

MOODY'S

RATINGS

Rating Action: Moody's Ratings upgrades ratings in three Spanish RMBS

04 Sep 2024

Frankfurt am Main, September 04, 2024 -- Moody's Ratings (Moody's) has today upgraded the ratings of eight notes in FONDO DE TITULIZACION RMBS Prado VII (Prado VII), IM CAJAMAR 5, FTA (Cajamar 5) and RURAL HIPOTECARIO VIII, FTA (Rural VIII). The rating action reflects better than expected collateral performance for Prado VII and the increased levels of credit enhancement for all the affected notes.

We affirmed the ratings of the notes that had sufficient credit enhancement and an expected tranche loss commensurate with the current ratings.

Issuer: FONDO DE TITULIZACION RMBS Prado VII

...EUR442.9M Class A Notes, Upgraded to Aa1 (sf); previously on Nov 12, 2020 Definitive Rating Assigned Aa2 (sf)

...EUR38.6M Class B Notes, Upgraded to Baa1 (sf); previously on Nov 12, 2020 Definitive Rating Assigned Baa3 (sf)

Issuer: IM CAJAMAR 5, FTA

...EUR962M Class A Notes, Affirmed Aa1 (sf); previously on Oct 26, 2023 Affirmed Aa1 (sf)

...EUR11.5M Class B Notes, Upgraded to A1 (sf); previously on Oct 26, 2023 Upgraded to A2 (sf)

...EUR12M Class C Notes, Upgraded to A3 (sf); previously on Oct 26, 2023 Upgraded to Baa2 (sf)

...EUR14.5M Class D Notes, Upgraded to Baa3 (sf); previously on Oct 26, 2023 Affirmed Ba3 (sf)

...EUR15M Class E Notes, Affirmed C (sf); previously on Sep 14, 2007 Definitive Rating Assigned C (sf)

Issuer: RURAL HIPOTECARIO VIII, FTA

...EUR802.4M Class A2a Notes, Affirmed Aa1 (sf); previously on Apr 14, 2023 Affirmed Aa1 (sf)

...EUR350M Class A2b Notes, Affirmed Aa1 (sf); previously on Apr 14, 2023 Affirmed Aa1 (sf)

...EUR27.3M Class B Notes, Upgraded to A1 (sf); previously on Apr 14, 2023 Affirmed Baa1 (sf)

...EUR15.6M Class C Notes, Upgraded to Baa2 (sf); previously on Apr 14, 2023 Upgraded to Ba1 (sf)

...EUR7.2M Class D Notes, Upgraded to Ba1 (sf); previously on Apr 14, 2023 Upgraded to B1 (sf)

...EUR11.7M Class E Notes, Affirmed Ca (sf); previously on Sep 18, 2014 Affirmed Ca (sf)

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 and, for Prado VII, decreased key collateral assumptions, namely the portfolio Expected Loss (EL) and MILAN Stressed Loss assumptions due to better than expected collateral performance.

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 Prado VII has continued to improve since last year. Delinquencies have continued to be stable in the past year, with 90 days plus arrears currently standing at 0.25% of current pool balance. Cumulative defaults currently stand at 0.08% of original pool balance slightly up from 0.00% a year earlier.

We decreased the expected loss assumption to 3.43% as a percentage of current pool balance from 5.63% due to the improved performance. The revised expected loss assumption corresponds to 2.25% as a percentage of original pool balance.

For Cajamar 5 and Rural VIII, the performance has continued to be stable. Delinquencies have continued to be stable in the past year, with 90 days arrears

currently standing at 0.31% and 1.06% of current pool balance respectively. We have maintained the expected loss assumption as a percentage of current pool balance. The expected loss assumption as a percentage of original pool balance corresponds to 2.29% and 0.91%, respectively.

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 decreased the MILAN Stressed Loss assumption for Prado VII to 10.60%. We have maintained the MILAN Stressed Loss assumption for Cajamar 5 and Rural VIII at 6.10% and 7.20%, respectively.

Increase in Available Credit Enhancement

For Prado VII sequential amortization of the notes led to an increase of available credit enhancement for the Class A and B Notes. For instance, the credit enhancement for the Class A Notes has increased to 23.81% from 16.00% since closing.

For Prado VII, we note the risk of interest deferrals on Class B upon a cumulative default trigger being breached. After the step-up period in September 2025 all cash available after reserve fund replenishment will be used to redeem the Class A notes according to the priority of payments on the notes. If the cumulative default trigger for Class B is breached, no cash would be available to pay the interest on Class B. This event is only anticipated to occur in high default scenarios.

For Cajamar 5, a non-amortizing reserve fund led to the increase in the credit enhancement available in this transaction. For instance, the credit enhancement for the Class D Notes has increased to 5.59% from 4.93% since the last rating action. As of now, Classes A, B, C and D are amortizing pro-rata. When the pool factor falls below 10%, from the current level of 13.2%, the notes will amortize sequentially. This will accelerate the increase in credit enhancement for Classes A, B and C.

For Rural VIII sequential amortization and a non-amortizing reserve fund led to the increase in the credit enhancement available in this transaction. For instance, the credit enhancement for Class B has increased to 10.48% from 7.81% since the last rating action.

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 Moody's 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

Securizations methodology for further information on Moody's 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 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 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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