

MOODY'S

RATINGS

Rating Action: **Moody's upgrades 3 ratings in Bancaja 10, FTA**

07 Feb 2024

Madrid, February 07, 2024 -- Moody's Investors Service, ("Moody's") has today upgraded the ratings of 3 notes in Bancaja 10, FTA. The rating action reflects the increased levels of credit enhancement for the affected notes, repayment of unpaid interest in the case of Classes B, C and D, and revision of key collateral assumptions.

....EUR65.0M Class B Notes, Upgraded to Ba3 (sf); previously on Apr 19, 2021 Affirmed B2 (sf)

....EUR52.0M Class C Notes, Upgraded to B2 (sf); previously on Sep 22, 2014 Affirmed Ca (sf)

....EUR26.0M Class D Notes, Upgraded to Caa3 (sf); previously on Sep 22, 2014 Affirmed C (sf)

Moody's affirmed the rating of the notes that had sufficient credit enhancement to maintain their current rating.

....EUR500.0M Class A3 Notes, Affirmed Aa1 (sf); previously on Apr 19, 2021 Upgraded to Aa1 (sf)

A comprehensive review of all credit ratings for the transaction has been conducted during a rating committee. Please see the Issuer page on <https://ratings.moodys.com> for each of the ratings covered.

RATINGS RATIONALE

The rating action is prompted by an increase in credit enhancement for the affected tranches, repayment of unpaid interest and revision of key collateral assumptions.

Increase in Available Credit Enhancement:

Sequential amortization, trapping of excess spread and recoveries related to purchase of defaulted loans led to the increase in the credit enhancement available in

this transaction. For instance, the credit enhancement for Class B increased to 17.7% from 9.7% since the last rating action. In the case of Classes C and D, the credit enhancement increased to 6.9% and 1.5% from 0.4% and -1.6% respectively since the last rating action on these notes.

Repayment of unpaid interest:

Classes B, C and D are currently up to date for interest payments, having cured the amounts of unpaid interest accumulated in the past. In the interest payment date as of February 2023, the transaction received EUR 8.4 million of recoveries, significantly higher than in prior payment dates. This, together with the excess spread available in the transaction, has cured the previous principal deficiency ledger (PDL) and repaid all unpaid interest in the three tranches. Class B had EUR 0.1 million of unpaid interest in a single payment date, in November 2022. Class C did not pay interest between February 2014 and November 2022 amounting to a cumulative amount of EUR 1.3 million. Class D unpaid interest between August 2013 and November 2022 cumulated to EUR 4.2 million. None of these notes accrued interest on unpaid interest during the period where unpaid interest was outstanding. Moody's has taken into account these losses due to no interest on unpaid interest, close to zero in the case of Classes B and C.

The interest of these three notes remain subordinated to PDL given the interest deferral triggers are hit, however reserve fund is available to pay subordinated interest for Classes B, C and D. Due to the relatively thin excess spread and the uncertainties on future recoveries inflow, the three notes will continue to be at risk of future interest shortfall given the position in the waterfall.

Revision of Key Collateral Assumptions:

As part of the rating action, Moody's reassessed its lifetime loss expectation for the portfolio reflecting the collateral performance to date.

The performance of the transaction has continued to be stable since one year ago. Total delinquencies have increased in the past year, with 90 days plus arrears currently standing at 1.3% of current pool balance compared to 1.0% of current pool balance one year ago. Cumulative defaults currently stand at 11.8% of original pool balance up from 11.7% a year earlier.

Moody's maintained the expected loss assumption at 3.31% as a percentage of current pool balance due to stable performance. The revised expected loss assumption corresponds to 6.95% as a percentage of original pool balance, down from 7.28%.

Moody's has also assessed loan-by-loan information as a part of its detailed transaction review to determine the credit support consistent with target rating levels and the volatility of future losses. As a result, Moody's has maintained the MILAN

Stressed Loss assumption at 10.2%.

Available credit enhancement for Class E remains commensurate with the current rating to cover modelled projected losses as well as credit risk from other relevant qualitative considerations.

Methodology Underlying the Analysis:

The principal methodology used in these ratings was "Moody's Approach to Rating RMBS Using the MILAN Framework" published in October 2023 and available at <https://ratings.moodys.com/rmc-documents/410277>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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 Moody's expected, (2) an increase in available credit enhancement and (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 Moody's expected, (3) deterioration in the notes' available credit enhancement and (4) deterioration in the credit quality of the transaction counterparties.

REGULATORY DISCLOSURE

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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