





## Rating\_Action: Moody's upgrades eight Notes in three Bankinter Spanish RMBS transactions

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Frankfurt am Main, March 28, 2023 -- Moody's Investors Service ("Moody's") has today upgraded the ratings of eight notes in three Bankinter Spanish RMBS transactions. The rating action reflects the increased levels of credit enhancement of the affected Notes.

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

Issuer: BANKINTER 9, FTA

....EUR656M Class A2 (P) Notes, Affirmed Aa1 (sf); previously on Sep 17, 2021 Affirmed Aa1 (sf)

....EUR15.3M Class B (P) Notes, Upgraded to A2 (sf); previously on Sep 17, 2021 Upgraded to Baa1 (sf)

....EUR7.1M Class C (P) Notes, Upgraded to Baa3 (sf); previously on Sep 17, 2021 Upgraded to Ba1 (sf)

Issuer: BANKINTER 10, FTA

....EUR1575.4M Class A2 Notes, Affirmed Aa1 (sf); previously on Jun 29, 2018 Affirmed Aa1 (sf)

....EUR20.7M Class B Notes, Upgraded to Aa2 (sf); previously on Jun 29, 2018 Upgraded to Aa3 (sf)

....EUR22.4M Class C Notes, Upgraded to A1 (sf); previously on Jun 29, 2018 Upgraded to A3 (sf)

....EUR19.1M Class D Notes, Upgraded to Ba1 (sf); previously on Jun 29, 2018 Affirmed Ba3 (sf)

Issuer: BANKINTER 13, FTA

....EUR1397.4M Class A2 Notes, Affirmed Aa1 (sf); previously on Jun 29, 2018 Affirmed Aa1 (sf)

....EUR22.4M Class B Notes, Upgraded to Aa2 (sf); previously on Jun 29, 2018 Upgraded to A1 (sf)

....EUR24.1M Class C Notes, Upgraded to A2 (sf); previously on Jun 29, 2018 Upgraded to Baa1 (sf)

....EUR20.5M Class D Notes, Upgraded to Ba1 (sf); previously on Jun 29, 2018 Affirmed Ba3 (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 increase in reserve fund replenishments due to higher gross excess spread as mortgage pools reset to higher interest rates as well as better than expected collateral performance. Also, decreasing pool factors below 10% of original balance triggers sequential amortization. Following a sequential amortization trigger event principal redemptions cannot leak outside of the transactions thereby further supporting already increase credit enhancement levels.

Pool factors for all three transactions are low due to seasoning and are 8.34%, 11.67%, 17.56% for BANKINTER 9, FTA ("BANKINTER 9"), BANKINTER 10, FTA ("BANKINTER 10") and BANKINTER 13, FTA ("BANKINTER 13"), respectively.

BANKINTER 9 is now in sequential amortization for the remaining transaction life as pool factor condition is permanently breached.

BANKINTER 10 is expected to have its 11.67% pool factor fall below the 10% sequential amortization trigger shortly. Currently BANKINTER 10 is paying sequential given that its reserve fund is slightly below the target floor.

Moody's rating action takes into account the scenario of the reserve fund becoming fully funded before the sequential amortization trigger is met, thereby allowing a one-time depletion of credit enhancement levels to target levels stipulated in transaction documents.

BANKINTER 13 amortization is currently paying pro-rata as all conditions are met. The increase of credit enhancement for affected tranches is solely driven by the non-amortizing reserve fund amid on-going pool run-off.

### 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 all three transactions has continued to stable and strong.

Total delinquencies have remained stable in the past year, with 90 days plus arrears currently standing at 0.46%, 0.25% and 0.25% of current pool balance for BANKINTER 9, BANKINTER 10 and BANKINTER 13. Cumulative defaults currently stand at 0.47%, 0.77% and 2.01% of original pool balance and unchanged from a year earlier.

Moody's decreased the expected loss assumption to 1.18%, 1.03% and 1.13% as a percentage of current pool balance from 1.10%, 1.63% and 1.49% due to the good performance. The revised expected loss assumption corresponds to 0.22%, 0.42% and 1.07% expressed as a percentage of original pool balance for BANKINTER 9, BANKINTER 10 and BANKINTER 13, respectively.

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 decreased the MILAN CE assumption to 6.0% for BANKINTER 13, and maintained the MILAN CE assumption of BANKINTER 9 and BANKINTER 10 at 6.0%.

### Increase in Available Credit Enhancement

All three transactions have non-amortizing reserve funds.

#### BANKINTER 9:

Sequential amortization, a non-amortizing reserve fund as well as trapping of excess spread to replenish the reserve fund led to the increase in the credit enhancement available in this transaction.

For instance, the credit enhancement for Class B(P), the most senior tranche affected by today's rating action increased to 8.45% from 6.17% since the last rating action.

#### BANKINTER 10:

Sequential amortization, a non-amortizing reserve fund as well as trapping of excess spread led to the increase in the credit enhancement available in these transaction.

For instance, the credit enhancement for Class B, the most senior tranche affected by today's rating action, increased to 13.59% from 8.39% since the last rating action.

Moody's rating action takes into account the scenario of the reserve fund being fully funded before the sequential amortization trigger is met, thereby allowing a certain degree of credit enhancement leakage for the senior notes.

#### BANKINTER 13:

A non-amortizing reserve fund as well as trapping of excess spread led to the increase in the credit enhancement available in this transaction.

For BANKINTER 13, amortization is currently pro-rata following the reserve fund becoming fully funded in 17/10/2022. As such, the funds tranches follow the target capital structure foreseen in the documents. Nevertheless, the increase of credit enhancement for affected tranches is driven by the non-amortizing reserve fund amid on-going pool run-off.

For instance, the credit enhancement for Class B, the most senior tranche affected by today's rating action increased to 9.40% from 8.42% since the last rating action.

The principal methodology used in these ratings was "Moody's Approach to Rating RMBS Using the MILAN Framework" published in July 2022 and available at <https://ratings.moodys.com/api/rmc-documents/390481>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

A Request for Comment was published in which Moody's requested market feedback on potential revisions to its RMBS methodology framework. However, at this time no associated country-specific supplement has been published which would be relevant for the Credit Ratings referenced in this press release.

Request for Comments can be found on the rating methodologies page on <https://ratings.moodys.com>.

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 "Moody's Approach to Rating RMBS Using the MILAN Framework" 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 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 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.moody.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.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

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