

MOODY'S

RATINGS

Rating Action: Moody's Ratings upgrades ratings in Bancaja 9, FTA a Spanish RMBS

09 Jul 2024

Frankfurt am Main, July 09, 2024 -- Moody's Ratings (Moody's), has today upgraded the ratings of Class C and Class D notes in Bancaja 9, FTA. The rating action reflects the increased levels of credit enhancement for the affected notes.

....EUR1700M Class A2 Notes, Affirmed Aa1 (sf); previously on Oct 26, 2023 Affirmed Aa1 (sf)

....EUR52M Class B Notes, Affirmed Aa1 (sf); previously on Oct 26, 2023 Upgraded to Aa1 (sf)

....EUR25M Class C Notes, Upgraded to Aa3 (sf); previously on Oct 26, 2023 Upgraded to Baa1 (sf)

....EUR23M Class D Notes, Upgraded to Baa3 (sf); previously on Oct 26, 2023 Upgraded to B1 (sf)

....EUR22.6M Class E Notes, Affirmed C (sf); previously on Feb 18, 2009 Downgraded to C (sf)

We affirmed the ratings of the notes that had sufficient credit enhancement to maintain their current ratings.

Maximum achievable rating is Aa1 (sf) for structured finance transactions in Spain, driven by the corresponding local currency country ceiling of the country.

RATINGS RATIONALE

The rating action is prompted by an increase in credit enhancement for the affected tranches.

Increase in Available Credit Enhancement

Largely sequential amortization and a reserve fund that has not yet amortised led to

the increase in the credit enhancement available in this transaction.

For instance, the credit enhancement for Class C, the most senior tranche affected by today's rating action, increased to 21.6% from 18.7% since the last rating action.

We note that due to the falling long-term delinquency of the pool, the Class B tranche has started amortising in recent interest payment dates (and ahead of Class A2 repayment) as its performance-related amortization trigger has been met.

Should long-term delinquencies fall further, the performance-related triggers on the other mezzanine notes could also be met allowing for pro-rata amortisation across the entire capital structure.

In that scenario, the issuer's available funds would be allocated to reach the Class B, Class C and Class D target ratios (percentages of outstanding notes) contemplated in the transactions' documentation. Also in that scenario, the principal amortization of senior Class A2 would continue to cease (Class A2 already stopped amortization in lieu of Class B in recent interest payment dates) until the earlier of either i.) target ratios of mezzanine notes being reached, or ii.) the 10% pool factor being met (currently standing at 11.4%) at which point the transaction would be forced into strictly sequential principal amortization on the notes and irrespective of whether the target ratios were achieved in the interim.

As such, any amortization of mezzanine tranches would need to occur shortly in the upcoming interest payment dates.

Seperately, we note that the reserve fund performance-related trigger is also very near to being met which, if met, will allow the reserve fund to be amortised down to the reserve fund floor. Unlike the amortization of the mezzanine notes, the reserve fund amortization is not contingent on the pool factor being above 10%.

Despite potential reduction of credit enhancement if the reserve fund is amortised to its floor, Class C and D will retain sufficient credit enhancement to support higher ratings.

Revision of Key Collateral Assumptions:

As part of the rating action, we reassessed our lifetime loss expectation for the portfolio reflecting the collateral performance to date.

The performance of the transaction has continued to be stable. Total delinquencies have remained constant in the past year, with 90 days plus arrears currently standing at 1.03% of current pool balance. Cumulative defaults currently stand at 8.10% of original pool balance and nearly unchanged from a year earlier.

We slightly reduced the expected loss assumption to 2.01% as a percentage of current pool balance from 2.22% due to the stable performance. The revised expected

loss assumption corresponds to 3.08% as a percentage of original pool balance and nearly unchanged from previous 3.13% assumption.

We have also assessed loan-by-loan information as a part of our detailed transaction review to determine the credit support consistent with target rating levels and the volatility of future losses. As a result, we have maintained the MILAN Stressed Loss assumption at 7.5%.

The principal methodology used in these ratings was "Residential Mortgage-Backed Securitizations" published in May 2024 and available at <https://ratings.moodys.com/rmc-documents/421986>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The analysis undertaken by us at the initial assignment of ratings for RMBS securities may focus on aspects that become less relevant or typically remain unchanged during the surveillance stage. Please see Residential Mortgage-Backed Securitizations methodology for further information on our analysis at the initial rating assignment and the on-going surveillance in RMBS.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors or circumstances that could lead to an upgrade of the ratings include (1) performance of the underlying collateral that is better than we expected, (2) an increase in available credit enhancement, particularly if the transaction pool amortises below the 10% pool factor thereby stopping amortisation to mezzanine tranches that may still be above their amortization targets, (3) improvements in the credit quality of the transaction counterparties and (4) a decrease in sovereign risk.

Factors or circumstances that could lead to a downgrade of the ratings include (1) an increase in sovereign risk, (2) performance of the underlying collateral that is worse than we expected, (3) deterioration in the notes' available credit enhancement and (4) deterioration in the credit quality of the transaction counterparties.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs

in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

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