



Fitch Takes Rating Actions on 3 Bankinter RMBS Transactions

Fitch Ratings-Madrid-22 August 2017: Fitch Ratings has affirmed four tranches, upgraded one tranche and downgraded four tranches of three Bankinter RMBS transactions. The agency also revised the Outlook to Positive from Stable on two tranches. A full list of rating actions is available at the end of this commentary.

These RMBS transactions comprise Spanish prime residential mortgages originated and serviced by Bankinter.

KEY RATING DRIVERS

Deleveraging and Asset Performance

The securitised mortgage portfolios are reasonably seasoned at approximately 16 years for Bankinter 7 and 14 years for Bankinter 9. As such, the weighted average current loan-to-value (LTV) ratios have fallen below 55%, compared with the weighted average original LTVs of between 65% and 92%.

Three-month plus arrears (excluding defaults) as a percentage of the current pool balance are in 0.7% for Bankinter 7 and 0.2% for Bankinter 9. Similarly, the transactions' cumulative defaults, defined as mortgages in arrears by more than 18 months, ranged between 0.4% and 0.7% of the portfolio initial balance as of the latest reporting periods, below Fitch's Spanish RMBS average of 5.6%.

Credit Enhancement (CE) Trends

Bankinter 9 Series T and P are currently amortising on a pro-rata basis, resulting in stable CE projections, but would revert to sequential amortisation if performance triggers are not met. The upgrade of Bankinter 9 Series P class A notes' ratings reflect an increased ability to absorb the credit and cash flow stresses commensurate with a 'AA+' stress.

While Bankinter 7 is currently amortising sequentially, the transaction is likely to revert to pro-rata amortisation as performance triggers will probably be met again in the short- to medium-term. As such, CE ratios for all tranches in this transaction are projected to remain stable.

Mezzanine and Junior Interest Defeasibility

The downgrade of the class B notes of each transaction and the class C notes of Bankinter 9 series T reflect the temporary interest shortfalls anticipated in stress scenarios. In line with the agency's Global Structured Finance Rating Criteria, Fitch does not assign nor maintain 'AAs' category ratings or above if interest defeasibility is envisaged under stress scenarios associated with the ratings. The transactions' documents allow class B and C notes interest defeasibility if the balance of defaults exceeds certain limits, in which case interest payments will become subordinated position in the waterfall.

RATING SENSITIVITIES

The class A note rating of each transaction is sensitive to changes in Spain's Country Ceiling of 'AA+' and consequently changes to the highest achievable 'AA+sf' rating for Spanish structured finance notes.

A weakening of the Spanish macroeconomic environment, especially employment conditions, or an abrupt shift in interest rates could jeopardise the ability of the underlying borrowers to meet their payment obligations. This could have negative rating implications, especially for junior tranches that are less protected by structural CE.

Bankinter 7's class C rating is capped at the rating of the SPV account bank provider (Societe Generale, SA, rated A/Stable), as the cash reserve fund that is kept at such counterparty represents a material component of credit protection. A downgrade of this counterparty would trigger a downgrade of the class C tranche if other forms of enhancement, such as excess spread, do not sufficiently compensate the loss of the reserve fund.

USE OF THIRD-PARTY DUE DILIGENCE PURSUANT TO RULE 17G-10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pools and the transactions. Because payment type information of every loans within the European Data Warehouse and Bankinter pool tapes was not aligned with the data received from the transaction trustee Europea de Titulizacion (EdT), Fitch has assumed payment type to be "French" instead of "instalment build-up" in line with EdT data and last year's analysis. Information was incomplete with regard to grace periods, payment holidays and standard loan type. Fitch assumed that all loans would be standard loans with neither payment holidays nor grace periods. The pool cut data did not give any indication on the share of broker originated loans, and Fitch assumed such share to be as of origination dates.

Fitch did not undertake a review of the information provided about the underlying asset pools ahead of the transactions' initial

closing. The subsequent performance of the transactions over the years is consistent with the agency's expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable.

Overall, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

SOURCES OF INFORMATION

The information below was used in the analysis.

-Loan-by-loan data provided by European Data Warehouse and Bankinter as of April 2017

-Transaction reporting (Application of Funds and Investor Reports) provided by EdT since closing and until:

- July 2017 for Bankinter 9 series P and series T

- June 2017 for Bankinter 7

MODELS

ResiEMEA. (<https://www.fitchratings.com/jsp/creditdesk/ToolsAndModels.faces?context=2&detail=135>)

EMEA RMBS Surveillance Model. (https://www.fitchratings.com/web_content/pages/rmbs/emea-rmbs-surveillance-model.htm)
EMEA

Cash Flow Model. (https://www.fitchratings.com/web_content/pages/sf/emea-cash-flow-model.htm)

The rating actions are as follows:

Bankinter 7

Class A (ES0313547004) affirmed at 'AA+sf', Outlook Positive

Class B (ES0313547012) downgraded to 'A+sf' from 'AAsf', Outlook Stable

Class C (ES0313547020) affirmed at 'Asf', Outlook Stable

Bankinter 9-P

Class A2 (ES0313814016) upgraded to 'AA+sf' from 'AAsf', Outlook revised to Positive from Stable

Class B (ES0313814024) downgraded to 'Asf' from 'AA-sf', Outlook Stable

Class C (ES0313814032) affirmed at 'BBB+sf', Outlook Stable

Bankinter 9-T

Class A2 (ES0313814057) affirmed at 'AA+sf', Outlook revised to Positive from Stable

Class B (ES0313814065) downgraded to 'Asf' from 'A+sf', Outlook Stable

Class C (ES0313814073) downgraded to 'BBB-sf' from 'BBBsf', Outlook Stable

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Applicable Criteria

Criteria Addendum: Spain Residential Mortgage Assumptions (pub. 02 Dec 2016) (<https://www.fitchratings.com/site/re/891432>)

Criteria for Country Risk in Global Structured Finance and Covered Bonds (pub. 26 Sep 2016)

(<https://www.fitchratings.com/site/re/881269>)

EMEA RMBS Rating Criteria (pub. 29 Nov 2016) (<https://www.fitchratings.com/site/re/891276>)

Fitch's Interest Rate Stress Assumptions for Structured Finance and Covered Bonds - Excel File (pub. 17 Feb 2017) (<https://www.fitchratings.com/site/re/894478>)
Global Structured Finance Rating Criteria (pub. 03 May 2017) (<https://www.fitchratings.com/site/re/897411>)
Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 23 May 2017) (<https://www.fitchratings.com/site/re/898537>)
Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (pub. 23 May 2017) (<https://www.fitchratings.com/site/re/898538>)
Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 17 Feb 2017) (<https://www.fitchratings.com/site/re/893890>)

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