

Fitch Ratings

Fitch Upgrades 3 Tranches of Bankinter 7 and 9, Affirms 6 Tranches

Fitch Ratings-London-01 October 2015: Fitch Ratings has upgraded three tranches and affirmed six tranches of Bankinter 7 and 9, as follows:

Bankinter 7 FTH

Class A (ISIN ES0313547004) affirmed at 'AA+sf'; Outlook Stable

Class B (ISIN ES0313547012) upgraded to 'AAsf' from 'Asf'; Outlook Stable

Class C (ISIN ES0313547020) upgraded to 'Asf' from 'BBBsf'; Outlook Stable

Bankinter 9 FTA

Series P Class A2 (ISIN ES0313814016) upgraded to 'AAsf' from 'AA-sf'; Outlook Stable

Series P Class B (ISIN ES0313814024) affirmed at 'AA-sf'; Outlook Stable

Series P Class C (ISIN ES0313814032) affirmed at 'BBB+sf'; Outlook Stable

Series T Class A2 (ISIN ES0313814057) affirmed at 'AA+sf'; Outlook Stable

Series T Class B (ISIN ES0313814065) affirmed at 'A+sf'; Outlook Stable

Series T Class C (ISIN ES0313814073) affirmed at 'BBBsf'; Outlook Stable

The Spanish RMBS transactions are backed by mortgage loans originated by Bankinter.

KEY RATING DRIVERS

Outstanding Asset Performance

As of July 2015, late stage arrears (loans with more than three monthly instalments overdue) stood at 0.7%, 0.6% and 0.2% of the outstanding collateral balance for Bankinter 7, Bankinter 9 - P and Bankinter 9 - T, respectively (down 17 bps, 19 bps and 40bps year-on-year). Gross defaults (loans in arrears for more than 18 months) have remained broadly stable and are currently reported at 0.4% of the original portfolio balance in Bankinter 7 and Bankinter 9 - P, and 0.6% of the portfolio in Bankinter 9 - T.

The high weighted average seasoning, 170 months for Bankinter 7 and 146 months for Bankinter 9, suggests that most of the collateralised assets were originated before the peak of the market, and therefore subject to a more cautious origination policy. As a result, the performance of the Bankinter deals is largely better than the market average, for which late arrears and gross defaults are now at 1.4% and 5.1%, respectively.

Given the very limited pipeline of arrears and the strong historical performance Fitch expects defaults to remain low in these transactions, as reflected in the Stable Outlooks.

Payment Interruption Risk Mitigated

The only sources of liquidity for the transactions are represented by their cash reserves, which currently stand at EUR4.90m (Bankinter 7), EUR4.38m (Bankinter 9 - P) and EUR5.93m (Bankinter 9 - T). Since these reserves are used to provision for defaults, Fitch tested the payment interruption coverage under stressed default assumptions. The analysis suggested that the funds are sufficient to mitigate payment interruption risk.

RATING SENSITIVITIES

Deterioration in asset performance could result from economic factors, such as increasing unemployment and interest rates. A corresponding rise in new defaults would put pressure on excess spreads and reserve funds resulting in negative rating action.

The ratings are also sensitive to changes to Spain's Country Ceiling and, consequently, changes to the highest achievable rating of Spanish structured finance notes.

DUE DILIGENCE USAGE

No third party due diligence was provided or reviewed 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. Borrower income information was not available for this review and Fitch assumed the most conservative income assumptions. Also, employment and occupancy status loan level information were not available for this review and Fitch used data available from the latest review. 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 and together with the assumptions referred to above, 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 EDT as at June 2015 (Bankinter 7) and August 2015 (Bankinter 9)
- Transaction reporting provided by EDT as at June 2015 (Bankinter 7) and August 2015 (Bankinter 9)

MODELS

The EMEA RMBS Surveillance Model below was used in the analysis. Click on the link for a description of the model.

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

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Additional information is available at www.fitchratings.com.

Applicable Criteria

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 14 May 2014)

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158)

Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum (pub. 14 May

2014) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744175)

Criteria Addendum: Spain - Residential Mortgage Assumptions (pub. 24 Aug 2015)

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=869918)

Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds (pub. 20

Feb 2015) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=862115)

EMEA RMBS Rating Criteria (pub. 28 Aug 2015)

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=870255)

Global Criteria for Lenders' Mortgage Insurance in RMBS (pub. 23 Jun 2015)

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=865195)

Global Structured Finance Rating Criteria (pub. 06 Jul 2015)

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=867952)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

(https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=991669)

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