

Bankinter 8 Class B And C Spanish RMBS Ratings Raised Following Criteria Revision; Class A Rating Affirmed

March 17, 2021

Overview

- We have reviewed Bankinter 8 Fondo de Titulizacion de Activos following the expansion of the global RMBS criteria's scope to include Spain, among other countries.
- We have raised our ratings on the class B and C notes. At the same time, we have affirmed our rating on the class A notes.
- Bankinter 8 is a Spanish RMBS transaction that securitizes a pool of prime residential mortgage loans and was issued in March 2004.

MADRID (S&P Global Ratings) March 17, 2021--S&P Global Ratings today raised to 'AAA (sf)' and 'AA (sf)' its credit ratings on Bankinter 8 Fondo de Titulizacion de Activos' class B and C notes from 'AA (sf)' and 'A+ (sf)', respectively. At the same time, we affirmed our 'AAA (sf)' rating on the class A notes.

Upon expanding our global RMBS criteria to include Spanish transactions, we placed our ratings on the class B and C notes under criteria observation. Following our review of the transaction's performance and the application of our updated criteria, the ratings are no longer under criteria observation.

The transaction has performed well in recent years. Arrears remain low and are currently at approximately 1% of the outstanding collateral balance. At the same time, the existing credit enhancement for the class B notes is almost 13.5%, while for the class C notes it amounts to 9.4%. Cumulative defaults have only increased slightly in recent years and are currently at about 0.5% of the original pool balance.

Our weighted-average foreclosure frequency (WAFF) assumptions have decreased due to the introduction of the effective loan-to-value (ELTV) ratio, which is weighted by 80% of the original LTV (OLTV) and 20% of the indexed current LTV (CLTV). Under our previous criteria, only the OLTV was considered. While the OLTV amounts to 78.2%, the ELTV is significantly lower at 66.5%, driving the movement to a lower WAFF.

We expect the weighted-average loss severity (WALS) on the remaining collateral to be negligible given the low weighted-average indexed CLTV of 19.8%, which is supported by the pool's high seasoning.

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Table 1

Credit Analysis Results

Rating	WAFF (%)	WALS (%)	Credit coverage (%)
AAA	8.44	2.00	0.17
AA	5.95	2.00	0.12
A	4.69	2.00	0.09
BBB	3.69	2.00	0.07
BB	2.64	2.00	0.05
B	1.90	2.00	0.04

WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

We affirmed our 'AAA (sf)' rating on the class A notes as we believe these notes have sufficient credit enhancement to withstand our stresses at the 'AAA' rating level.

We have raised to 'AAA (sf)' from 'AA (sf)' our rating on the class B notes. Under the updated WAFF and WALS assumptions these notes are now able to withstand our 'AAA' stresses even when performing additional sensitivities to test for COVID-19 related scenarios. We assumed a longer-than-usual asset recovery period and increased WAFF and WALS numbers to account for possible deterioration in credit conditions. The notes were still able to withstand the 'AAA' level stress.

We have also raised to 'AA (sf)' from 'A+ (sf)' our rating on the class C notes. Although the class C notes could withstand stresses at a higher rating, we have limited our upgrade to two notches. This is due to the additional sensitivities we performed in relation to COVID-19 related risks. As the excess spread available in the transaction is very limited, the risk of missing interest payments on the class C notes materializes in severe scenarios.

None of the assigned ratings are capped by the application of our counterparty or sovereign risk criteria.

S&P Global Ratings believes there remains high, albeit moderating, uncertainty about the evolution of the coronavirus pandemic and its economic effects. Vaccine production is ramping up and rollouts are gathering pace around the world. Widespread immunization, which will help pave the way for a return to more normal levels of social and economic activity, looks to be achievable by most developed economies by the end of the third quarter. However, some emerging markets may only be able to achieve widespread immunization by year-end or later. We use these assumptions about vaccine timing in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Related Criteria

- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019

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- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- European RMBS Outlook 2021, Jan. 25, 2021
- S&P Global Ratings Definitions, Jan. 5, 2021
- European RMBS Index Report Q3 2020, Dec. 11, 2020
- Residential Mortgage Market Outlooks Updated For 13 European Jurisdictions Following Revised Economic Forecasts, May 1, 2020
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

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