MOODY'S RATINGS

CREDIT OPINION
6 September 2024

Update

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Caja Rural de Navarra - Mortgage Covered Bonds

New Issue – Spanish covered bonds

Ratings

Exhibit 1

Cover Pool (€)	Ordinary Cover Pool Assets	Covered Bonds (€)	Rating
2,619,569,641	Residential & Commercial Mortgage Loans	2,250,000,000	Aa1

All data in the report is as of March 31, 2024 unless otherwise stated
Source: Moody's Ratings

Closing date

25 April 2013

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Summary

The covered bonds (*Cédulas Hipotecarias* or *CHs*) issued by Caja Rural de Navarra (the issuer, A3(cr)) under the mortgage sector Caja Rural de Navarra - Mortgage Covered Bonds programme are full recourse to the issuer and are secured by a cover pool of assets consisting of residential mortgage loans (94.9%), commercial loans (4.3%) backed by properties in Spain and other supplementary assets (0.8%).

Credit strengths include the full recourse of the covered bonds to the issuer and support provided by the Spanish legal framework for covered bonds, (*Cédulas Hipotecarias* or CHs), which provides for the issuer's regulation and supervision.

Credit challenges include the high level of dependency on the issuer. As with most covered bonds in Europe, there are few restrictions on the future composition of the cover pool. The cover pool also has geographical concentration risks.

Our credit analysis takes into account the cover pool's credit quality, which is reflected in the collateral score of 5.5%, and the current over-collateralisation (OC) of 15.1% (on a nominal basis) as of 31 March 2024.

In general, we consider environmental and governance credit risks to be low and social credit risks to be moderate for this transaction. Environmental credit risk is low in this programme as covered bondholders benefit from the cover pool's geographical diversification. Social credit risk is moderate in this programme, mainly because social issues that affect lenders can also affect the cover pool. Social credit risks are mitigated by the cover pool's diversification. Governance credit risk is low in this programme due to (i) Spain's covered bond law; and (ii) the fact that the issuer maintains the cover pool on its balance sheet, incentivising it to maximise cover pool value and aligning its interest with that of covered bond investors. For further details, please see "ESG Considerations" section below.

Credit strengths

» ***Recourse to the issuer***: The covered bonds are full recourse to Caja Rural de Navarra (A3(cr)). (See "Covered bond analysis")

» ***Support provided by the Spanish legal framework***: The *CHs* are governed by the Spanish covered bond legislation, which provides for the issuer's regulation and supervision and sets certain minimum requirements for the covered bonds and the cover pool. (See "Covered Bond Legal Frameworks" and "Covered Bond description")

» ***High credit quality of the cover pool***: The covered bonds are supported by a cover pool of high-quality assets consisting of residential loans (94.9%) and commercial loans (4.3%) backed by residential and commercial properties in Spain. The collateral quality is reflected in the collateral score, which is currently 5.5%. Furthermore, by law, loans can only be included in the cover pool if loan-to-value (LTV) does not exceed 80% for residential mortgages and 60% for commercial mortgage loans. For updated property appraisals, the valuation cannot be higher than the original valuation or the valuation at the time of adding the loan in the cover pool. (See "Cover pool analysis")

» ***Mitigants to refinancing risk*:** Following what we call a 'covered bond (CB) anchor event', refinancing risk would be mitigated by (i) the level of support expected for covered bonds in Spain, ii) the appointment of the special administrator to manage the covered bonds programme who can avoid a fire sale of the assets at a heavy discount, as it has the right to attempt to sell all or part of the cover pool as a package, together with outstanding covered bonds, to another entity iii) a liquidity reserve or buffer made up of high quality assets that must at all times be included to cover the maximum accumulated net liquidity outflow of the programme over the next 180 days. A CB anchor event occurs when the issuer, or another entity in the issuer group that supports the issuer, ceases to service the payments on the covered bonds. (See "Covered bond analysis")

» ***Currency risks***: There is no currency risk in the programme as all the assets and outstanding *CHs* are denominated in euros. (See "Covered bond analysis")

Credit challenges

» ***High level of dependency on the issuer:*** As with most covered bonds, before the insolvency of the issuer, the issuer can materially change the nature of the programme. For example, the issuer can add new assets to the cover pool, issue new covered bonds with varying promises and enter into new hedging arrangements. Also similar to most covered bonds in Europe, this programme has few restrictions on the future composition of the cover pool. These changes could affect the credit quality of the cover pool as well as the overall refinancing and market risks. Further, if the quality of the collateral deteriorates, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool. (See "Covered bond analysis")

» ***Cover pool concentration****:* The cover pool is geographically concentrated with majority of the loans backed by properties in Spain and particular concentration in Basque Country (47.8%) and Navarre (43.0%). (See "Cover pool analysis")

» ***Market risks***: Following a Covered Bond (CB) anchor event, covered bondholders may need to rely on proceeds being raised through the sale of, or borrowing against, the cover pool assets to achieve timely principal payment. In addition, covered bondholders might have exposure to interest rate risk. As of 31 March 2024, 36.4% of the loans in the cover pool are fixed rate while all of the outstanding liabilities are fixed rate. A potential sale of fixed-rate assets could lead to a crystallisation of the mark-to-market losses caused by interest rate movements. See "Covered Bonds Analysis". (See "Covered bond analysis")

» ***Time subordination****:* After a CB anchor event, later-maturing covered bonds are subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds before later-maturing covered bonds. This subordination could lead to the erosion of OC before any payments are made to later-paying covered bonds. (See "Covered bond analysis")

Key characteristics

Exhibit 2
Covered bond characteristics

Moody's Programme Number:	340
Issuer:	Caja Rural de Navarra
Covered Bond Type:	Mortgage covered bonds (*Cédulas Hipotecarias*)
Issued under Covered Bonds Law:	Yes
Applicable Covered Bonds Law:	Spanish Covered Bond Law
Entity used in Moody's TPI analysis:	Caja Rural de Navarra
CR Assessment:	A3(cr)
CB Anchor:	A2
Senior unsecured/deposit rating:	n/a
Total Covered Bonds Outstanding:	€2,250,000,000
Main Currency of Covered Bonds:	EUR (100.0%)
Extended Refinance Period:	Yes
Principal Payment Type:	Hard bullet (73.3%), Soft bullet (26.7%)
Interest Rate Type:	Fixed rate covered bonds (100.0%)
Committed Over-Collateralisation:	5.0% (on a nominal basis)
Current Over-Collateralisation:	15.1% (on a nominal basis)
Intra-group Swap Provider:	No
Monitoring of Cover Pool:	Beka Finance, S.V., S.A.
Trustees:	n/a
Timely Payment Indicator:	Probable-High
TPI Leeway:	2 notches

Sources: Moody's Ratings and issuer data

Exhibit 3
Cover pool characteristics

Size of Cover Pool:	€2,619,569,641
Main Collateral Type in Cover Pool:	Residential assets (94.9%), Commercial assets (4.3%), Other supplementary assets (0.8%)
Main Asset Location of Ordinary Cover Assets:	Spain
Main Currency:	EUR (100.0%)
Loans Count:	29,652 Residential assets, 1,655 Commercial assets
Number of Borrowers:	43,134 Residential assets, 2,192 Commercial assets
WA unindexed LTV:	n/d Residential assets, n/d Commercial assets
WA indexed LTV:	58.3% Residential assets, 33.5% Commercial assets
WA Seasoning (in months):	87 Residential assets, 97 Commercial assets
WA Remaining Term (in months):	240 Residential assets, 100 Commercial assets
Interest Rate Type:	Fixed rate assets (36.4%), Floating rate assets (63.6%)
Collateral Score:	5.5%
Cover Pool Losses:	14.9%
Further Cover Pool Details:	See Appendix 1
Pool Cut-off Date:	31-Mar-24

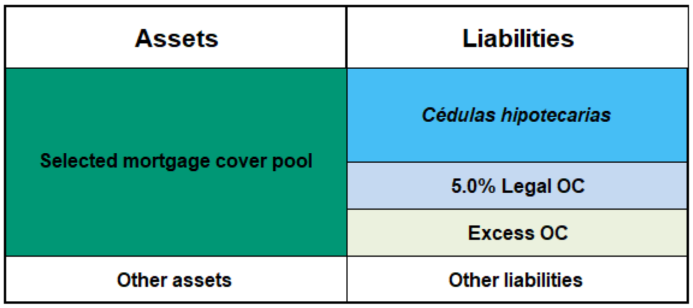
Sources: Moody's Ratings and issuer data

Covered bond description

The covered bonds issued under the mortgage covered bond programme of Caja Rural de Navarra are full recourse to the issuer. Upon a CB anchor event, covered bondholders would have access to a cover pool of mortgage loan receivables, both residential and commercial mortgage loan receivables.

Structural diagram

Exhibit 4



Source: Moody's Ratings

Structure description

The bonds

At present, most of the outstanding covered bonds (73.3%) have a bullet repayment at maturity, without any extension period for the repayment of the bonds. However, current market practice in Spain is to issue soft-bullet bonds. The latest series of issuances of covered bonds (26.7%) have provided for an extension period of 12 months for the repayment of the bonds.

Issuer recourse

The covered bonds are full recourse to the issuer. Therefore, the issuer is obliged to repay principal and pay interest on the covered bonds.

Recourse to cover pool and OC

If the issuer becomes insolvent, the covered bondholders would have priority claims over a pool of assets (cover pool). (See "Cover pool description" for the cover pool characteristics and "Cover pool analysis" for our analysis of the pool).

As of March 2024, the level of OC in the programme was 15.1% on a nominal basis.

The current covered bond rating does not rely on an OC over and above the minimum legal requirements by the Spanish covered bond framework. According to the Spanish legal framework the OC must exceed the principal balance of the bonds by 5.0% on a nominal basis. Based on data as of 31 March 2024, 2.0% of OC is sufficient to maintain the current covered bond rating, which is lower than committed OC. This shows that our analysis currently relies on OC that is in committed form.

Although the issuer has the ability to increase the OC in the cover pool if collateral quality deteriorates, the issuer does not have any obligation to do so. The failure to increase OC following a deterioration of the collateral could lead to a negative rating action.

Spain and its banking system

Spain's (Baa1, positive) credit profile is supported by a large economy with solid growth potential, beneficiary from the European Union's (EU, Aaa stable) NextGen EU programme and sound macroeconomic policy effectiveness. Credit challenges include reducing the high public debt ratio over the medium-term, ensuring long-term sustainability of the pension system, and political and inter-regional fragmentation. (See [Government of Spain - Baa1 positive], March 2024, for an update on Spain's credit profile).

The outlook for Spain's banking system is stable. The outlook reflects that the Spanish economy returned to its pre-pandemic size in 2023 and while growth is now decelerating, it will still exceed that of large European peers in 2024. Higher interest rates will continue to support banks' profitability, although further net interest income gains will be limited, as reference rates started to decline in Q4 2023 and loan demand is weak. Households and businesses have reduced their debts, but problem loans will rise moderately as higher debt servicing costs and lower real wages pressure household and corporate finances. Capital ratios will remain stable, with risk-weighted assets broadly flat and banks returning any excess capital to shareholders. A large deposit base and substantial liquid assets will continue supporting banks' liquidity and funding. (See Banking System Outlook Update - Spain - Solid profitability drives stable outlook amid growing asset risk, weak loan demand, March 2024).

Legal framework

CHs are governed by the Spanish law on covered bonds, Royal Decree 24/2021 of 2 November 2021, as amended by Royal Decree-Law 5/2023, of 28 June 2023. The Spanish legal framework for covered bonds include the following strong features:

» Cover pool mortgage assets must have and up to date valuation when added to the cover pool and valuations cannot be higher than mortgage value at origination or market value at the inclusion of the loan in the cover pool

» Following issuer default the court would appoint a cover pool administrator and the covered bond programme would legally transfer to a separate estate. The cover pool administrator has a duty to preserve the rights and interests of covered bondholders

» The cover pool administrator has broad powers to sell cover pool assets, subject to any restrictions imposed by the insolvency judge or FROB

The Spanish legal framework include the following weaker features. Weaknesses may be mitigated by market practice, contractually or otherwise

» The law permits cover pools to include “high quality assets” as provided in the CB directive, however we do not expect this feature to be extensively used by Spanish issuers

» The law permits the cover pool monitor to be an employee of the issuer, subject to certain safeguards, as contemplated by the CB directive. However in practice all or most cover pool monitors are external.

A description of the general legal framework for Spanish covered bonds is available in Moody's covered bond legal framework report for Spain. (See Covered Bonds: Spain - Legal Framework for Covered Bonds, June 2023).

Commingling risk

Under the law covered bondholders have a special privilege over cover pool assets, regardless of whether they are segregated. However, segregation of cover pool assets from the general cash of the issuer helps reduce operation risk - that is, the risk of misapplication by the special administrator.

Covered bond analysis

Our credit analysis of the covered bonds primarily focuses on the issuer's credit quality, refinancing risk, interest rate risk and currency risk, as well as the probability that payments on the covered bonds would be made in a timely fashion following a CB anchor event, which we measure using the Timely Payment Indicator. (See “Timely Payment Indicator”)

Primary analysis

Issuer analysis - Credit quality of the issuer

The issuer's CR Assessment is A3(cr). (For a description of the issuer's rating drivers, see Credit Opinion, published August 2024)

The reference point for the issuer’s credit strength in our analysis is the CB anchor, which for covered bond programmes under the covered bond law in Spain is the CR Assessment + 1 notch being the CB Anchor A2 for Caja Rural de Navarra.

Issuer analysis - Dependency on the issuer's credit quality

The credit quality of the covered bonds depends primarily on the credit quality of the issuer. If the issuer’s credit strength were to deteriorate, there would be a greater risk that a CB anchor event would occur, leading to refinancing risk for the covered bonds. Consequently, the credit quality of the covered bonds would deteriorate unless other credit risks were to decrease.

In the event that the CB anchor deteriorates, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool. Failure to increase the level of OC under these circumstances could lead to a negative rating action.

Reasons for the high level of dependency of the covered bonds with the issuer also include exposure to decisions made by the issuer in its discretion as manager of the covered bond programme. For example, before a CB anchor event, the issuer may add new assets to the cover pool and remove assets from the cover pool, issue further bonds and enter new hedging arrangements. Such actions could reduce the value of the cover pool.

As with most covered bonds in Europe, there are few contractual restrictions on the future composition of the cover pool, which creates substitution risk. Nevertheless, cover pool quality over time will be protected by, among other things, the requirement of the Spanish covered bond framework. (See “Cover pool analysis - Additional cover pool analysis - Eligible assets” and “Covered Bond Legal Frameworks”).

Refinancing risk

Following a CB anchor event, the “natural” amortisation of the cover pool assets alone cannot be relied on to repay the principal. We assume that funds must be raised against the cover pool at a discount if covered bondholders are to receive timely principal payment. Where the portion of the cover pool that is potentially exposed to refinancing risk is not contractually limited, our expected loss analysis typically assumes that this amount is in excess of 50% of the cover pool.

After a CB anchor event, the market value of these assets may be subject to volatility. Examples of the stressed refinancing margins we use for different types of prime-quality assets are published in our Rating Methodology. (See “Moody’s Approach to Rating Covered Bonds”)

The refinancing-positive factors outweigh the negative ones. The refinancing-positive aspects of this covered bond programme include:

» *CHs* do not accelerate automatically upon initiation of insolvency proceedings against the issuer.

» The special administrator has the right to attempt to sell all or part of the cover pool as a package, together with outstanding *CHs*, to another entity. This could avoid a fire sale of assets.

» The liquidity reserve fund sized to cover the maximum accumulated net liquidity outflow of the programme over the next six months.

» The depth of the Spanish market and the high level of government and financial market support expected to be available to *CHs* in Spain.

» The relatively low exposure to commercial mortgage loans in the cover pool. This asset type may experience greater refinancing risk than standard residential mortgage loans.

The refinancing-negative aspects of this covered bond programme include:

» For majority of the outstanding bonds (73.3%), the programme does not benefit from any contractual provisions to allow for an extension of a principal refinancing period.

» As most Spanish issuers, Caja Rural de Navarra cannot pass refinancing margin increases to borrowers. Floating rate loans are linked to Euribor plus a fixed margin over the contractual life, making the pool price quite sensitive to increased refinancing conditions in the market.

Additionally, CHs now may be issued with extendable maturity structures that enable principal payments to be deferred for a specified period. The deferred would allow additional time to refinance the programme after issuer default because we expect cover pool assets will not generate sufficient cash to repay covered bonds due to the maturity mismatch between them. The events triggering a maturity extension are objective defined by the Spanish covered bond law and outside the discretion of the issuer. The current market practice in Spain is to issue soft-bullet bonds. Recent issuance under the programme had a 12-month extension on maturity reducing refinancing risk.

Interest rate and currency risk

As with the majority of European covered bonds, there is potential for interest rate and currency risks, which could arise from the different payment promises and durations made on the cover pool and the covered bonds.

Exhibit 5
Overview of assets and liabilities

	WAL Assets (Years)	WAL Liabilities (Years)	Assets (%)	Liabilities (%)
Fixed rate	n/d	3.0	36.4%	100.0%
Variable rate	n/d	n/a	63.6%	0.0%

WAL = weighted average life
n/a= not available
Sources: Moody's Ratings and issuer data

In the event of issuer insolvency, we currently do not assume that the insolvency administrator would always be able to efficiently manage any natural hedge between the cover pool and the covered bonds. Therefore, following a CB anchor event, our model would separately assess the impact of increasing and decreasing interest rates on the expected loss of the covered bonds, taking the path of interest rates that leads to the worst result. The interest rate and currency stresses used over different time horizons are published in our Rating Methodology.

Aspects of this covered bond programme that are market-risk positive include:

» There is no currency risk in the programme. As of the pool cut-off date, all of the cover pool assets and all the *CHs* are denominated in euros.

» Most of the assets (63.6% of the total cover pool) are variable rate, which reduces the interest-rate sensitivity if the assets are sold.

Aspects of this covered bond programme that are market-risk negative include:

» As of 31 March 2024, 36.4% of the loans in the cover pool are fixed rate. A potential sale of fixed-rate assets (to meet due payments on covered bonds following a CB anchor event) could lead to a crystallisation of the mark-to-market losses caused by interest rate movements.

» There is considerable mismatch in the interest rate profile of assets and liabilities with only 36.4% of the assets being fixed rate while all of the liabilities are fixed rate.

» As of cut-off date, Caja Rural de Navarra has not entered any swaps into the cover pool register.

Timely Payment Indicator

Our Timely Payment Indicator (TPI) assesses the likelihood that timely payments would be made to covered bondholders following a CB anchor event, and thus determines the maximum rating a covered bond programme can achieve with its current structure while allowing for the addition of a reasonable level of OC. We have assigned a TPI of Probable-High to these covered bonds.

The TPI leeway measures the number of notches by which we might lower the CB anchor before we downgrade the covered bonds because of TPI framework constraints. The TPI leeway for this programme is two notches.

The TPI-positive aspects of this covered bond programme include:

» The high level of government and financial market support provided to covered bonds in Spain.

» The refinancing-positive factors discussed in the “Refinancing risk” section.

» The strength of the *Spanish legislation*, including:

   – The issuer’s insolvency would not result in an automatic acceleration of *CHs*. The collateral and the resulting proceeds will be reserved, by provision of law, for the settlement of special-privileged credit rights.

   – Following issuer default, a special administrator would be appointed and has a duty to preserve the rights and interests of covered bondholders.

   – The insolvency administrator has the right to attempt to sell all or part of the cover pool as a package, together with outstanding covered bonds, to another entity. This might avoid the fire sale of assets.

The TPI-negative aspects of this covered bond programme include:

» At present, most covered bonds outstanding (73.3%) have a bullet repayment at maturity, without any extension period for the repayment of the bonds.

Additional analysis

Sovereign risk

The rating of the Spanish sovereign is Baa1 with Positive Outlook.

Mitigation of refinancing risk may depend on whether payments on covered bonds are supported either by other financial institutions or the government, following a CB anchor event. The government's ability to provide this support, either directly or through support for financial institutions that could act as purchasers of the cover pool, will weaken as the sovereign's credit strength declines. The availability of liquidity to support this process is key, and we take into consideration the credit strength of the sovereign when determining whether this liquidity would be available following a CB anchor event.

Our local-currency country risk ceilings (the country ceiling) determine the maximum credit rating achievable in local currency for a debt issuer domiciled in that country or for a structured note whose cash flow is generated from domestic assets or residents. In this sense, country ceilings cap the rating constellation in a given country. The purpose of the country ceilings is to allow our debt ratings to capture the risk of operating in a non neutral (below Aaa) credit environment.

The country ceiling for Spain is set at Aa1.

Liquidity

The covered bond programme benefits from a liquidity reserve made up of high-quality liquid assets that are sufficient to cover the maximum accumulated net liquidity outflow of the programme over the next 180 days. After an issuer default, the special administrator has the ability to sell a portion of the cover pool to make timely payments on the bonds.

Time subordination

After a CB anchor event, later-maturing covered bonds would be subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds prior to later-maturing covered bonds. Such payments could result in the erosion of OC before any payments are made to later-paying covered bonds.

Cover pool description

Pool description as of 31 March 2024

As of 31 March 2024, the cover pool consisted of 94.9% of residential mortgage loans, 4.3% commercial mortgage loans backed by properties in Spain and 0.8% other supplementary assets.

On a nominal value basis, the cover pool assets total €2.62 billion, which back €2.25 billion in covered bonds, resulting in an OC level of 15.1% on a nominal basis. (For Caja Rural de Navarra's underwriting criteria, see "Appendix: Income underwriting and valuation")

As shown in Exhibits 6 to 12, mortgage loans backed by residential properties amount to €2.49 billion. The residential properties have a significant concentration in the Basque Country (48.1%) and Navarre (43.0%) region of Spain. The weighted average indexed loan-to-value (LTV) ratio of the residential loans is 58.3% and almost all the loans are performing.

As shown in Exhibits 13 to 23, mortgage loans backed by commercial properties amount to €113.9 million and are loans granted to companies backed by heterogeneous property types, including exposures to retail (32.6% of the commercial sub pool), industrial (28.4% of the commercial sub pool) and others (21.6% of the commercial sub pool). The commercial properties in the cover pool are located in Spain, with a high geographical concentration in the Navarre (43.3%) and Basque Country (40.9%) region of Spain. The weighted average LTV ratio of the commercial loans is 33.5% and all of the loans are performing.

Residential mortgage loans

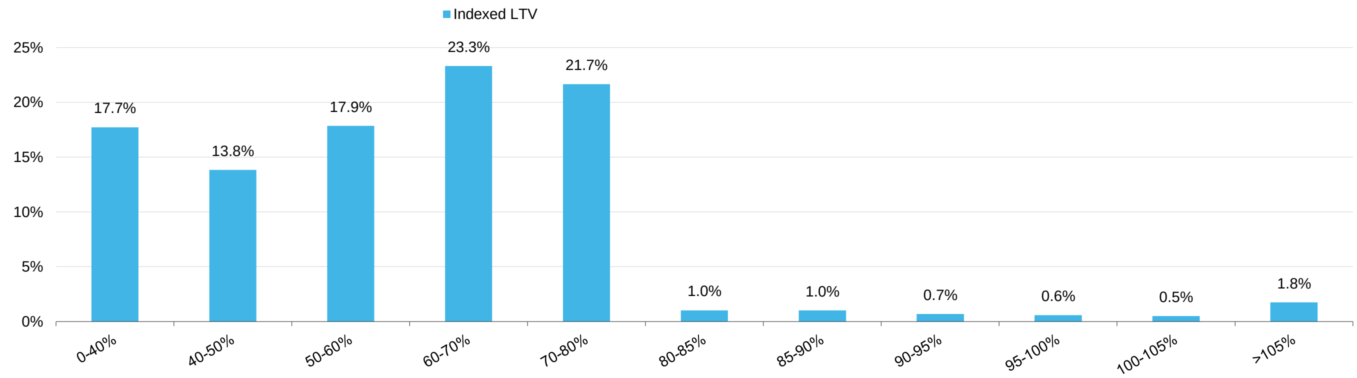
Exhibit 6
Cover pool summary

Overview		Specific Loan and Borrower characteristics	
Asset type:	Residential	Loans with an external guarantee in addition to a mortgage:	n/a
Asset balance:	2,485,639,785	Interest only Loans	0.0%
Average loan balance:	83,827	Loans for second homes / Vacation:	3.1%
Number of loans:	29,652	Buy to let loans / Non owner occupied properties:	0.0%
Number of borrowers:	43,134	Limited income verified:	n/d
Number of properties:	33,733	Adverse credit characteristics (**)	n/d
WA remaining term (in months):	240		
WA seasoning (in months):	87	**Performance**	
		Loans in arrears (≥ 2months - < 6months):	0.0%
Details on LTV		Loans in arrears (≥ 6months - < 12months):	0.0%
WA unindexed LTV	n/d	Loans in arrears (≥ 12months):	0.0%
WA Indexed LTV (*)	58.3%	Loans in a foreclosure procedure:	0.0%
Valuation type:	Lending Value		
LTV threshold:	n/a	**Multi-Family Properties**	
Junior ranks:	n/a	Loans to tenants of tenant-owned Housing Cooperatives:	n/a
Loans with Prior Ranks:	0.0%	Other type of Multi-Family loans (***)	n/a

n/a: not available.
(*) For updated property appraisals, the valuation cannot be higher than the original valuation or the valuation at the time of adding the loan in the cover pool.
(**) Typically borrowers with a previous personal bankruptcy or borrowers with a record of court claims against them at the time of origination.
(***) This "other" type refers to loans directly to Housing Cooperatives and to Landlords of Multi-Family properties (not included in Buy to Let).
Sources: Moody's Ratings and issuer data

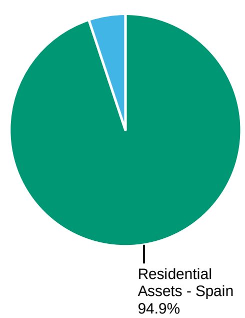
Cover pool characteristics

Exhibit 7
Balance per LTV band



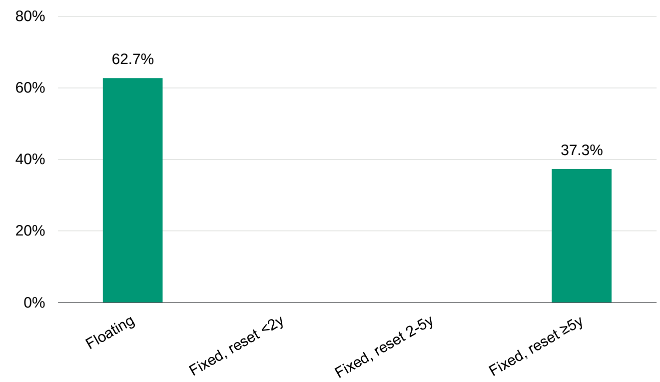
Sources: Moody's Ratings and issuer data

Exhibit 8
Percentage of residential assets



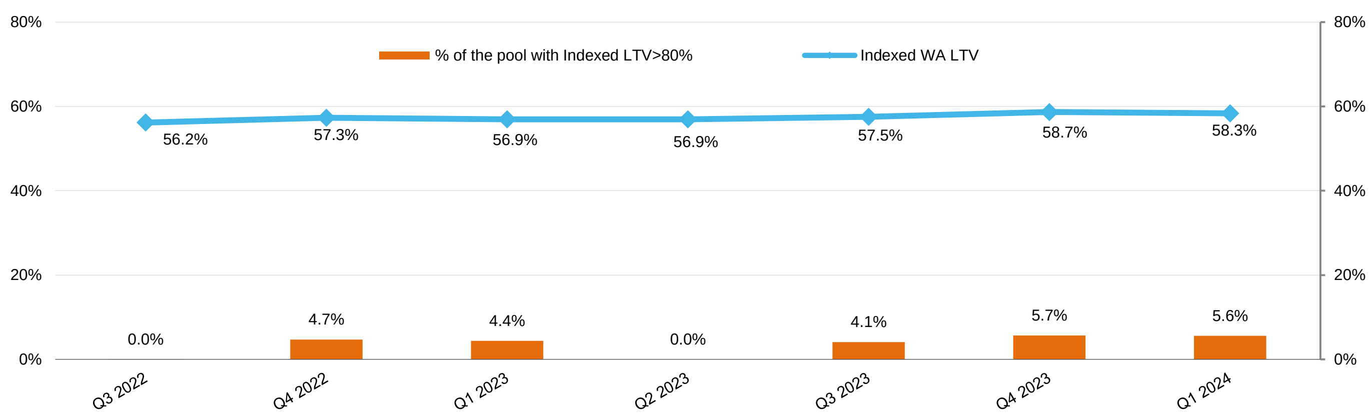
Sources: Moody's Ratings and issuer data

Exhibit 9
Interest rate type



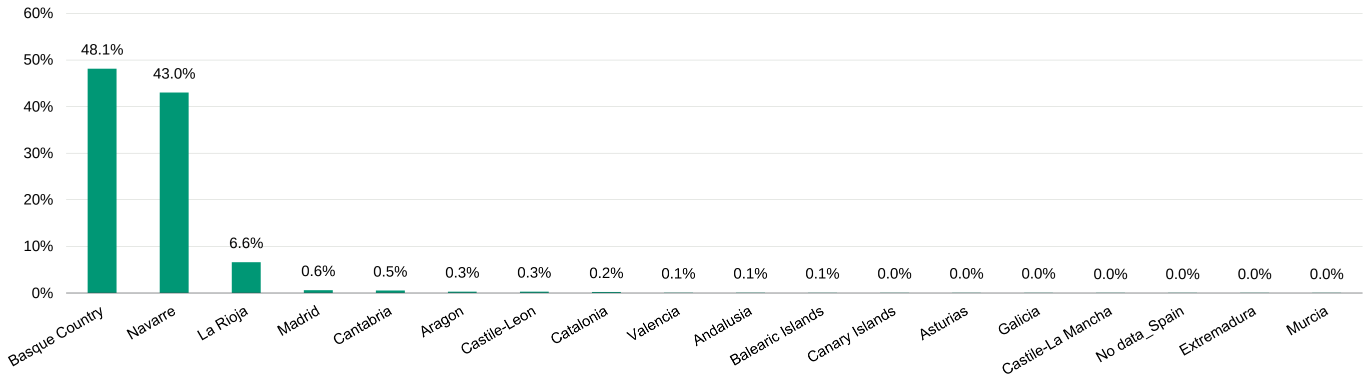
Sources: Moody's Ratings and issuer data

Exhibit 10
LTV



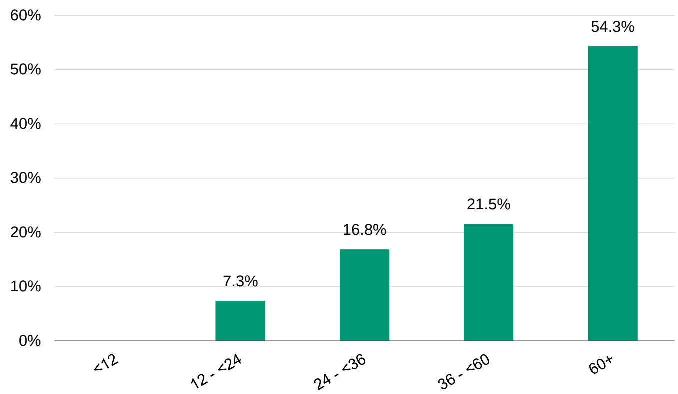
Sources: Moody's Ratings and issuer data

Exhibit 11
Main country regional distribution



Sources: Moody's Ratings and issuer data

Exhibit 12
Seasoning (in months)



Sources: Moody's Ratings and issuer data

Commercial assets

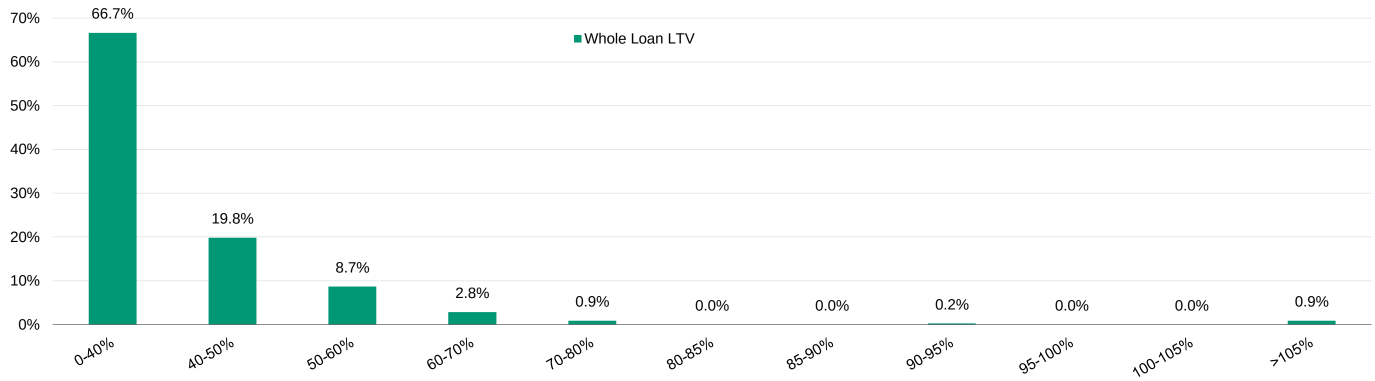
Exhibit 13
Cover pool summary - Commercial assets

Overview		Details on Loan Underwriting	
Asset type:	Commercial	WA DSCR:	n/d
Asset balance:	113,929,856	WA loan seasoning (in months):	97
Average loan balance:	68,840	WA remaining term (in months):	100
Number of loans:	1,655		
Number of borrowers:	2,192	**Details on LTV**	
Largest 10 borrowers:	7.3%	WA LTV(*):	33.5%
Number of properties:	2,115	WA Current LTV(**):	n/d
Main countries:	Spain (100%)	Valuation type:	Lending Value
		LTV Threshold:	n/a
Specific Loan and Borrower characteristics			
Bullet loans:	0.4%	**Performance**	
Main currencies:	EUR (100%)	Loans in arrears ≥ 2 months:	0.0%
Fixed rate loans:	17.4%	Loans in a foreclosure procedure:	0.0%
Non-recourse to sponsor/initiator:	n/d		

(note *) Based on property value at origination.
(note **) Based on updated property value.
Sources: Moody's Ratings and issuer data

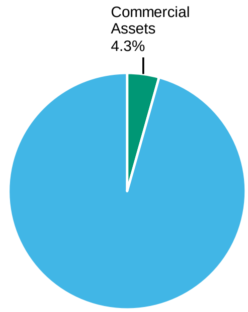
Cover pool characteristics

Exhibit 14
Balance per LTV band - Lending Value



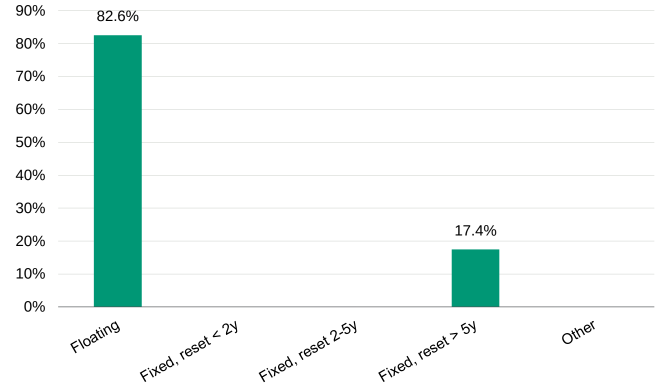
Sources: Moody's Ratings and issuer data

Exhibit 15
Percentage of commercial assets



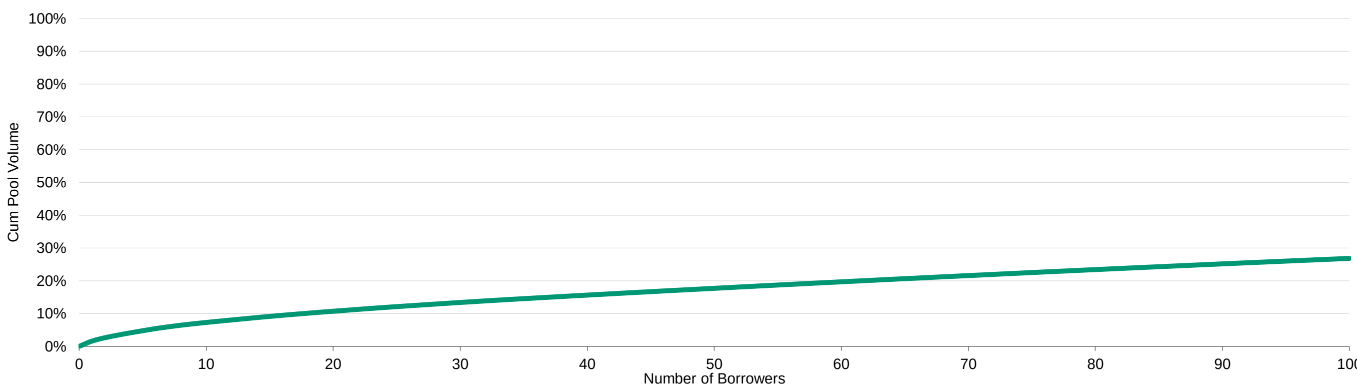
Sources: Moody's Ratings and issuer data

Exhibit 16
Interest rate type



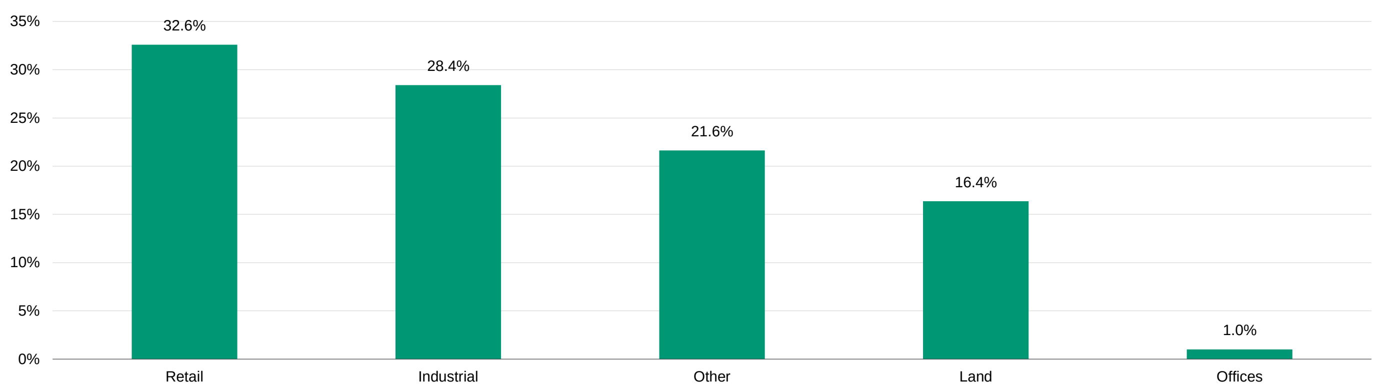
Sources: Moody's Ratings and issuer data

Exhibit 17
Borrower concentration



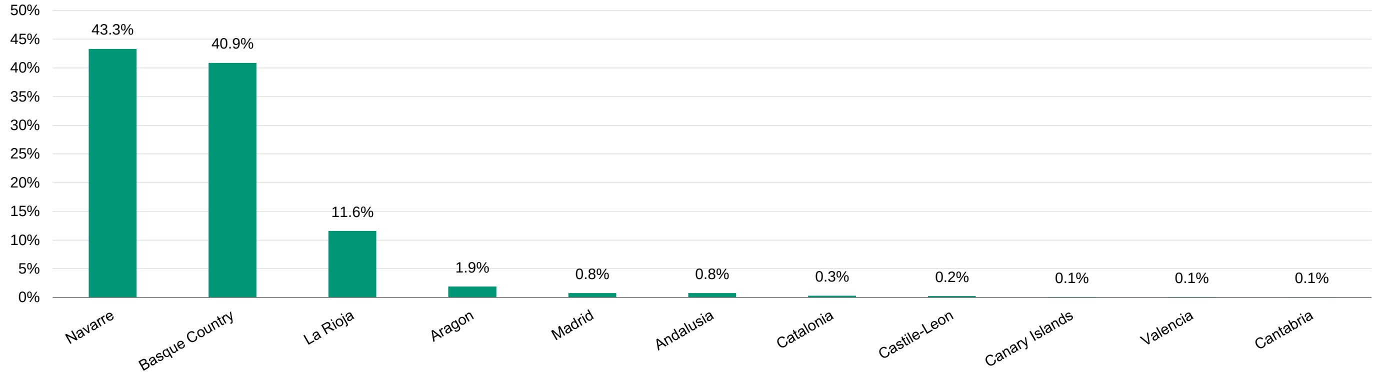
Sources: Moody's Ratings and issuer data

Exhibit 18
Property type



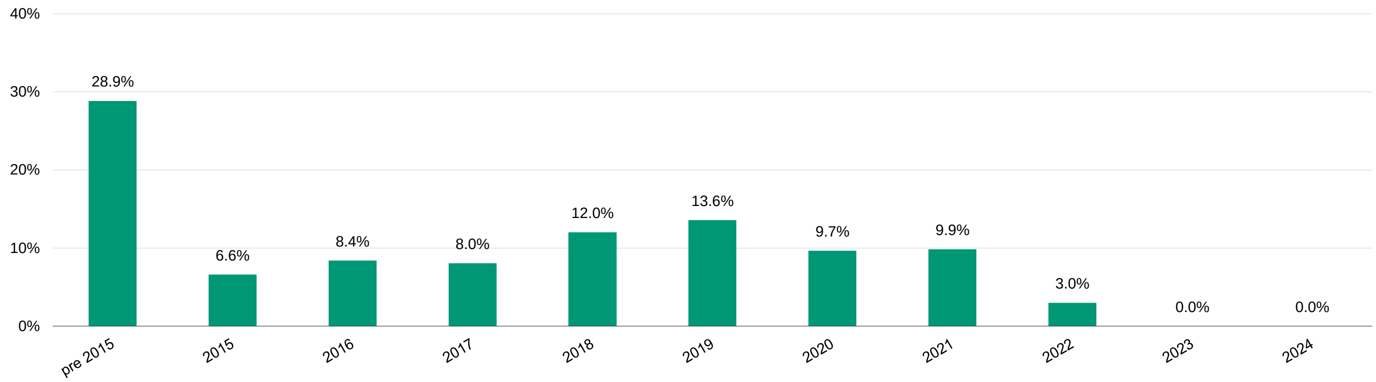
Sources: Moody's Ratings and issuer data

Exhibit 19
Main country regional distribution



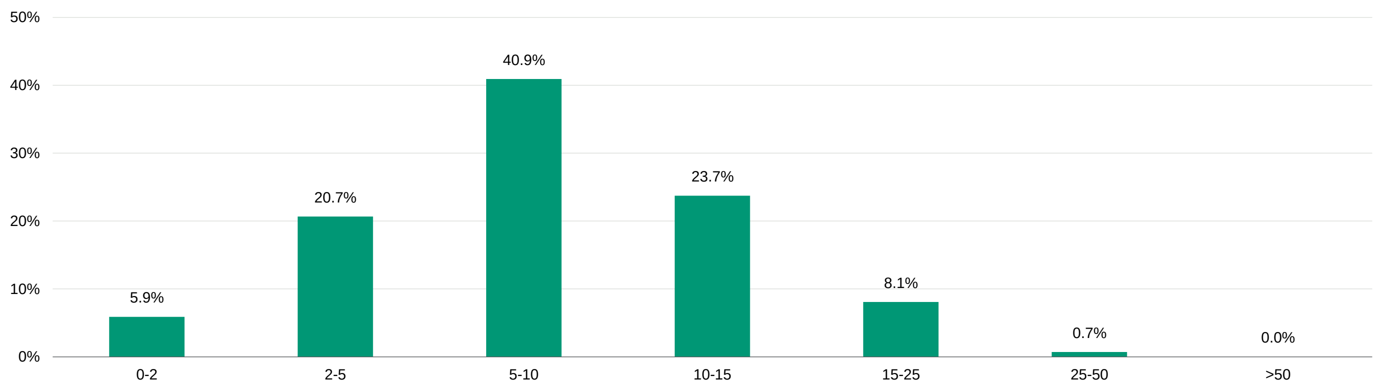
Sources: Moody's Ratings and issuer data

Exhibit 20
Year of loan origination



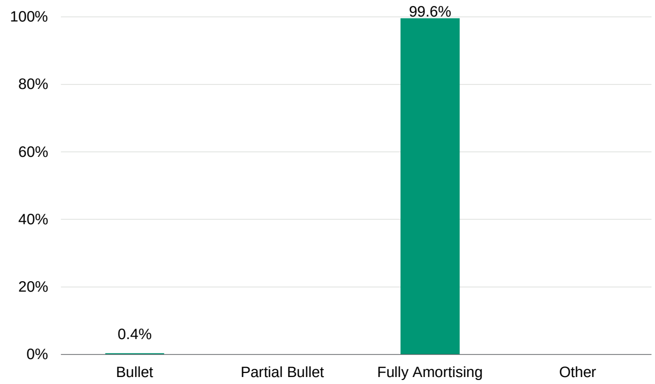
Sources: Moody's Ratings and issuer data

Exhibit 21
Remaining term (in years)



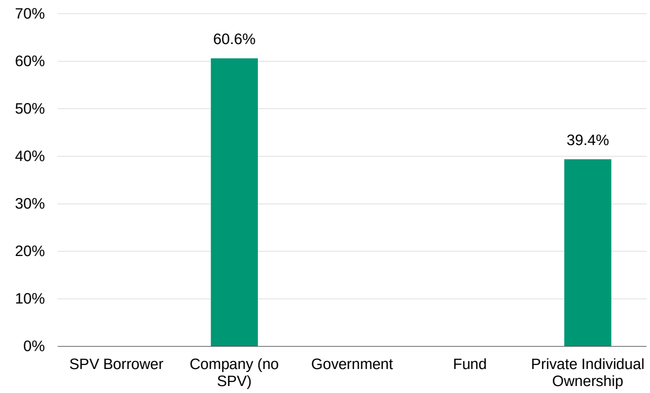
Sources: Moody's Ratings and issuer data

Exhibit 22
Principal Repayment Method



Sources: Moody's Ratings and issuer data

Exhibit 23
Debtor type



Sources: Moody's Ratings and issuer data

Substitute assets

The substitute assets in the cover pool amount to €20 million (0.8% of the cover pool).

Cover pool monitor

The law requires the appointment of an independent cover pool monitor to carry out regular cover pool checks. The monitor may be internal or external. At present, the cover pool monitor is Beka Finance, S.V., S.A.

Cover pool analysis

Our credit analysis of the pool takes into account specific characteristics of the pool, as well as legal risks.

Primary cover pool analysis

We calculate the collateral score for the residential mortgages using a scoring model to assess the credit risk for the residential assets in the cover pool. Our analysis takes into account, among other factors, the LTV ratios of the mortgage loans, the seasoning and the geographical distribution.

We calculate the collateral score for the commercial mortgages using a multifactor model that is created through a Monte Carlo simulation. Our analysis takes into account, among other factors, the impact of concentration on borrower, regional and country levels, as well as the credit quality of the individual borrowers.

For this programme, the collateral score of the current pool is 5.5% which is better than the average collateral score of 5.9% in other Spanish mortgage covered bonds. (For details, see "Covered Bonds - Global - Sector Update Q2 2024")

From a credit perspective we view the following pool characteristics as credit positive:

» The restrictions imposed by the law for loans to qualify as eligible (for example, only first-lien mortgage loans can be included for residential loans up to 80% LTV and 60% for commercial mortgage loans).

» The valuation of the securing properties must be carried out by authorised appraisal companies at origination and updated valuation cannot be higher than the market value or mortgage value at the time the asset is added to the cover pool.

» The fact that the cover pool corresponds mostly to residential mortgage loans (94.9%), which we consider less risky than commercial mortgage loans.

» Almost all the loans are performing.

» All applicant's income is always verified using mainly updated personal income tax declaration and solvency is evaluated using external data sources (e.g., CIRBE, RAI, ASNEF).

We regard the following portfolio characteristics as credit negative:

» There is geographical concentration in the cover pool. All loans are backed by properties in Spain with a particular concentration in Basque Country (47.8%) and Navarre (43.0%) region of Spain.

» Cover pools backing CHs are dynamic. Consequently, any deterioration in the quality of future loans originated by a bank can affect the cover pool securing existing CHs. In addition, CHs do not contain the detailed provisions or arrears performance tests that are typically found in securitisations and that allow asset substitution.

Additional cover pool analysis

Eligible assets

The Spanish covered law specifies that *CHs* must be backed at all times by eligible assets as provided in relevant provisions of CRR, Article 129(d) and (f). These comprise loans secured by residential or commercial immovable property up to the lesser of the principal amount of the loan and 80% of the value of the mortgaged property; or 60% in the case of commercial property. In addition, mortgage loans must be first-ranking and the remaining loan term may not exceed 30 years. The property backing the loan must have damage insurance in place that should be registered in the cover pool register.

In addition, *CHs* may be backed by up to 10% substitute assets, comprising either public sector assets or short term deposits with credit institutions that qualify for credit quality steps 1-3 (equivalent to Moody's ratings down to Baa3) subject to compliance with CRR, Article 129(1)(c).

Set-off risk

We consider set-off risk to be relatively low in this transaction. Debtors may only offset their deposits or credit rights against the issuer if their loan becomes due and payable before the issuer's insolvency. Only unpaid installments before the declaration of insolvency might be offset against the deposits held by the debtors, as they would be regarded as fully due and payable before the insolvency. This is governed by Art. 1196 of the Spanish Civil Code and Art. 152 of Spain's Insolvency Law.

Comparables

Exhibit 24

Comparables - Caja Rural de Navarra - Mortgage Covered Bonds and other selected Spanish deals

PROGRAMME NAME	Caja Rural de Navarra - Mortgage Covered Bonds	Kutxabank, S.A. - Mortgage Covered Bonds	Eurocaja Rural - Mortgage Covered Bonds	Abanca Corporacion Bancaria, S.A. - Mortgage Covered Bonds
Overview				
Programme is under the law	Spain	Spain	Spain	Spain
Main country in which collateral is based	Spain	Spain	Spain	Spain
Country in which issuer is based	Spain	Spain	Spain	Spain
Total outstanding liabilities	2,250,000,000	3,101,226,028	1,700,000,000	2,760,256,410
Total assets in the Cover Pool	2,619,569,641	2,400,000,000	2,611,197,645	4,519,728,764
Issuer name	Caja Rural de Navarra	Kutxabank, S.A	Eurocaja Rural, Soc. Cooperativa de Credito	ABANCA Corporacion Bancaria, S.A.
Issuer CR assessment	A3(cr)	A3(cr)	Unpublished	Baa1(cr)
Group or parent name	n/a	n/a	n/a	n/a
Group or parent CR assessment	n/a	n/a	n/a	n/a
Main collateral type	Residential	Residential	Residential	Residential
Collateral types	Residential 95%, Commercial 4%, Public Sector 0%, Other/Supplementary assets 1%	Residential 100%, Commercial 0%, Public Sector 0%, Other/Supplementary assets 0%	Residential 75%, Commercial 8%, Public Sector 0%, Other/Supplementary assets 16%	Residential 91%, Commercial 9%, Public Sector 0%, Other/Supplementary assets 0%
Ratings				
Covered bonds rating	Aa1	Aa1	Aa1	Aa1
Entity used in Moody's EL & TPI analysis	Caja Rural de Navarra	Kutxabank, S.A.	Eurocaja Rural, Soc. Cooperativa de Credito	ABANCA Corporacion Bancaria, S.A.
CB anchor	A2	A2	CRA + 1	A3
CR Assessment	A3(cr)	A3(cr)	Unpublished	Baa1(cr)
SUR / LT Deposit	n/a	A3	n/a	Baa3
Unsecured claim used for Moody's EL analysis	Yes	Yes	Yes	Yes
Value of Cover Pool				
Collateral Score	5.5%	4.1%	6.5%	5.5%
Collateral Score excl. systemic risk	n/a	n/a	n/a	n/a
Collateral Risk (Collateral Score post-haircut)	3.7%	2.7%	4.4%	3.7%
Market Risk	11.2%	15.6%	11.2%	11.7%
Over-Collateralisation Levels				
Committed OC	5.0%	5.0%	5.0%	5.0%
Current OC	15.1%	29.2%	53.6%	63.7%
OC consistent with current rating	2.0%	5.0%	3.0%	6.0%
Surplus OC	13.1%	24.2%	50.6%	57.7%
Timely Payment Indicator & TPI Leeway				
TPI	Probable-High	Probable-High	Probable-High	Probable-High
TPI Leeway	2	2	Unpublished	1
Reporting date	31 March 2024	31 March 2024	31 December 2023	31 March 2024

Sources: Moody's Ratings and issuer data

ESG considerations

Our Cross-Sector Rating Methodology “General Principles for Assessing Environmental, Social and Governance Risks” explains our general principles for assessing ESG credit risks in our credit analysis for all sectors globally.

Environmental considerations

Overall exposure to meaningful environmental credit risks is low in this programme.

» In respect of physical risks to the cover pool,

   – there is some concentration risk with 47.8% of the loans in Basque Country and 43.0% in Navarre.

   – In addition to geographical diversification, physical environmental factors are mitigated by mandatory possession of insurance in line with market practices.

» In respect of regulatory risk, we expect that over time residential and commercial properties that do not meet climate-aligned standards for energy efficiency or carbon emissions will face regulatory sanctions and value impairment. However, we expect much of this risk to be gradually absorbed into the periodic updating of property valuations and income underwriting. This will impact key credit metrics such as LTVs.

In the event of shocks in connection with regulation or physical hazards, the impact on property collateral will be partly mitigated by borrowers’ liability to repay mortgage loans regardless of property value.

Social considerations

Overall exposure to social factors is moderate for this programme. Misconduct, poor handling of data security and customer privacy breaches by lenders are the most significant social risks that may in due course affect the credit quality of the cover pool, although lenders’ financial and operational flexibility and track record of adjusting to social issues may mitigate this. In addition, the diversified nature of the cover pool is a mitigant to exposure to social factors.

Social factors that potentially affect the cover pool have varied implications. Social risks can arise from changing demographic trends such as aging, urbanization, an increase in telecommuting and flight from cities, population declines or ways of living trends in general that impact the supply or demand for housing in particular areas, which can reduce home values. Societal and demographic trends will be relevant but typically develop over an extended timeframe that smooths out materiality for expected loss.

Social issues may also be driven also by a political agenda related to housing and consumer protection, particularly in down cycles, creating pressure on recovery values. Borrower-friendly legislation as a reaction to consumer activism can affect both the underwriting and the servicing of mortgage loans in the cover pool.

In respect of the property collateralizing loans in the cover pool, externally driven demographic trends and societal preferences are the main social considerations affecting credit. These considerations generally affect the operations of building owners in respect of demand for space. For retail properties, the most notable shifts have come in mature markets, such as the shift in retail shopping preferences online. Especially in secondary and tertiary locations, retailers demand less physical store space. For office properties, the pandemic exacerbated existing long-term trends such as flexible/remote-working that can lead to lower tenant demand resulting eventually in lower rental levels and property values. However, in this programme, the small portion of the pool exposed to offices, combined with the prime nature of those assets mitigates such trends as illustrated by the high and stable historical occupancy rate.

Governance considerations

Overall exposure to meaningful governance credit risks is low and similar to other covered bond programmes under Spanish law.

The principal sources of governance for this programme are Spain's covered bond law; and the operational and substantive provisions of the programme documents. In this programme, there are control mechanisms in place that are designed to protect covered bondholders from mistakes, misallocation of cash flows and misappropriation of assets, and that promote compliance with the covered bond legal framework and operational and reporting requirements.

In particular, we note that (i) the issuer is a regulated credit institution with experience and expertise in carrying out residential and commercial lending and servicing activities; (ii) the issuer maintains the cover pool on its balance sheet, incentivising it to maximise cover pool value and aligning its interest with that of covered bond investors; (iii) the cover pool monitor and cover pool administrator are independent roles mandated and governed by the covered bond law and both entities owe duties to bondholders; and the covered bond law (iv) ensures the bankruptcy remoteness of the cover pool; and iv) contains detailed reporting requirements and sanctions for issuer non-compliance.

Methodology and monitoring

The primary methodology we use in rating the issuer's covered bonds is "Moody's Approach to Rating Covered Bonds", published in March 2024. Other methodologies and factors that may have been considered in the rating process can also be found on https://ratings.moodys.com. In addition, we publish a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at //www.moodys.com/SFQuickCheck.

We expect the issuer to deliver certain performance data to us on an ongoing basis. In the event that this data is not made available to us, our ability to monitor the ratings may be impaired. This lack of data availability could negatively affect the ratings or, in some cases, our ability to continue to rate the covered bonds.

Appendix: Income underwriting and valuation

Exhibit 25

Income underwriting and valuation - Residential assets

A. Residential Income Underwriting	
1 Is income always checked?	Yes
2 Does this check ever rely on income stated by borrower (“limited income verification”)?	Not applicable
3 Percentage of loans in Cover Pool that have limited income verification	None
4 If limited income verification loans are in the Cover Pool, describe what requirements lender has in place for these loans.	Not applicable
5 Does income in all cases constrain the amount lent (for example through some form of Income Sufficiency Test (“IST”)?	Yes
6 If not, what percentage of cases are exceptions.	No exceptions
For the purpose of any IST:	
7 Is it confirmed that income after tax is sufficient to cover both interest and principal?	Yes
8 If so over what period is it assumed principal will be paid (typically on an annuity basis)? Any exceptions?	Payment of interest and principal on an annuity basis over maximum of 30 years
9 Does the age of the borrower constrain the period over which principal can be amortised?	Yes. Age + 75 years
10 Are any stresses made to interest rates when carrying out the IST? If so when and for what type of products?	No
11 Are all other debts of the borrower taken into account at the point the loan is made?	Yes
12 How are living expenses of the borrower calculated? And what is the stated maximum percentage of income (or income multiple if relevant) that will be relied on to cover debt payments. (specify if income is pre or post tax)	Debt-to-income (DTI) ratio is calculated as (Total annual installments*100 / Net Income from IRPF). As a general rule, this ratio cannot exceed 35%
Other comments	

B. Residential Valuation	
1 Are valuations based on market or lending values?	Lending values
2 Are all or the majority of valuations carried out by external valuers (with no direct ownership link to any company in the Sponsor Bank group)?	Yes. Valuation of the properties by official appraisal companies (Sociedades de Tasacion) is required by law and governed by the Ministerial Order of 27 March 2003 on appraisal of real state.
3 How are valuations carried out where an external valuer not used?	Not applicable
4 What qualifications are external valuers required to have?	Please see the Royal decree 775/1997 of 30th May 1997 (Bank of Spain criteria for homologation external valuers) and Ministerial Order of 27 March 2003 on appraisal rules.
5 What qualifications are internal valuers required to have?	Not applicable
6 Do all external valuations include an internal inspection of a property?	Yes
7 What exceptions?	Not applicable
8 Do all internal valuations include an internal inspection of a property?	Not applicable
9 What exceptions?	Not applicable
Other comments	

Source: Issuer

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Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454