

S&P Global

Ratings

(/en_US/web/guest/home) Bankinter 11 Spanish RMBS Transaction Ratings Raised On Two Classes; Two Affirmed

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Ratings List

Issuer

Bankinter 11 Fondo de Titulizacion Hipotecaria

	Class	Rating to	Rating from
B		AAA (sf)	AA (sf)
C		A+ (sf)	A- (sf)
	Class	Rating	
A		AAA (sf)	
D		B- (sf)	

Overview

Following our review of Bankinter 11 under our relevant criteria, we have raised our ratings on the class B and C notes and affirmed our ratings on the class A and D notes.

Bankinter 11 is a Spanish RMBS transactions that closed in December 2005.

MADRID (S&P Global Ratings) June 27, 2019--S&P Global Ratings today raised its ratings on Bankinter 11 Fondo de Titulizacion Hipotecaria's class B and C notes and affirmed its ratings on the class A and D notes (see list).

Upon revising our structured finance sovereign risk criteria and our counterparty criteria, we placed our ratings on Bankinter 11's class B and C notes under criteria observation (see "Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions (/en_US/web/guest/article/-/view/sourceld/10836964)," published on Jan. 30, 2019, and "Counterparty Risk Framework: Methodology And Assumptions (/en_US/web/guest/article/-/view/sourceld/10861340)," published on March 8, 2019). Following our review of the transaction's performance and the application of these criteria, our ratings on these notes are no longer under criteria observation.

Today's rating actions follow the implementation of our revised structured finance sovereign risk criteria and counterparty criteria. They also reflect our full analysis of the most recent transaction information that we have received and the transaction's current structural features.

The analytical framework in our revised structured finance sovereign risk criteria assesses a security's ability to withstand a sovereign default scenario. These criteria classify the sensitivity of this transaction as low. Therefore, the highest rating that we can assign to the tranches in this transaction is six notches above the Spanish sovereign rating, or 'AAA (sf)', if certain conditions are met.

Under our previous criteria, we could rate the senior-most tranche in a transaction up to six notches above the sovereign rating, while we could rate the remaining tranches in a transaction up to four notches above the sovereign. Additionally, under the previous criteria, in order to rate a tranche up to six notches above the sovereign, the tranche would have had to sustain an extreme stress (equivalent to 'AAA' benign stresses). Under the revised criteria, these particular conditions have been replaced with the introduction of the low sensitivity category. In order to rate a structured finance tranche above a sovereign that is rated 'A+' and below, we account for the impact of a sovereign default to determine if under such stress the security continues to meet its obligations. For Spanish transactions, we typically use asset-class specific assumptions from our standard 'A' run to replicate the impact of the sovereign default scenario.

The counterparty risk in this transaction is related to the guaranteed investment contract (GIC) account provider and swap provider, Banco Santander S.A. (A/Stable/A-1) and Bankinter S.A. (BBB+/Stable/A-2), respectively. The GIC account replacement language is in line with our current counterparty criteria. Under our revised counterparty criteria, our collateral assessment of the swap counterparty downgrade language is strong. Considering this and the current issuer credit rating (ICR) on the swap provider, the maximum supported rating on Bankinter 11's notes is 'AAA'.

Until now, under our counterparty criteria, we were giving benefit to the swaps in our analysis at rating levels up to our long-term ICR on the corresponding swap counterparty, plus one notch, as the swap documentation was not fully in line with our criteria. For ratings above the ICR plus one notch, we modelled the basis risk as unhedged.

After the substitution, Bankinter (as swap provider) is now posting collateral in euros according to option one in our previous counterparty criteria. Therefore, Bankinter can support the maximum potential rating on this transaction, and we can give benefit to the swap counterparty at all rating levels. As of our previous review, we had delinked our ratings on Bankinter 11's class A and B notes from the swap counterparty. As of this review, we have linked all the ratings to the swap counterparty.

Our European residential loans criteria, as applicable to Spanish residential loans, establish how our loan-level analysis incorporates our current opinion of the local market outlook (see "Methodology And Assumptions: Assessing Pools Of European Residential Loans (/en_US/web/guest/article/-/view/sourceId/10154538)," published on Aug. 4, 2017). Our current outlook for the Spanish housing and mortgage markets, as well as for the overall economy in Spain, is benign.

Below are the credit analysis results after applying our European residential loans criteria to this transaction.

Rating level	Credit Analysis Results	
	WAFF (%)	WALS (%)
AAA	7.04	28.11
AA	4.77	22.84
A	3.59	14.79
BBB	2.65	10.85
BB	1.73	8.33
B	1.03	6.24

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

Bankinter 11's class A, B, C, and D notes' credit enhancement remained stable because the deal has been amortizing on a pro rata basis. Currently, the reserve fund is at target and amortizing.

Following the application of our criteria, we have determined that our assigned ratings on the classes of notes should be the lower of (i) the rating as capped by our sovereign risk criteria; (ii) the rating as capped by our counterparty criteria; and (iii) the rating that the class of notes can attain under our European residential loans criteria.

Our credit and cash flow results indicate that the available credit enhancement for Bankinter 11's class A and B notes is commensurate with 'AAA'. We have therefore affirmed our 'AAA (sf)' rating on the class A notes and raised to 'AAA (sf)' from 'AA (sf)' our rating on the class B notes, which was capped by our previous sovereign criteria. In reviewing our rating on the class C notes, our cash flow analysis indicated that our rating on this class could withstand our stresses at a higher rating level than that assigned. However, the rating was constrained by additional factors we considered. First, we considered the relative position of this class in the capital structure and its lower credit enhancement compared to the senior notes. In addition, we considered this class' sensitivity to our stability scenario analysis. We have therefore raised to 'A+ (sf)' from 'A- (sf)' our rating on this class.

The class D notes do not pass our cash flow stresses at the 'B' rating level. Following the application of our criteria for assigning 'CCC' category ratings, we believe that payments on this class of notes do not depend on favorable financial and economic conditions (see "General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings (/en_US/web/guest/article/-/view/sourceId/7554329)," published on Oct. 1, 2012). We have therefore affirmed our 'B- (sf)' rating on this class.

Related Criteria

Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions (/en_US/web/guest/article/-/view/sourcelId/10861340), March 8, 2019

Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions (/en_US/web/guest/article/-/view/sourcelId/10836964), Jan. 30, 2019

Criteria | Structured Finance | General: Methodology And Assumptions: Assessing Pools Of European Residential Loans (/en_US/web/guest/article/-/view/sourcelId/10154538), Aug. 4, 2017

Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology (/en_US/web/guest/article/-/view/sourcelId/9733017), March 29, 2017

Criteria | Structured Finance | General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD (/en_US/web/guest/article/-/view/sourcelId/9049216), March 2, 2015

Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions (/en_US/web/guest/article/-/view/sourcelId/8737366), Oct. 9, 2014

Criteria - Structured Finance - General: Global Derivative Agreement Criteria (/en_US/web/guest/article/-/view/sourcelId/8058839), June 24, 2013

General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings (/en_US/web/guest/article/-/view/sourcelId/7554329), Oct. 1, 2012

Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications (/en_US/web/guest/article/-/view/sourcelId/7430465), July 12, 2012

General Criteria: Methodology: Credit Stability Criteria (/en_US/web/guest/article/-/view/sourcelId/5961504), May 3, 2010

Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment (/en_US/web/guest/article/-/view/sourcelId/5428209), May 28, 2009

Related Research

Spanish RMBS Index Report Q1 2019 (/en_US/web/guest/article/-/view/sourcelId/10987832), May 28, 2019

European Economic Snapshots: Domestic Demand Still A Safety Net (/en_US/web/guest/article/-/view/sourcelId/10946686), April 12, 2019

Spain 'A-/A-2' Ratings Affirmed; Outlook Positive (/en_US/web/guest/article/-/view/sourcelId/10914629), March 22, 2019

Europe's Housing Markets Ease Off The Accelerator (/en_US/web/guest/article/-/view/sourcelId/10868847), Feb. 19, 2019

Why 2019 Could Be A Good Year For Spanish RMBS Ratings (/en_US/web/guest/article/-/view/sourcelId/10866061), Feb. 6, 2019

Outlook Assumptions For The Spanish Residential Mortgage Market (/en_US/web/guest/article/-/view/sourcelId/10501493), April 17, 2018

2017 EMEA RMBS Scenario And Sensitivity Analysis (/en_US/web/guest/article/-/view/sourcelId/10156650), July 6, 2017

Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors (/en_US/web/guest/article/-/view/sourcelId/9913417), Dec. 16, 2016

European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors (/en_US/web/guest/article/-/view/sourcelId/9914948), Dec. 16, 2016

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