enhancement from cash in the liquidity reserve.

Scope has accounted for the high asset-default risk by assuming an average 'lifetime 90-day default' rate of 21.9%, a default-rate coefficient of variation of 48%, and a cure rate of 30%. Scope also accounted for recovery risk resulting from a high weighted average LTV of 101.6%, and modelled a base case recovery rate of 53.2% for portfolio defaults not cured after 360 days. High LTVs reflect the market-price correction of domestic residential properties as well as the aggressive origination approach. The weighted average original LTV is 109%.

Banco Popular has limited servicer flexibility because of the already stretched terms and conditions of the mortgages in this portfolio (i.e. high LTVs, foreigner exposures, low interest rate margins, constant annuity amortisations, and long times to maturity). Furthermore, Banco Popular has adhered to Spain's code of good banking practice (law 1/2013), which limits the ability of the servicer to enforce security rights over mortgaged collateral, and we thus expect long recovery lags after default (our analysis models a lag of four years).

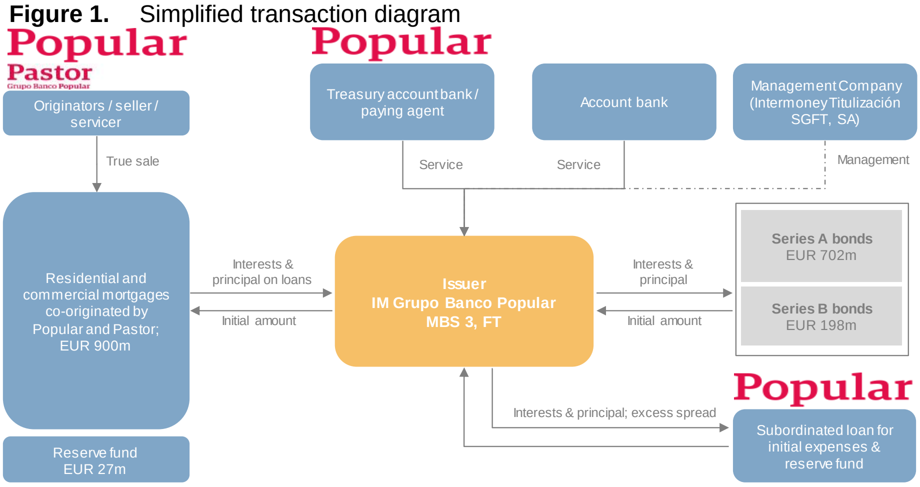
RATING DRIVERS AND MITIGANTS

Positive rating drivers	Negative rating drivers
Significant credit enhancement. The loss-absorbing protection provided by the structure is high. Credit enhancement for the senior notes in this transaction is 25%.	**Counterparty risk**. The class A are limited to the A rating category because of the excessive commingling-risk exposure to the account bank, which can not be replaced unless its rating falls below BB (or equivalent private credit assessment by Scope).
Improving Spanish economy. The Spanish economy is improving slowly, yet threatened by political uncertainty. This positive impact is, however, less certain for class B notes due to the fragility of the recovery and still-significant fundamental imbalances.	**High LTVs.** The weighted average LTV of the portfolio is 101.6%, which has a negative effect on possible recovery proceeds. Scope has calculated loan-specific, fundamental recovery rates that factor in high LTVs.
Simple structure protects liquidity. The structure provides strong liquidity protection to ensure the timely payment of interest, and features a dedicated cash reserve of 3% of the notes' balance, which cannot be depleted by defaults, in addition to a combined priority of payments. The structure is a plain-vanilla, swapless, strictly-sequential, two-tranche structure.	**Long maturity.** The portfolio will amortise slowly, making the transaction more vulnerable to future economic downturns. The weighted average remaining time to maturity is 29.2 years. Scope's default rate modelling captures this risk via a higher mean and volatility.
Availability of internal default probabilities. Scope calibrated the portfolio-modelling default-rate assumptions with internal obligor-default probabilities provided by Banco Popular, which enable credit discrimination between the assets and have allowed Scope to overcome limits posed by the vintage data available for the analysis.	**Substantial foreign obligors exposure.** Mortgages to foreigners represent 19.1% of the portfolio. This represents a negative selection bias in this portfolio as this segment exhibits a higher default risk. We have stressed the mean default rate of the portfolio to account for this risk.
Naturally hedged interest risk. Almost all loans are referenced to 12-month Euribor or similar floating-rate indices. All notes' reference 3-month Euribor, and margin reset dates are uniformly distributed in the year. Euribor rates are highly correlated, and temporary negative carry is covered by excess spread.	**Outdated property appraisals.** 19.2% of mortgages in the portfolio were last appraised between 6 months and up to 12 years before it was originated. We have applied region-specific indexation curves, which reflect haircuts, to estimate the present values of properties.

Positive rating-change drivers	Negative rating-change drivers
A fast recovery of employment in Spain would lower the base case default rate used for the analysis. We do not expect this fast recovery of employment to occur, but rather, a slow recovery.	**Home-price corrections** bringing Spanish property markets below their long-term sustainable trend will lead Scope to revise its base case recovery rate. We do not expect such corrections because the current economic recovery has slowed the decreasing trend in prices, now bottoming out in certain regions.

TRANSACTION SUMMARY

Figure 1. Simplified transaction diagram



IM GBP MBS 3, FT consists of the securitisation of a EUR 900m mortgage portfolio originated by Banco Popular and Banco Pastor. The final portfolio consists of loans granted to 6,040 individuals with a total amount of EUR 900m.

ASSET ANALYSIS

Securitised assets

The portfolio comprises mortgages originated by Banco Popular and Banco Pastor that are not eligible to be counted as collateral for Spanish mortgage-covered bonds (i.e. cédulas hipotecarias).

These mortgages are 'non-conforming' because of the: i) high LTVs (101.6%); ii) long maturities (weighted average time to maturity of 29.2 years) and iii) foreigner exposures (19.1%). The portfolio is not representative of the originator's entire mortgage book because better mortgages are retained to serve as mortgage-covered bond collateral.

The high LTV ratios may reflect the market-price correction of domestic residential properties but also the weaker underwriting standards for properties sold by Grupo Banco Popular itself. The original weighted average LTV was 109.0%. Scope has included the high weighted average LTV ratio of 101.6% in its recovery risk analysis.

A high amount of mortgages in the portfolio are granted to foreigners, of which only two-thirds are Spanish residents. Internal probabilities of default among obligors, provided by Banco Popular, do not indicate this group as having a higher risk.

The share of pre-crisis mortgages (8%) in this portfolio is not significant. Pre-crisis origination standards were looser than those applied today by Banco Popular. Some of these mortgages are now probably available for securitisation because of collateral revaluation and/or term modifications. For example, some mortgages may have been modified (interest rate and/or maturity) to reduce the obligor's default risk, or to increase the borrowed amount by releasing equity when appraisals were inflated (4.1% of the portfolio balance).

Figure 2 lists the originator's main representations on the assets, while Figure 3 lists additional portfolio-selection criteria.

Related reports

General Structured Finance Rating Methodology, dated 28 August 2015.

Rating Methodology for Counterparty Risk in Structured Finance Transactions, dated 10 August 2015.

Contents

Figure 2. Originator's representations of assets

All mortgages have been granted at a branch, irrespective of the marketing channel.
No obligor is known as being able to set-off debt.
All collections are debited directly into the obligors' accounts with Banco Popular or Banco Pastor.
No mortgage has been originated to refinance other debts in arrears.
All loans are underwritten in public deeds, and represent the effective mortgage of a finished residential or commercial property or of land in Spain.
All mortgaged properties bear an appraisal certificate from appraisers registered with the Bank of Spain.
No mortgage has an original LTV higher than 130%.
All mortgaged properties are insured for an amount not lower than the appraisal value, in favour of the originator.
Obligors are Spanish individuals and resident/non-resident foreigners that are not employees of the originator.
Up to 1% of the initial portfolio balance may be 30-90 days in arrears when transferred to the issuer.
Mortgage certificates are issued for the exact terms and conditions as those of corresponding mortgages.

Figure 3. Additional portfolio-selection criteria

Mortgages not legally eligible as collateral for Spanish mortgage-covered bonds.
Maximum balance less than EUR 10m
Original LTV more than 85%.
Obligor not subjectively defaulted or undergoing insolvency proceedings.

Standard mortgages

The portfolio contains 95.9% of 'standard' mortgages, considering the current balance includes 18.9% that are granted to foreigners (see Figure 4 for the portfolio breakdown). The mortgages in this segment were originated under the originator's standard underwriting procedures, mostly during the post-crisis period. This alone signals stronger underwriting practices, though contradicted by the portfolio's high original LTVs and tight margins.

We also believe vintage data cannot by applied due to past delinquencies of mortgages in this portfolio. More than 50% of the mortgages in the portfolio were originated during 2013-2015, which is too limited a timeframe to be informative.

Restructured mortgages

Debt-consolidation products pose higher risks

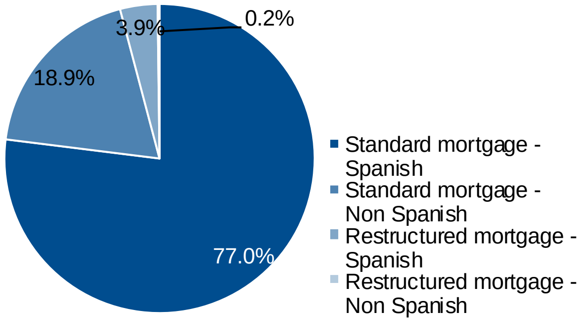
The portfolio contains a marginal share of mortgages originated to consolidate the other debts of the obligor (4.1% of the portfolio), according to the loan purposes reported in the line-by-line portfolio data. The obligors' quality are at least average compared to the portfolio and were performing at the time of the consolidation, according to the originator's representations. The mean lifetime-default rate from internal probabilities of default is 21.9%, the same as for the whole portfolio.

Scope believes debt-consolidation products pose higher risks, even when obligors are performing at the time of the consolidation. These restructured contracts have exhausted the flexibility of both the originator and obligor, and are consequently more vulnerable to external shocks – either systemic or idiosyncratic.

Mortgages to foreigners

We believe that the portfolio's exposure to foreigners (19.1%) that are Spanish residents (66.1% of exposure to foreigners) is a risk covered by the internal obligor-default-probability references provided by Banco Popular. Risk from non-resident foreigners (33.9% of exposure to foreigners) is considered lower than from resident foreigners, but are expressed through almost similar internal obligor-default probabilities.

Figure 4. Portfolio split between standard/restructured mortgages and Spanish/non-Spanish mortgage holders



Portfolio characteristics

Final portfolio selection

We based our rating analysis on the final portfolio as of 4 December 2015 and balance of EUR 900m, provided by Banco Popular. Additionally Scope received preliminary portfolios dated 1 October 2015 and 9 November 2015, which were analysed accordingly.

Short seasoning of the portfolio

More than 50% of mortgages in the pool were originated in 2013-2015. The high LTVs in the portfolio indicate Banco Popular's origination of mortgages on mostly foreclosed properties.

Slow portfolio amortisation of a granular portfolio

The long maturity of the mortgages in this portfolio explains the very long life of the class A notes

The long maturity of the mortgages in this portfolio explains the very long life of the class A notes. This extends the risk exposure to counterparties and possible macroeconomic deterioration. The long maturities and standard, French amortisation schedules result in a portfolio WAL of 14.9 years and a weighted average remaining term of 29.2 years, despite the existing seasoning of the portfolio (3.3 years).

The class A notes have an expected weighted average life of 11 years under 0% a constant prepayment rate (CPR), and will take 23 years to fully amortise under a 0% default assumption. The class A will not be exposed to tail concentrations because all assets in the portfolio are amortising and the notes' strictly sequential amortisation build additional protection from subordination.

Figure 5. Portfolio amortisation under 0% CPR and 0% default rate

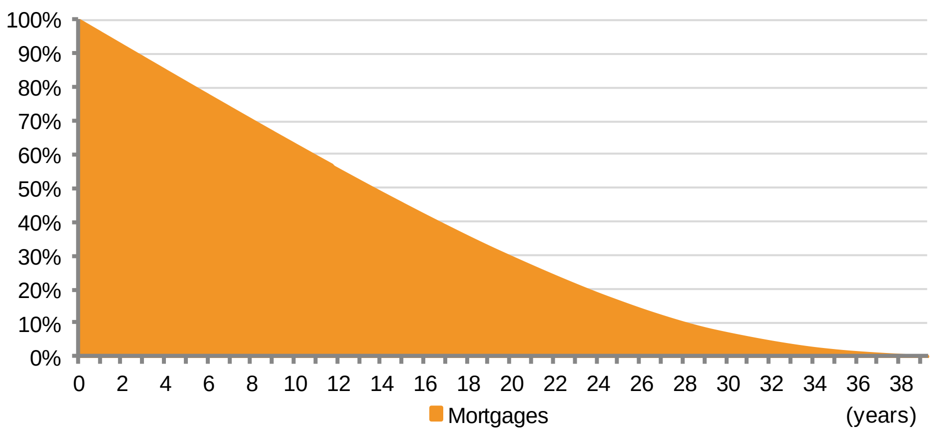


Figure 6. Portfolio seasoning profile

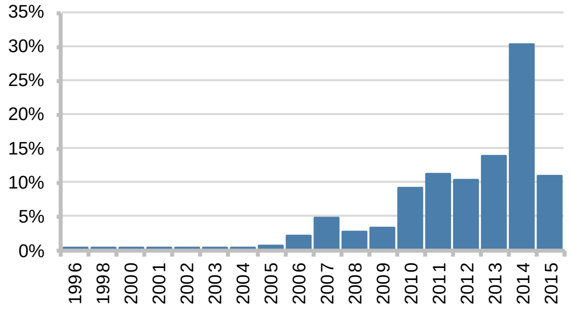


Figure 7. Portfolio maturity profile

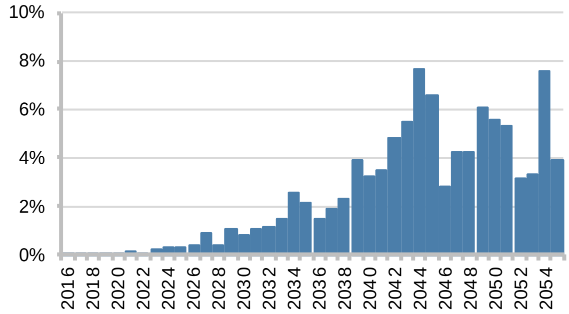
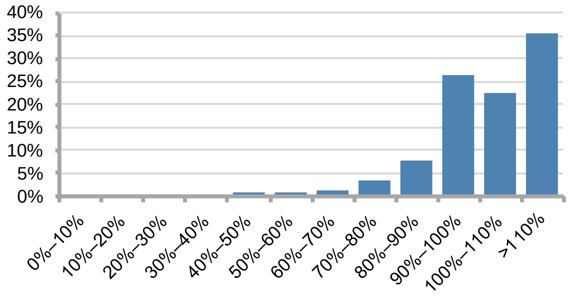


Figure 8. Current LTV distribution (appraisals and current loan balance)

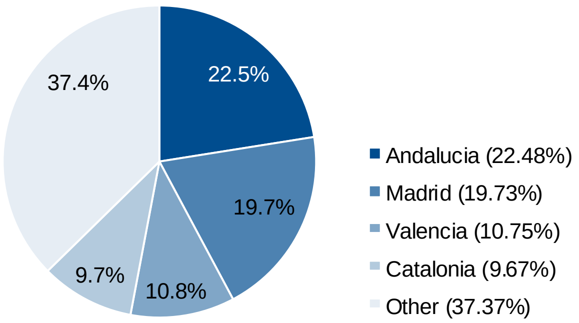


The portfolio is granular and well diversified with diversity indices (DI) for the obligor of 4,022, and for the region of 7.8.

The portfolio is granular and well diversified across Spanish regions

The highest regional exposure is to the economically weak region of Andalucia (22.5%), suggesting a negative selection bias of the portfolio. We also observe a relatively high exposure to economically strong Madrid (19.7%, see Figure 9). The regional differences were incorporated in the recovery rate analysis by applying loan-level-specific market-value-decline assumptions when calculating the fundamental recovery rates.

Figure 9. Portfolio regional distribution



FINANCIAL STRUCTURE

The strong financial structure represents the most important credit-positive for the transaction. The loss-absorbing protection available to the class A notes is enough to make the expected loss of the senior investor very remote. Credit enhancement for the senior notes in this transaction is 25%.

Capital structure

Two classes of sequentially subordinated notes were issued. The proceeds from class A and B notes were used to purchase the initial portfolio of assets. Additionally, Banco Popular provided a subordinated loan to fully fund a cash reserve fund (RF) on the closing date.

The notes pay quarterly interest referenced to 3-month Euribor plus a margin. The amortisation is strictly sequential. Class B will not receive any principal until class A has fully amortised. The reserve fund will not amortise over the life of the transaction and its remainder will be used to repay the subordinated loan to Banco Popular.

The issuer's initial expenses were covered by the proceeds from a dedicated subordinated loan. This loan will be amortised out of excess spread in the early stages of the transaction.

Reserve fund (RF)

The structure features a fully funded cash reserve, which is very efficient at ensuring liquidity for the timely payment of senior expenses and senior-class interest. The required balance is EUR 27m or 3% of the initial portfolio balance and is non-amortising. This RF is only available to cover cash shortfalls for the timely payment of senior expenses and interest. Principal shortfalls can only be paid out of the RF upon liquidation or maturity of the transaction. The RF is the primary source of credit enhancement for the class B notes.

The reserve fund is designed to provide liquidity support over the life of the transaction. However, the ability to trap excess spread, combined with covering the principal shortfall at the transaction's termination, also provides credit enhancement (CE) to the class A and B notes.

The provisioning of defaults cannot deplete the RF under high portfolio-default scenarios. In addition, the significant, periodic excess spread tops up the RF to its initial balance if it is not at its target, and transforms excess spread into hard CE.

Amortisation and provisioning

Provisioning mechanism allows for accelerated amortisation out of excess spread of only the most senior class

Amortisation is strictly sequential. The provisioning mechanism somewhat accelerates the amortisation of the senior class by provisioning defaulted loans with excess spread available on every payment date. This is positive as it prevents the loss of excess spread when recoveries are uncertain. Nevertheless, excess spread cannot be trapped during the first 12 months of the transaction's lifetime, except for subjective defaults.

The mechanism seeks to reduce the total outstanding balance of the notes so that they are collateralised by non-defaulted loans. The amount accrued for principal amortisation is the lesser of the: i) positive difference of the outstanding notes and the outstanding balance of non-defaulted loans; and ii) cash available in the priority of payments after senior expenses, tax, and senior-class interest.

Unsecured loans over 12 months in arrears are classified as defaulted. The servicer can also subjectively classify loans as defaulted. Loans more than 90 days past due (dpd) are classified as delinquent.

The RF will only be used to amortise notes upon maturity or the transaction's termination because the full outstanding balance of the cash reserve is part of the funds available for the post-enforcement priority of payments.

Priority of payments

Combined priority of payments is the main protection against payment interruption

The structure features a combined priority of payments, providing substantial protection against payment interruption. Principal collections from assets can be used to pay the interest on senior class notes on time. Furthermore, only a few days' worth of collections suffices to pay senior-class interest and other more senior items, minimising the liquidity risk of the fund in an unlikely servicer-disruption event. The combined priority of payments is also effective in allowing the credit enhancement to cover losses from negative carry or interest rate mismatches. See Figure 10.

The reserve fund does not support interest payments on class B for as long as class A is outstanding. The rating of class B notes will capture any loss from the time value of missed interest if class B interest payments are deferred. Missed interest payments do not accrue interest for any class in this structure.

Figure 10. Priority of payments and available funds

Pre-enforcement priority of payments	Post-enforcement priority of payments
Available funds Collections from assets; proceeds from interest and treasury accounts and RF withdrawals to cover shortfalls on items 1) and 2) – or 5) if class A is fully amortised.	**Available funds** All SPV moneys, including funds from liquidation of assets and the full balance of the RF.
1) Taxes and expenses (ordinary and extraordinary, including servicer fee if Popular were replaced) 2) **Class A interest** 3) **Principal for class A** 4) Reserve fund replenishment (falls after item 6 if class A has amortised in full) 5) **Class B interest** 6) **Principal for class B** 7) Initial expenses: subordinated loan interest 8) Reserve fund: subordinated loan interest 9) Initial expenses: subordinated loan principal 10) Reserve fund: subordinated loan principal 11) Variable commission payment (to Popular)	1) Reserve to pay extinction expenses, liquidation of taxes, administration expenses and publicity 2) Taxes and expenses (ordinary and extraordinary, including servicer fee if Popular were replaced) 3) **Class A interest** 4) **Principal for class A** 5) **Class B interest** 6) **Principal for class B** 7) Initial expenses: subordinated loan interest 8) Reserve fund: subordinated loan interest 9) Initial expenses: subordinated loan principal 10) Reserve fund: subordinated loan principal 11) Variable commission payment (to Popular)

Naturally hedged interest rate risk

Scope believes unhedged interest rate risk is limited due to the currently low interest rates and because almost all floating-rate assets are referenced to 12-month Euribor (99.9%), highly correlated with the 3-month Euribor index of the notes. Potential losses from negative carry are factored into the ratings and are thus covered by available credit enhancement.

We believe interest rates will remain low during the class A notes' lifetime, but have nevertheless analysed the impact of an unexpected, hypothetical rising-interest-rate scenario in which 3-month Euribor reached 7% over seven years.

The distribution of reset dates of the interest indices of floating-rate loans are equally distributed over the year and do not create an interest rate mismatch between assets and liabilities.

Interest-related risks are covered by the structure's credit enhancement and liquidity mechanisms such as the reserve fund and combined priority of payments. These mechanisms effectively transfer any losses from interest rate mismatches to the structure's most subordinated liabilities (i.e. subordinated loan first, then the class B notes).

Issuer account

Accounts represent commingling exposure to account bank Popular

The issuer has a treasury account that represents commingling exposure to Banco Popular (see Counterparty Risk on page 13). The account also represents a source of negative carry as its yield is lower than the weighted average coupon on the notes. Any loss from negative carry is covered by available excess spread and credit enhancement.

The account is held by Banco Popular and holds all collections from the assets (including recovered amounts and proceeds from asset liquidation upon early termination of the transaction) and the cash reserve fund. The account accrues daily interest at 1-month Euribor.

Clean-up call

Scope's analysis does not incorporate the option that allows the originator and seller to terminate the transaction before final legal maturity if the assets' balance is less than 10% of the original portfolio balance. This is because the exercise of the option is discretionary and would require the notes be fully repaid.

ORIGINATOR AND SELLER

Popular's functions, systems, processes and staff meet the standards required for mortgage lending in Spain

Banco Popular is an experienced originator of residential mortgages, whose functions, systems, processes and staff meet the standards of real estate lending in Spain. The ability and stability of Popular as the originator is shown in how it overcame the financial crisis without a public capital injection. Scope's analysis incorporates operational review material provided by Popular, giving us an understanding of the bank's strategy and standing in the Spanish mortgage market.

Underwriting

Scope believes underwriting standards for most assets in this portfolio were sensible, albeit stretched

Scope believes underwriting standards for most assets in this portfolio were sensible, albeit somewhat aggressive – particularly for mortgages originated during 2013-2015. Banco Popular has generally applied tighter underwriting standards to contracts originated after the crisis, except those for which Grupo Banco Popular sold the underlying property. These recent mortgages are largely related to sales of real estate assets held by Aliseda, the real estate company created by Popular to hold properties received after foreclosures and recovery processes.

The LTVs, maturities and interest rates of these mortgages are stretched and are thus not considered 'prime'. The weighted average original LTV of the mortgages in the final portfolio was 109%, well above the 80% eligibility threshold for 'cedulas' cover pools. The current LTV is 101.6%.

Servicing and recovery

The servicing and recovery function of Popular is adequately staffed and organised. The bank has IT systems to track the performance of its customers, and generally tries to address problems proactively and amicably. Legal recovery actions are initiated if a negotiated agreement does not seem possible, or when the obligor is delinquent after six months – a period that indicates, in Scope's view, rather relaxed recovery practices, which also impacts the level of recovery achieved.

Popular has recently updated their strategy for divesting real estate properties. The plan involved increasing the sales workforce by 50% as well as hiring real estate specialists. We expect the more aggressive sales strategy will shorten recovery times from our otherwise prolonged recovery lag assumption. We modelled a recovery lag of four years for this transaction.

Scope believes Popular's interests are strongly aligned with the noteholders. As the provider of the 3% reserve fund, and holder of the whole capital structure, Popular has a significant subordinate interest in the transaction. In addition, the Spanish securitisation framework does not allow different treatments for securitised versus non-securitised assets on the bank's balance sheet, and the servicing is blind to securitised status.

MODELLING

Lifetime-default rate

Scope has modelled a mean 'lifetime 90 dpd default' rate of 21.9% for the portfolio, a base-case default-rate coefficient of variation of 48%, and a cure rate from 90 dpd to a hard default of 30%. These assumptions build on internal default probabilities assigned to the obligors by Popular, as well historical performance data arranged by vintage. Banco Popular has provided information on backtesting that supports our initial assumption that regulatory default probabilities are conservative, and regulatory probabilities of default are above the default frequencies observed, even under the current stressed environment.

Figure 11. Default modelling assumptions

	Whole portfolio
Scope's 90 dpd mean default rate	**21.9%**
Scope's 90 dpd default-rate coefficient of variation	**48.0%**
Cure rate from 90 dpd to hard default (i.e. foreclosure)	**30.0%**

We did not perform a long-term adjustment of portfolio default-rate assumptions to analyse the higher rating scenarios. We believe that the performance of this non-conforming mortgage portfolio over its long life will depend on its internal credit strength, rather than on its exposure to economic-cycle stresses. Consequently, we do not believe that the performance of the underlying portfolio will follow the average of the market.

Limited use of vintage data

The vintage data provided by Popular offers good information about the asset correlation in this granular portfolio. The information covers a period of significant volatility and reflects, from the starting point of a benign period, the deterioration of asset performance during the last credit crisis.

The default data (arranged in vintages) provided by Popular is nevertheless not representative of the negatively selected mortgages in the transaction. Popular has provided two sets of 90 dpd delinquency data, arranged by vintages of origination, for the 2004-2015 period: i) one for the whole book of Popular; and ii) one for the whole book excluding refinancing or restructured mortgages.

These vintage data sets do not provide a good reference for the analysis of this portfolio's mean default rate because Popular's book is highly skewed towards higher-quality mortgages that serve as collateral for mortgage-covered bonds (i.e. cédulas).

Recovery rate (RR)

Appraisal values provided by Banco Popular show dates which are up to 12 years older than the corresponding mortgage-origination date. Mortgages based on appraisals more than two years old at contract origination represent 7.5% of the portfolio (11.7% between two quarter-years to two years before contract origination). We have updated the appraisal values, applying home-price indices which represent significant value corrections in Spain.

The calculation of loan-specific recovery rates from the appraisal values of the properties underlying the mortgages provides a strong anchor to our credit-loss estimates for this portfolio. The Spanish real estate sector has suffered a significant correction since the real estate bubble collapsed after the 2007 financial crisis. Market prices have reduced significantly, but some regions still show a significant gap between our estimation of a long-term sustainable-value trend.

Scope has calculated loan-specific, fundamental recovery rates applying haircuts to the updated appraisal value of each property after indexation

Scope has calculated fundamental recovery rates by applying haircuts to the appraisal value of each property after indexation. The haircuts reflect market value losses under stress scenarios, followed by a constant fire-sale discount of 30%. To these haircuts, we have also added foreclosure costs.

At current appraisal values, we believe that a residential property can be sold under current market conditions if discounted by 30%, 45% or 60%, depending on the property type. Consequently, our recovery analysis takes the current conditions of the real estate market as the base case to analyse B_{SF} ratings, but apply the full fire-sale discount.

Under high stress compatible with a AAA_{SF} rating, a property could be sold in the market at a price, which: i) totally eliminates any value difference compared to a long-term sustainable reference; ii) reflects an additional value loss of 10%; and iii) also reflects a fire-sale discount of 30% (45% if commercial). The weighted average, effective LTV implicit in our analysis for an 'AAA conditional' recovery rate is 372%. This implies a total value haircut average of 68.3% that includes adjustments for indexation, market-value, fire-sale and foreclosure costs.

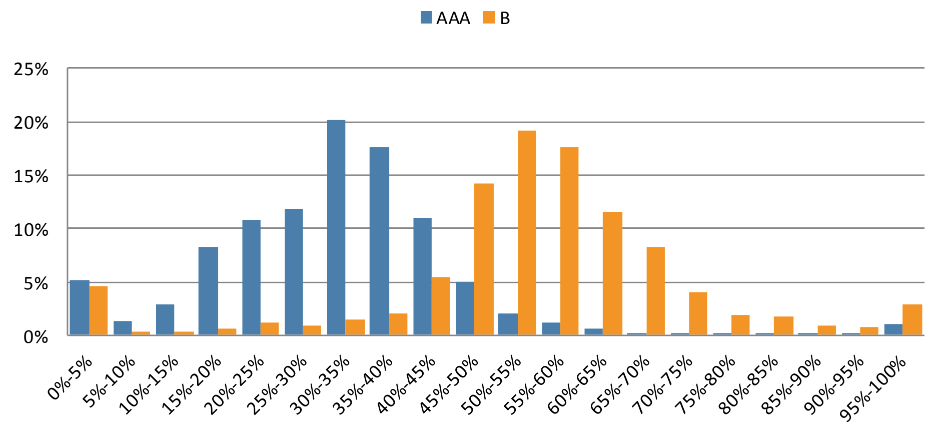
Scope considered 95.9% of the portfolio for the calculation of the base case portfolio recovery rate. For 4.1%, Scope had no information on the type of guarantee, and considered those as unsecured. The agency calculated a base case, portfolio-weighted, average recovery rate of 53.3%. Figure 12 provides the indicative stress levels Scope has taken into account per rating category when rating this transaction. Our use of rating-conditional recovery rates results in increased rating stability.

Figure 12. Rating-conditional recovery rates

Rating conditional stress	Implicit total value haircut	Rating conditional recovery rate
AAA	68.3%	**31.3%**
AA	63.0%	**36.4%**
A	59.0%	**40.3%**
BBB	54.3%	**44.8%**
BB	50.0%	**48.7%**
B (base case)	45.1%	**53.3%**

Figure 13 shows the distribution of the loan-specific recovery rates calculated by Scope under 'AAA and B conditional' stresses. We calculated the portfolio recovery rate as the probability of the default-weighted average of loan-specific recovery rates.

Figure 13. Frequency distributions of calculated recovery rates



We believe recovery processes will be slow

Recovery processes will be slow, mostly because of the difficulty in completing fast evictions. We considered a recovery lag of four years in our analysis, which we consider necessary to realise the value of the underlying real estate collateral under stress scenarios, particularly under current conditions in the Spanish property market. The recovery lag creates additional liquidity stress for the transaction in our analysis. The recovery lag we derived from vintage data was one and a half years, over which the full realisation of recovery proceeds is not possible.

Cure rate (CR)

Scope assumed a cure rate of 30% from '90 dpd recovery' vintage data to estimate the share of '90 dpd delinquent' assets that do not migrate into hard defaults or foreclosures. This assumption is conservative for mortgage loans and reflects our view that the mortgage terms offer very limited flexibility to adjust for a distressed obliger's ability to pay. Popular did not provide '360 dpd default rate' vintage data to refer a true default rate to the 90 dpd base case assumption for the portfolio.

Scope considers constant cure rates which, unlike recovery rates, are not conditional on the rating. This is because we test all portfolio-default rates from 0% to 100% and the share of the portfolio assumed to be delinquent is a function of the default-rate scenario in Scope's cash flow modelling.

Constant prepayment rate (CPR) assumptions

Scope tested the class A notes against the most conservative 0% CPR assumption

Scope tested class A notes against the most conservative 0% CPR assumption as class A benefits from prepayments. Scope used a CPR assumption of 7% to analyse the class B notes. The interest rate environment, as well as the stretched nature of terms and conditions, make higher sustained prepayment rates a very remote possibility. Popular did not provide prepayment information, and Scope relied on references available from previous and similar RMBS transactions.

Cash flow modelling

Scope used a bespoke cash flow tool to analyse this transaction

Scope used a bespoke cash flow tool, which implemented the structural features of this transaction to analyse tranche losses.

Scope analysed the default pattern of the asset portfolio using an inverse Gaussian probability distribution and used the cash flow tool to calculate the probability-weighted (i.e. expected) loss of each of the rated tranches, using rating-level-conditional recovery-rate assumptions. The cash flow tool also produces the expected WAL for each of the rated tranches.

RATINGS

Scope assigned a A+$_{SF}$ rating to the class A notes based on its exposure to counterparty risk in light of the relatively weak substitution triggers at BB. We expect a WAL of 10.4 years for this class. The amortising nature of the transaction and the positive macroeconomic outlook provide further comfort, as potential improvements in unemployment levels assist the deal's performance.

The B-$_{SF}$ rating assigned to class B notes reflects its resilience against high base case defaults thanks to the secured nature of the assets. The class B benefits only from the credit enhancement provided by cash reserve and marginal excess spread. For this class, we expect a WAL of 16.6 years.

Figure 14. Modelling results and assumptions

<table>
<tr><th></th><th>Mean DR (90dpd)</th><th>DR CoV (90dpd)</th><th>Cure Rate</th><th>Applicable RR</th><th>Recovery lag</th><th>CPR</th><th>Default timing</th></tr>
<tr><td>Class A</td><td rowspan="2">21.9%</td><td rowspan="2">48.0%</td><td rowspan="2">30.0 %</td><td>31.3%</td><td rowspan="2">4 years</td><td>0.0%</td><td rowspan="2">Front loaded</td></tr>
<tr><td>Class B</td><td>53.3%</td><td>7.0%</td></tr>
</table>

Scope considered a front-loaded asset-default timing. Back-loaded default scenarios would not be as severe because of credit-enhancement build-up from the effect of portfolio amortisation and limited excess spread.

The cumulative default-timing assumptions are shown on Figure 15. These assumptions imply the front-loading of delinquencies, which start on the first month of the life of the transaction. The chart shows defaults, as classified according to the definitions in the documentation (i.e. 12 months past due for loans).

Figure 15. Cumulative default timing assumptions for the portfolio

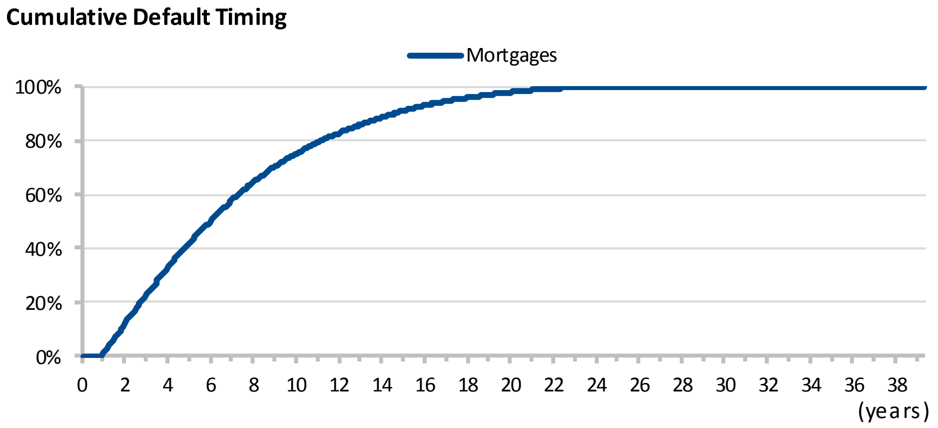
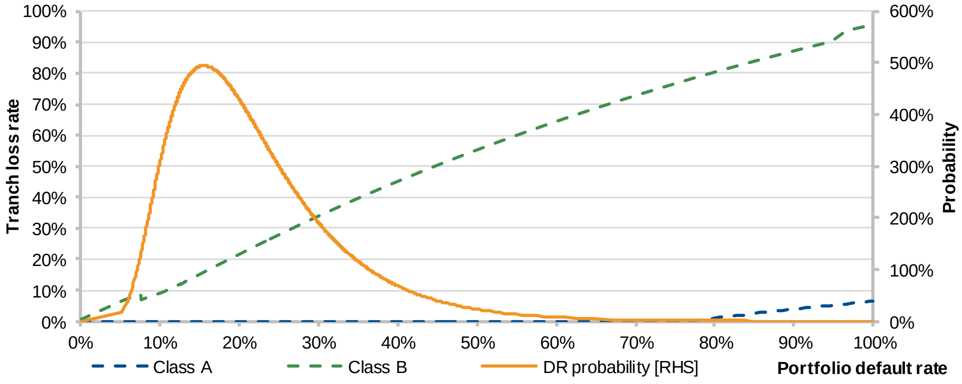


Figure 16 shows the losses of each of the tranches for all portfolio-default rates under the base-case recovery-rate assumption of 53.3% and 0% prepayments. The class B notes experience losses under portfolio-default rates in our modelling because of the margin stress we have applied to cover for interest rate risk in the absence of a swap agreement.

Figure 16. Cash flow model results under base case assumptions and 0% CPR



RATING STABILITY

Rating sensitivity

Scope has tested the sensitivity of the rating to the main input parameters: mean default rate; default-rate coefficient of variation and recovery rate. Sensitivity stresses should not be considered indicative of expected or likely scenarios.

The rating of the class A is not sensitive to deviations from the base case modelling assumptions

The rating of the class A is not sensitive to deviations from the base case modelling assumptions because counterparty risk limits the maximum rating possible for this transaction. In particular, the rating is not sensitive to 25% shift of the default rate, 25% haircut to the base case recovery rate, a coupled 25% increase of the default rate with a 25% haircut to the recovery rate, or to a 25% increase of the default-rate coefficient of variation.

The class B ratings would only lose a maximum of one notch after sensitivity stresses.

Break-even analysis

Under a 31.3% recovery assumption, the class A would not experience any loss under portfolio default rates of 50% or less

The break-even analysis also shows the robustness of the class A rating. The break-even 90 dpd default rate for the class A notes in the portfolio is 50.2% under a 31.3% recovery assumption or 38.5% under zero recoveries.

SOVEREIGN RISK

Sovereign risk does not limit the transaction's ratings

Sovereign risk does not limit the ratings on this transaction. The risks of an institutional framework meltdown, legal insecurity or currency-convertibility problems, which are due to a hypothetical exit of Spain from the eurozone, are not material for the rating of class A.

Scope gives limited credit to the positive economic outlook for the credit analysis of this transaction. We believe that the assets in this portfolio are vulnerable to downturns in the long term.

Despite Spain's current GDP-growth trend, the credit performance of this transaction depends more on the effective solution of fundamental imbalances in the longer term. These imbalances are the high level of public and private debt, the still-large budget deficit, the negative net-investment position and, above all, the very high unemployment.

Crystallisation of political risk would have material consequences for the default and recovery performance of this portfolio. Hypothetical populist policies seeking to protect distressed borrowers would increase default rates and reduce recovery rates of this portfolio. Scope has already factored this risk into the base case for the analysis, which explains why we do not believe that higher loss scenarios are very likely.

COUNTERPARTY RISK

Grupo Banco Popular performs all money-related counterparty roles and Scope's ratings capture the transaction's exposure to banks in the group. Scope does not consider the exposure as excessive. In other words, crystallisation of counterparty risk would not prompt a downgrade of more than six notches, as defined in Scope's 'Rating Methodology for Counterparty Risk in Structured Finance Transactions' (August 2015 available on www.scoperatings.com).

Operational risk from servicer

Scope does not consider the replacement of Popular and Pastor as servicers of the portfolio. We believe a servicer replacement would be more disruptive than the probable continuation of the two banks operating as a going concern through a hypothetical resolution process. This view is supported by Grupo Banco Popular's relevance to the Spanish economy and the framework for orderly bank restructuring in Europe. Additionally, the management company holds the power to appoint a new servicer should the timely collection from the assets be at risk.

We analysed the comingling risk from exposure to the servicer together with that from the account bank. Collections from assets are transferred to the issuer's account in no later than 48 hours.

Commingling risk from account bank and paying agent

Final commingling risk from treasury account and paying agent is immaterial for class A

The risk of commingling losses from exposure to Banco Popular, as account bank and paying agent, is reduced by structural mechanisms triggered upon the deterioration of the credit quality of the counterparty. The documents refer to a minimum credit quality equivalent to a Scope's rating of BB, be it in the form of a public or private rating, or other type of private assessment by Scope. Scope will monitor Banco Popular and perform private credit assessments to determine if the counterparty exposure has compromised the ratings, in which case we would notify the management company, Intermoney.

Scope's counterparty methodology assumes that risk substitution mechanisms at loss of BB for a financial counterparty cannot support ratings above the A_{SF} category. Banco Popular is an eligible counterparty according to the private rating we assigned to Banco Popular.

The oversight from Intermoney, an experienced management company, reduces commingling risk further as it would initiate a replacement if the bank's performance were to compromise the performance of the notes.

Setoff risk from originator

Scope believes setoff risk from the originator is immaterial

Scope does not believe setoff risk from the originator is material in the context of Spanish law and under the terms of the documentation. The structure incorporates an undertaking by the seller to compensate the issuer for any setoff loss resulting from rights existing prior to the assets' transfer. Furthermore, setoff rights would cease to exist after obligor notification following a servicer event or upon the insolvency of either obligor or seller.

LEGAL STRUCTURE

Legal framework

The transaction conforms to Spanish securitisation standards effective since 28 April 2015

This securitisation is governed by Spanish law and represents the true sale of the assets to a bankruptcy-remote vehicle without legal personality, represented by Intermoney Titulización SGFT SA, the management company. The SPV is essentially governed by the terms in the documentation, as no government body has been defined at closing. Changes to the documentation require the unanimous agreement of all stakeholders to the transaction (i.e. noteholders and creditors).

This securitisation has been incorporated under a new, more flexible legal form called 'Fondo de Titulización' ('FT', securitisation fund). This choice of legal form is credit-neutral. The FT legal form was introduced by the new Spanish law to promote corporate financing (Law 5/2015), effective since its publication on 28 April 2015. Law 5/2015 reformed the Spanish securitisation framework and replaced 'Fondo de Titulización de Activos' ('FTA', asset securitisation funds) and 'Fondos de Titulización Hipotecaria' ('FTH', mortgage securitisation funds).

Asset replacement

The originators undertake to novate, replace or repurchase within 30 days any asset transferred to the portfolio found not to comply with the eligibility criteria in the documentation. See Figure 2 for main eligibility criteria.

Permitted variations

The documentation allows for unusually flexible modifications to the terms of the contracts in the portfolio on as much as 10% of the original portfolio balance. Modifications include, notably, obligor substitution, as well as interest rate and maturity changes. We believe this flexibility enables the originators to better service this portfolio during periods of high stress when the portfolio would suffer high default rates. Senior investors are protected in these scenarios by proactive delinquency management and excess spread trapping to amortise notes.

The originators may agree to principal payment holidays on as much as 3% of the original portfolio balance. Terms modifications cannot change the type of the interest rate coupon (i.e. fixed remain fixed, floating remain floating). Modified fixed-interest rates cannot result in excess spread lower than 90% the excess spread calculated at closing for the transaction. Modified floating-interest margins cannot be lower than the weighted average margin of the notes as of the time of the term's modification. In all case negotiations with obligors would follow the originator's standard procedures and approval processes.

Documentation includes covenants to prevent the economic imbalance of the transaction as a result of permitted variations

Documentation includes covenants to prevent the economic imbalance of the transaction as a result of permitted variations. Scope believes these covenants limit any material migration of the portfolio beyond that related to asset performance. The outstanding amount of mortgages cannot be increased and interest margins cannot be reduced below 1%.

Use of legal opinions

Scope has reviewed the legal opinions produced for the Issuer by Cuatrecasas Gonçalves Pereira, SLP and trusts the regulatory oversight of the Spanish securities market regulator (CNMV) to gain comfort on the legal structure of the issuer. The transaction conforms to securitisation standards in Spain, effective since 28 April 2015, and supports the general, legal analytical assumptions of Scope. See 'Legal Risks in Structured Finance, Analytical Considerations', dated January 2015 and available at www.scoperatings.com.

MONITORING

Scope will monitor this transaction on the basis of performance reports produced by the management company and any other information received from the originator. The ratings will be monitored continuously and reviewed at least once a year or earlier if warranted by events.

Scope analysts are available to discuss all the details surrounding the rating analysis

Scope analysts are available to discuss all the details surrounding the rating analysis, the risks to which this transaction is exposed and the ongoing monitoring of the transaction.

APPLIED METHODOLOGY AND DATA ADEQUACY

For the analysis of this transaction Scope applied its 'General Structured Finance Rating Methodology', dated 28 August 2015. Scope also applied its 'Rating Methodology for Counterparty Risk in Structured Finance Transactions', dated 10 August 2015. Both methodologies are available on www.scoperatings.com. 'Appendix II. Recovery analysis', 'Appendix III. Spanish market-value-decline analysis' and APPENDIX IV. Analytical Note: Commercial Real Estate MVD provide additional methodological details on the analysis performed to calculate loan-level fundamental-recovery assumptions.

APPENDIX I. TRANSACTION COMPARISON

Figure 17. Comparison with similar mortgage securitisations rated by Scope

Key Features	IM GBP MBS 3	FT RMBS Santander 5	FT RMBS Santander 4
Originator	Grupo Banco Popular	Santander, Banesto, Banif	Santander and Banesto
Closing date	**Dec 2015**	Dec 2015	Jul 2015
Senior tranche (EURm)	**702**	1,014	2,360
CE (% of portfolio)	**25.0%**	25.5%	25%
Mezzanine tranche (EURm)	**198**	261	590
CE (% of portfolio)	**3.0%**	5%	5%
Junior tranche (EURm)	**-**	63.7	147.5
CE (% of portfolio)	**-**	0	0%
Reserve fund (EURm)	**27**	63.7	147.5
Portfolio size (EURm)	**900**	1,275	2,950
Current LTV under updated appraisals	**-**	105%	102.9%
Current LTV under original appraisals	**101.6%**	82%	69.5%
Original LTV under original appraisals	**109.0%**	94%	79.2%
WA time since updated appraisal (months)	**-**	-	15.3
Top 1 region	Andalucia (22.5%)	Madrid (25,3%)	Andalucia (20%)
Top 2 region	Madrid (19.7%)	Andalucia (18.3%)	Madrid (18.9%)
Top 3 region	Valencia (10.8%)	Catalonia (13.3%)	Catalonia (15.1%)
Restructured loans (% of portfolio)	**4.1%**	29.9%	20.7%
Broker-originated loans (% of portfolio)	**-**	1.1%	0.9%
Second homes (% of portfolio)	**-**	3.6%	2.0%
Non-Spanish borrowers (% of portfolio)	**19.1%**	4.5%	4.9%
Number of loans*	**6,040**	9,572	20,255
Number of obligors*	**6,040**	9,554	20,398
Original amount (EURm)*	**976**	1,598	3,465
Outstanding amount (EURm)*	**900**	1,399	3,011
Average outstanding amount (EUR)	**149,007**	146,105	148,658
WA coupon	**1.81%**	1,40%	1.6%
WA spread	**1.24%**	1.02%	0.9%
Fixed rate (% of portfolio)	**0%**	0.3%	0.2%
WA seasoning (years)	**3.3**	6.25	7
WA current remaining term (years)	**29.2**	24.6	25.5
WAL with no prepayments (years)	**14.9**	11.9	13.7
Oldest loan	**Sep 1996**	May 91	Jan 2004
Youngest loan	**Mar 2015**	Sept 2015	Jan 2015
Earliest maturity	**Jun 2016**	Jan 2020	Oct 2017
Longest maturity	**Apr 2055**	Aug 2061	Aug 2059
Bullet (% of portfolio)	**0%**	0.0%	0.0%
First-ranking mortgage (% of portfolio)	**100%**	100%	100.0%
Secured loans (% of portfolio)	**100%**	100%	100.0%
Residential (% of portfolio)	**92.0%**	100%	100.0%

APPENDIX II. RECOVERY ANALYSIS

The agency calculates the recovery rates on secured exposures, such as mortgages, by analysing the value of the dedicated security

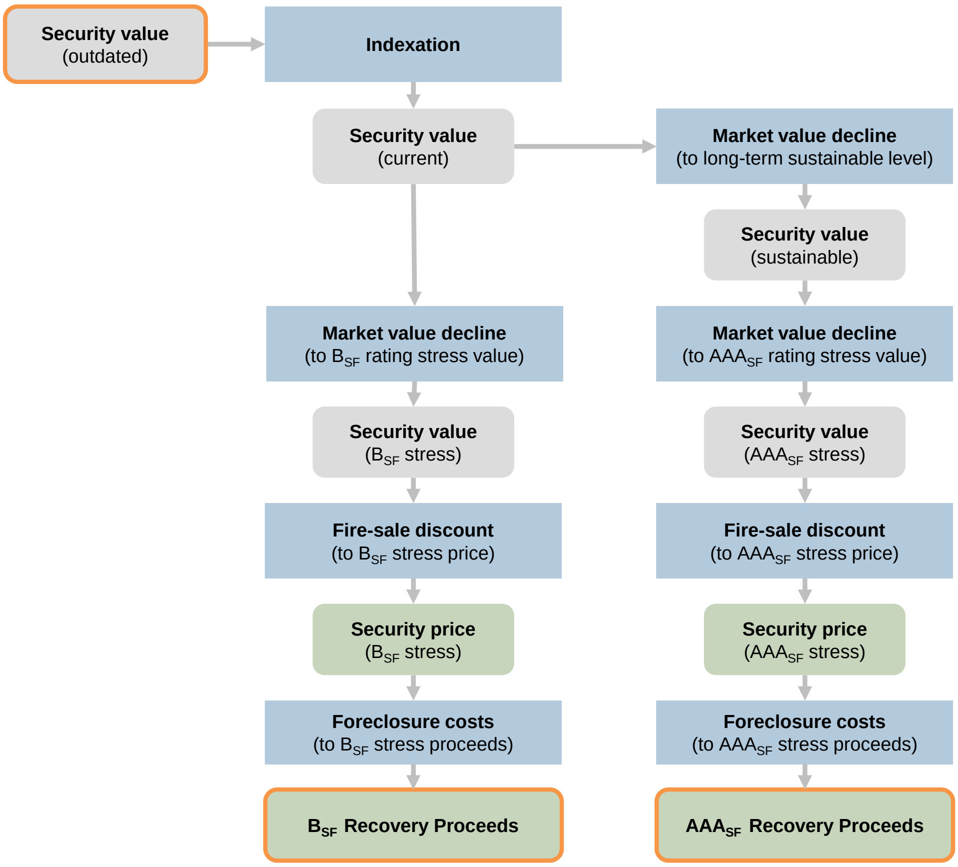
The agency calculates the recovery rates on secured exposures, such as mortgages, by analysing the value of the dedicated security. In this analysis, the security value is the stressed value of the underlying residential real-estate properties. The recovery analysis considers the distance to a long-run or sustainable price level of the underlying properties, as well as fire-sale discounts during a foreclosure process. Consequently, the market-value-decline assumptions we consider depend on the region where the collateral is located, as well as on market conditions.

Scope's framework for fundamental recovery analysis involves: i) estimating the current value of the property (typically by indexation); ii) estimating the distance from estimated price to long-term sustainable values; iii) haircutting the current value of the property by applying a rating-conditional market-value decline and a constant fire-sale discount; and iv) deducting foreclosure costs from the estimated, gross recovery proceeds. Steps 'ii)' and 'iii)' are embedded in the total market-value-decline assumptions as calculated in 'Appendix III. Spanish market-value-decline analysis'.

The recovery rates considered in the analysis reflect the outstanding notional of the loan as of closing. These recovery rates are thus conservative because deleveraging reduces the loan-to-value ratio and increases the expected recovery rates as time passes.

Figure 18 shows the analytical framework applied to estimate the proceeds recovered from the enforcement of the security. The framework includes the adjustment of the security value to a long-term, sustainable value to estimate the recovery proceeds under the highest rating stress.

Figure 18. Diagram of fundamental recovery analysis for B_{SF}- and AAA_{SF}-conditional stress levels



AAA_{SF} market-value declines capture the distance to sustainable values and an additional stress of 10%. Whereas B_{SF} market-value declines take our forward-looking view on the current market conditions and values, and they still include the effect of a fire-sale discount. Scope creates rating-conditional recovery differentiation by tiering the market-value declines implicit for these two analysis: stressed long-term value analysis for AAA_{SF} and forward-looking/current-value analysis for B_{SF}.

Scope relied on fundamental recovery analysis because the security represents first-lien claims on the underlying real-estate properties. We believe that the security cannot be challenged from a legal standpoint, as follows from our analysis of the legal opinion.

APPENDIX III. SPANISH MARKET-VALUE-DECLINE ANALYSIS

Scope analysed the current situation of the Spanish property market to derive market-value decline (MVD) assumptions specific to the different regions. This analysis is possible because the portfolio provides a good representation of the properties in a region: a distribution over cities and towns, which is similar to that over the entire regional market represented by the ministry data.

We have analysed home prices for the different Spanish regions for the period Jan 1987 to Dec 2014, as provided by the Spanish ministry of development.

Scope's AAA-MVDs seek to eliminate overpricing over a 'sustainable' long-term value of a property with an additional fire-sale discount

The MVDs calculated by Scope for AAA-conditional rating scenarios seek to eliminate any overpricing realised over our estimation of the 'sustainable' long-term value of a property[1] (including an extra 10% stress) with the additional application of a fire-sale. The MVD also considers the inflation rates when calculating the 'sustainable' values. The B-conditional MVDs reflect only the fire-sale discount.

Figure 19 shows the total MVD assumptions calculated by Scope for the different regions as a function of the rating-conditional stress. The MVDs reflect regional differences in relation to property-price growth rates and the regional market's ability to correct inflated prices. These total MVD values apply to indexed property values according to the indexation curves from the ministry of development. Hence our analysis also considers any price corrections to date.

We have also applied a floor of 50% to ensure a minimum level of stress, irrespective of the price correction in the region. This adds additional protection against market-value volatility in some regions for which prices are currently close to our estimated sustainable price level. For example, Figure 20 shows that the haircut from sustainable prices for Madrid is larger than for Andalucia because we believe the more dynamic market and stronger economy in Madrid supports sustainable prices which also grow faster than in Andalucia. But the higher level of sustainable prices in Madrid comes with the risk of unforeseen corrections which is covered by the floor assumption.

Figure 19. Total MVD assumptions and haircuts

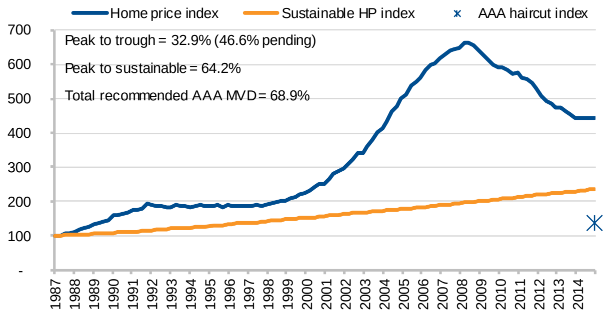
	AAA	AA	A	BBB	BB	B
Andalucia	70.0%	**60.0%**	52.5%	45.0%	37.5%	30.0%
Aragon	55.0%	**50.0%**	45.0%	40.0%	35.0%	30.0%
Asturias	52.5%	**50.0%**	45.0%	40.0%	35.0%	30.0%
Baleares	62.5%	**57.5%**	50.0%	42.5%	37.5%	30.0%
Canarias	57.5%	**52.5%**	47.5%	40.0%	35.0%	30.0%
Cantabria	62.5%	**57.5%**	50.0%	42.5%	37.5%	30.0%
Castilla La Mancha	50.0%	**45.0%**	42.5%	37.5%	35.0%	30.0%
Castilla Leon	50.0%	**45.0%**	42.5%	37.5%	35.0%	30.0%
Cataluna	52.5%	**47.5%**	42.5%	40.0%	35.0%	30.0%
Valencia	50.0%	**45.0%**	42.5%	37.5%	35.0%	30.0%
Extremadura	67.5%	**60.0%**	52.5%	45.0%	37.5%	30.0%
Galicia	57.5%	**52.5%**	47.5%	42.5%	35.0%	30.0%
La Rioja	50.0%	**45.0%**	42.5%	37.5%	35.0%	30.0%
Madrid	50.0%	**45.0%**	42.5%	37.5%	35.0%	30.0%
Murcia	65.0%	**57.5%**	50.0%	45.0%	37.5%	30.0%
Navarra	50.0%	**45.0%**	42.5%	37.5%	35.0%	30.0%
Pais Vasco	55.0%	**50.0%**	45.0%	40.0%	35.0%	30.0%
Ceuta	52.5%	**47.5%**	42.5%	40.0%	35.0%	30.0%
Melilla	50.0%	**45.0%**	42.5%	37.5%	35.0%	30.0%

Figure 20 shows the recommended total MVDs in the context of market prices for the four most relevant regions in the portfolio. The figures illustrate that the dynamism of Madrid has allowed it to almost close the value gap with respect to the sustainable price level (only 9% of the peak-to-sustainable correction is pending), as opposed to Andalucia which is far from converging to the sustainable levels (47% of the peak-to-sustainable correction is pending).

[1] We have derived the sustainable price levels by analysing market prices over a healthy period between 1987 and 1999.

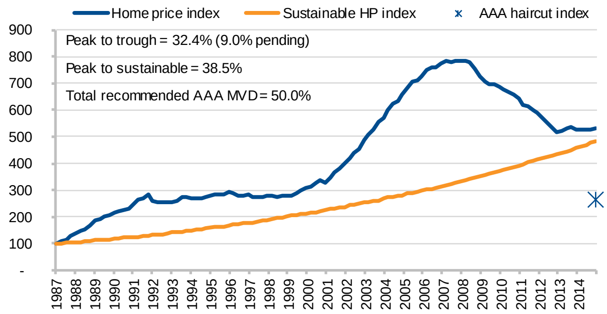
Figure 20. Total market-value-decline assumptions for the four most relevant regions in the portfolio.

House Prices 'Andalucia' (22.5% of total balance)



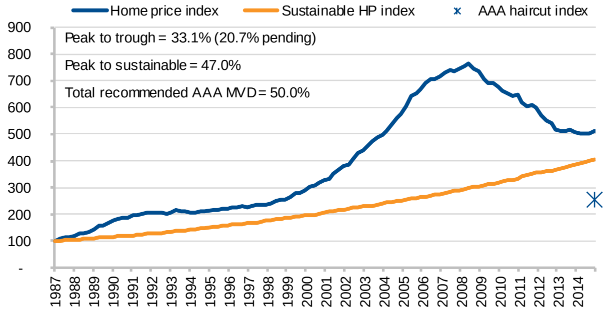
Source: Spanish Ministry of Development and Scope.

House Prices 'Madrid' (19.7% of total balance)



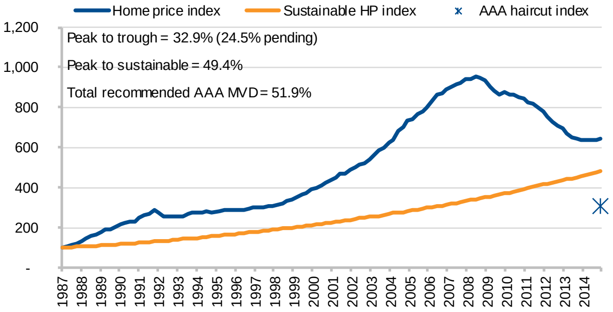
Source: Spanish Ministry of Development and Scope.

House Prices 'Valencia' (10.8% of total balance)



Source: Spanish Ministry of Development and Scope.

House prices 'Catalonia' (9.7% of total balance)



Source: Spanish Ministry of Development and Scope.

APPENDIX IV. ANALYTICAL NOTE: COMMERCIAL REAL ESTATE MVD

The analysis of recovery rates from collateral value in mortgages of commercial real estate assets leverages on the analysis of market value declines of residential properties. We believe that the dynamism of the economy of the underlying reason is a significant factor to determine the liquidity of commercial properties.

We use residential value declines (see Appendix III. Spanish market-value-decline analysis) to adjust the value of commercial properties, as these region-specific value haircuts already consider the dynamism of the economy. We then apply an additional value haircut to reflect the lower liquidity of commercial assets when compared to residential assets.

The additional haircut is in the form of an additional quick sale discount applied to the moneys expected from the property as calculated for residential properties:

$$Available\ money = [Appraisal \times (1 - MVD) \times (1 - QSD)] \times (1 - Additional\ QSD)$$

Property / Guarantee type	Additional haircut
Commercial real estate	21%
Land	40%

APPENDIX V. REGULATORY AND LEGAL DISCLOSURES

Important information

Information pursuant to Regulation (EC) No 1060/2009 on credit rating agencies, as amended by Regulations (EU) No. 513/2011 and (EU) No. 462/2013

Responsibility

The party responsible for the dissemination of the financial analysis is Scope Ratings AG, Berlin, District Court for Berlin (Charlottenburg) HRB 161306 B, Executive Board: Torsten Hinrichs (CEO), Dr. Stefan Bund.

The rating analysis has been prepared by Martin Hartmann, Lead Analyst. Responsible for approving the rating: Guillaume Jolivet, Managing Director.

Rating history

The rating concerns newly-issued financial instruments, which were evaluated for the first time by Scope Ratings AG. Scope had already performed preliminary ratings for the same rated instruments in accordance with Regulation (EC) No 1060/2009 on rating agencies, as amended by Regulations (EU) No 513/2011 and (EU) No 462/2013.

Instrument ISIN	Date	Rating action	Rating
ES0305109003	4 Dec 2015	new	(P) A+$_{SF}$
ES0305109011	4 Dec 2015	new	(P) B-$_{SF}$

Information on interests and conflicts of interest

The rating was prepared independently by Scope Ratings but for a mandate of the issuer of the investment as represented by IM Grupo Banco Popular MBS 3, Fondo de Titulización

As at the time of the analysis, neither Scope Ratings AG nor companies affiliated with it hold any interests in the rated entity or in companies directly or indirectly affiliated to it. Likewise, neither the rated entity nor companies directly or indirectly affiliated with it hold any interests in Scope Ratings AG or any companies affiliated to it. Neither the rating agency, the rating analysts who participated in this rating, nor any other persons who participated in the provision of the rating and/or its approval hold, either directly or indirectly, any shares in the rated entity or in third parties affiliated to it. Notwithstanding this, it is permitted for the above-mentioned persons to hold interests through shares in diversified undertakings for collective investment, including managed funds such as pension funds or life insurance companies, pursuant to EU Rating Regulation (EC) No 1060/2009. Neither Scope Ratings nor companies affiliated with it are involved in the brokering or distribution of capital investment products. In principle, there is a possibility that family relationships may exist between the personnel of Scope Ratings and that of the rated entity. However, no persons for whom a conflict of interests could exist due to family relationships or other close relationships will participate in the preparation or approval of a rating.

Key sources of Information for the rating

Offering circular, transaction-related contracts; operational review presentations; delinquency and recovery vintage data; loan-by-loan portfolio information and legal opinion.

Scope Ratings considers the quality of the available information on the evaluated entity to be satisfactory. Scope ensured as far as possible that the sources are reliable before drawing upon them, but did not verify each item of information specified in the sources independently.

Examination of the rating by the rated entity prior to publication

Prior to publication, the rated entity was given the opportunity to examine the rating and the rating drivers, including the principal grounds on which the credit rating or rating outlook is based. The rated entity was subsequently provided with at least one full working day, to point out any factual errors, or to appeal the rating decision and deliver additional material information. Following that examination, the rating was not modified.

Methodology

The methodology applicable for this rating General Structured Finance Rating Methodology, dated 28 August 2015. Scope also applied Rating Methodology for Counterparty Risk in Structured Finance Transactions, dated 10 August 2015. Both files are available on www.scoperatings.com. The historical default rates of Scope Ratings can be viewed online on the central platform (CEREP) of the European Securities and Markets Authority (ESMA). A comprehensive clarification of Scope's default rating, definitions of rating notations and further information on the analysis components of a rating can be found in the documents on methodologies on the rating agency's website.

Conditions of use / exclusion of liability

Rating issued by

Scope Ratings AG, Lennéstrasse 5, 10785 Berlin