



Fitch Upgrades 3 Tranches of Bankinter RMBS Series; Affirms Others

Fitch Ratings-Frankfurt/London-17 April 2018: Fitch Ratings has upgraded three and affirmed six tranches of the Bankinter RMBS series. All ratings have been removed from Rating Watch Evolving (RWE). A full list of rating actions is at the end of this rating action commentary.

These transactions are Spanish prime RMBS comprising loans originated and serviced by Bankinter. The removal of the RWE follows the implementation of Fitch's new European RMBS Rating Criteria. The ratings were initially placed on RWE on 5 October 2017.

KEY RATING DRIVERS

Sovereign Upgrade

The upgrade follows an upgrade on Spain's Long-Term Issuer Default Rating to 'A-/Stable' from 'BBB+/'Positive on 19 January 2018. This has allowed the maximum achievable rating of Spanish structured finance transactions to be 'AAAsf' for the first time since 2012, maintaining a six-notch differential with the sovereign rating. As a result the most senior tranches of Bankinter 7 and Bankinter 9 Series T have been upgraded to 'AAAsf' from 'AA+sf'.

Deleveraging; Sound Asset Performance

The securitised portfolios are reasonably seasoned at approximately 17 and 15 years for Bankinter 7 and Bankinter 9. As such, the weighted average current loan-to-value (LTV) ratios have dropped below 50%, compared with the weighted average original LTVs of between 65% and 91%.

Moreover, the transactions continue to show sound asset performance with three-month plus arrears (excluding defaults) as a percentage of the current pool balance at below 0.6% as of the last reporting period. Fitch expects performance to remain stable given the significant seasoning of the portfolios and the macroeconomic outlook in Spain.

Credit Enhancement Adequate

Current and projected credit enhancement (CE) for the rated notes is sufficient to mitigate the credit and cash flow stresses under the relevant rating scenarios, and consistent with the upgrades and affirmations of the notes. CE ratios are expected

to remain stable over the short- to medium-term given the current pro-rata amortisation mechanism of the transactions. The amortisation of the notes will switch to sequential when the outstanding portfolio balance represents less than 10% of its original amount (currently in range between 16% and 29%).

Excessive Counterparty Exposure

The class C note rating of each transaction is capped at the SPV account bank' rating (Societe Generale S.A.; A/Stable/F1), as the only source of structural CE for these classes is the reserve funds, which are kept at the bank account.

RATING SENSITIVITIES

A worsening of the Spanish macroeconomic environment, especially employment conditions or an abrupt shift of interest rates could jeopardise the underlying borrowers' affordability. This could have negative rating implications, especially for junior tranches that are less protected by structural CE. Moreover, as the class C notes' ratings are capped at the SPV bank account provider rating, a change to the account bank rating could trigger a corresponding change to the class C notes' ratings.

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 loan-by-loan portfolio data sourced from the European Data Warehouse did not reconcile with the past information about payment type of the securitised loans and data received by Europea de Titulizacion (EdT), Fitch has assumed payment type for all loans to be "annuity" instead of "instalment build-up", in line with EdT data and last year's analysis.

Fitch has not reviewed the results of any third-party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

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.

- Transaction reporting provided by EdT since closing until December 2017 and January 2018 for Bankinter 7 and Bankinter 9 (series P and series T) respectively
- Loan-by-loan data sourced from the European Data Warehouse, dated January 2018, for Bankinter 9 (series P and series T).
- Loan-by-loan data provided by Bankinter, dated as at December 2017, for Bankinter 7
- Updates from EdT up to 5 April 2018

MODELS

The models below were used in the analysis. Click on the link for a description of the model.

ResiEMEA. (<https://www.fitchratings.com/site/structuredfinance/rmbs/resiemea>)

EMEA Cash Flow Model.

(<https://www.fitchratings.com/site/structuredfinance/emeacfm>)

The rating actions are as follows:

Bankinter 7, FTH

Class A (ES0313547004) upgraded to 'AAAsf' from 'AA+sf', removed from RWE;

Outlook Stable

Class B (ES0313547012) upgraded to 'AAsf' from 'A+sf', removed from RWE;

Outlook Stable

Class C (ES0313547020) affirmed at 'Asf', removed from RWE; Outlook Stable

Bankinter 9-P, FTA

Class A2 (ES0313814016) affirmed at 'AA+sf', removed from RWE; Outlook

Positive

Class B (ES0313814024) affirmed at 'Asf', removed from RWE; Outlook Stable

Class C (ES0313814032) affirmed at 'BBB+sf', removed from RWE; Outlook Stable

Bankinter 9-T, FTA

Class A2 (ES0313814057) upgraded to 'AAAsf' from 'AA+sf', removed from RWE;

Outlook Stable

Class B (ES0313814065) affirmed at 'Asf', removed from RWE; Outlook Stable

Class C (ES0313814073) affirmed at 'BBB-sf', removed from RWE; Outlook Stable

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Applicable Criteria

European RMBS Rating Criteria (pub. 02 Feb 2018)
(<https://www.fitchratings.com/site/re/10018676>)
Fitch's Interest Rate Stress Assumptions for Structured Finance and Covered Bonds - Excel File (pub. 02 Feb 2018)
(<https://www.fitchratings.com/site/re/10018863>)
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 Country Risk Rating Criteria (pub. 18 Sep 2017) (<https://www.fitchratings.com/site/re/903496>)
Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 02 Feb 2018) (<https://www.fitchratings.com/site/re/10018549>)

Additional Disclosures

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