Europea de Titulización

Otra Información Relevante de BBVA RMBS 20 FONDO DE TITULIZACIÓN

En virtud de lo establecido en el Folleto Informativo de **BBVA RMBS 20 FONDO DE TITULIZACIÓN** (el "**Fondo**") se comunica a la COMISIÓN NACIONAL DEL MERCADO DE VALORES la presente información relevante:

- La Agencia de Calificación **Scope Ratings GmbH ("Scope")** con fecha 28 de marzo de 2022, comunica que ha afirmado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:

    - **Serie A: $\textbf{AAA}_{\textbf{SF}}$**
    - **Serie B: $\textbf{BBB-}_{\textbf{SF}}$**

Se adjunta la comunicación emitida por Scope.

Madrid, 31 de marzo de 2022.

MONDAY, 28/03/2022 - Scope Ratings GmbH

Scope affirms class A and B of BBVA RMBS 20, FT following calculation error correction - Spain RMBS

The notes are issued by BBVA RMBS 20 FT, an initially EUR 2,500m cash securitisation of prime residential mortgage loans extended to individual borrowers by BBVA.

Rating action

Scope Ratings GmbH (Scope) has reviewed the performance of the notes issued by BBVA RMBS 20 FT and corrected an analytical error. The rating actions are as follows:

Series A (ISIN ES0305567002), EUR 2,276.5m: affirmed at AAA_{SF}

Series B (ISIN ES0305567010), EUR 150.0m: affirmed at $BBB-_{SF}$

The rating action incorporates the correction of a calculation error. Previously, the transaction was modelled with senior fees covered by the swap and a reserve fund release that would happen a period later than contractually outlined. Both elements are now corrected, which has no impact on the assigned ratings. Scope undertook a full analytical review.

Transaction overview

BBVA RMBS 20 FT was an initially EUR 2,500m static cash securitisation consisting of prime residential mortgage loans originated and serviced by Banco Bilbao Vizcaya Argentaria SA (BBVA) and extended to individual borrowers to finance properties in Spain.

The securitised portfolio consists of first-lien mortgages extended to borrowers' resident in Spain. The mortgage loans in the portfolio were originated between 2001 and 2021, with 86.7% originated from 2017 onwards. The initial portfolio had a seasoning of 2.5 years and a weighted average remaining time to maturity of 24.9 years. Eligibility criteria excluded mortgages that were more than 30 days in arrears, under an active moratorium, restructured or delinquent. The mortgage loans have generally been used to purchase finished houses and had a low weighted average loan-to-value of 69.6% relative to the Spanish market, as of closing.

BBVA provides all money handling services including the holding of bank accounts, mortgage servicing and interest rate hedging. The rated instruments amortise sequentially and benefit from a fully funded 5% cash reserve, which is amortising. Excess spread of 1% is contractually available through an interest rate swap.

The transaction closed on 14 June 2021 and has its legal final maturity on 14 February 2065.

Performance update

The review considered the investor reporting up to January 2022.

Over the first eight months of transaction life, the performance has been satisfactory and in line with our expectations. Non-current mortgages less than 90 days in arrears account for 1.40% of the current balance. Mortgages more than 90 days in arrears account for 0.01% of the current balance. There are no defaults reported yet reflecting also the 12-months default definition of the transaction. The current portfolio is 97.1% of the initial portfolio, in line with our expectations.

There has been no material change in the level of credit support for the rated notes. The series A and B notes amortise sequentially.

Rating rationale

The ratings reflect i) the legal and financial structure of the transaction; ii) the quality of the underlying collateral in the context of the Spanish macroeconomic environment; and iii) the experience and incentives of BBVA as the transaction's originator and mortgage manager.

The Series A notes benefit from 11.3% of credit enhancement from subordination and an amortising EUR 125m cash reserve. The 5.2% Series B notes credit enhancement is the cash reserve. Additionally, an interest rate swap with BBVA shields the notes from interest rate risk and provides 1% of excess spread.

The ratings also account for the underlying portfolio's credit quality considering its expected performance under the current and future macroeconomic conditions in Spain. The historic credit performance of the amortising mortgages is good, reflecting the generally prime status of mortgage borrowers in the portfolio, prudent post-financial crisis origination standards, the generally benign macroeconomic environment in the recent past and supportive measures introduced by the government and banks to prevent mortgage defaults during the Covid-19 pandemic.

BBVA performs all money handling roles in this transaction, including the role of servicer, account bank and interest swap provider. The ratings reflect the counterparty risk exposure to the bank as well as the replacement of the bank in various roles upon the loss of a BBB rating. Scope maintains a non-public credit assessment on BBVA. Europea de Titulización S.G.F.T. (EdT) manages the transaction.

Key rating drivers

Credit enhancement (positive)[1]. The significant respective credit enhancement protects the senior and the junior notes from losses in the underlying portfolio.

Portfolio characteristics (positive)[1,2,3]. The current loan-to-value ratio (67.8%) is lower than the Spanish average. All underlying mortgaged assets are owner-occupied. The top four regions (Catalonia, Andalusia, Madrid and Valencia), accounting for 69.6% of the portfolio, are among Spain's wealthiest and represent the natural footprint of BBVA's mortgage origination business.

Positive portfolio selection (positive)[1]. All loans are first-lien mortgages granted to individuals to purchase their main residence. Loans that were previously restructured or are under an active moratorium had been excluded from the securitised portfolio.

Interest rate swap (positive)[1]. The transaction benefits from an interest rate swap with BBVA, which partially mitigates the asset-liability interest rate mismatch. BBVA will receive all interest collected on the portfolio in exchange for paying an amount equal to the Series A and B interest costs and a 1% excess spread, based on the non-delinquent balance of the assets. In remote scenarios of significant asset defaults, the funds from BBVA may be insufficient to cover the senior interest.

Simple structure (positive)[1]. The transaction is static and the notes amortise fully sequentially. In addition, the subordination of the Series B interest adds to the Series A notes' protection.

Benign origination period (negative)[1,2,3]. The portfolio was predominantly originated under post-financial crisis origination criteria, which have not been tested in a period of significant mortgage borrower stress. Scope's analysis reflects this with a relatively high volatility assumption related to the expected performance that Scope derived from the originator's vintage data.

Scope's assumptions considered BBVA's rather conservative positioning in the Spanish mortgage market and the more prudent market-wide origination standards after the financial crisis, as indicated by the Bank of Spain.

Liquidity risk (negative)[1]. All sources of liquidity in the transaction are exposed to the credit quality of BBVA. This risk is partially mitigated by the high credit quality of the bank and the fact that a limited amount of periodic collections is already sufficient to pay the senior costs and Series A notes' interest.

The positioning of the cash reserve replenishment before the payment of the Series B notes' interest exposes the tranche to the risk of non-timely payment of interest, even in relatively benign default rate scenarios. The subordination of servicing fees supported by the high servicer credit quality and the swap partially mitigate this risk and we incorporated the impact of this transaction structural element in our analysis.

Counterparty concentration (negative)[1]. BBVA performs all counterparty roles in the transaction. A default of the bank without prior replacement would be highly likely to result in a default on the transaction. The high credit quality of BBVA partially mitigates this risk. The entire credit enhancement of the Series B notes is exposed to the bank, i.e. the cash

partially mitigates this risk. The entire credit enhancement of the Series B notes is exposed to the bank, i.e. the cash reserve and the excess spread from the interest rate swap.

Rating-change drivers

Positive. Stabilisation of Spanish macroeconomic conditions with a return to the pre-pandemic norm.

Negative. A significant deterioration in **BBVA's credit profile** may adversely impact the ratings.

Negative. Spanish macroeconomic uncertainty in relation to the global slowdown. The wider spread of geopolitical risks may have a severe impact on the Spanish economy, which may translate into higher unemployment that then impairs the capacity of borrowers to repay.

Quantitative analysis and assumptions

Scope used a cash flow model to analyse the transaction and applied a statistical distribution of defaults when modelling the granular collateral pool. Scope assumed that portfolio defaults followed an inverse Gaussian distribution when calculating the expected loss of the rated tranches. The analysis also provided the expected weighted average life of each tranche. Scope considered asset and liability amortisation.

Scope's analytical assumptions for the 90-days-past-due mean default rate and default rate coefficient of variation remained unchanged at 3% and 90%, respectively. Scope also maintained its recovery rate assumptions from closing. The rating-conditional recovery rates are therefore: 65% for B, 60% for BB, 55% for BBB, 49% for A, 44% for AA and 39% for AAA.

Scope updated its assumption regarding the stressed high prepayment rate to 5%, from 10% at closing. The assumption for the low prepayment scenario remained unchanged at 0%.

Sensitivity analysis

Scope tested the resilience of the ratings to deviations in the main input parameters: the mean default rate and the portfolio recovery rate. This analysis has the sole purpose of illustrating the sensitivity of the ratings to input assumptions and is not indicative of expected or likely scenarios.

The following shows how the results change compared to the assigned ratings in the event of: i) an increase in the mean default rate by 50%; and ii) a reduction in the recovery rate by 50%, respectively:

- Series A: sensitivity to default rate, zero notches; sensitivity to the recovery rate, zero notches;
- Series B: sensitivity to default rate, zero notches; sensitivity to the recovery rate, zero notches.

Rating driver references

1. Transaction documents and investor reports (confidential)
2. Scope takes no action on the Kingdom of Spain
3. Sovereign Outlook 2022

Stress testing

Stress testing was performed by applying Credit-Rating-adjusted recovery rate assumptions.

Cash flow analysis

Scope Ratings performed a cash flow analysis of the transaction using the Scope Ratings Cash Flow SF EL Model Version 1.1. The analysis incorporated default and recovery rate assumptions over the portfolio's amortisation period, taking into account the transaction's main structural features, such as the notes' priorities of payment, the notes' size and coupons. The outcome of the analysis is an expected loss and an expected weighted average life for the notes.

Methodology

The methodologies used for these Credit Ratings, (General Structured Finance Rating Methodology, 17 December 2021; Methodology for Counterparty Risk in Structured Finance, 13 July 2021), are available on https://scoperatings.com/governance-and-policies/rating-governance/methodologies.
The model used for these Credit Ratings is (Cash Flow SF EL Model Version 1.1), available in Scope Ratings' list of models, published under https://scoperatings.com/governance-and-policies/rating-governance/methodologies.

Scope Ratings GmbH and Scope Ratings UK Limited apply the same methodologies/models and key rating assumptions for their credit rating services, while Scope Hamburg GmbH's methodologies/models and key rating assumptions are different from those of Scope Ratings GmbH and Scope Ratings UK Limited.
Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at https://scoperatings.com/governance-and-policies/regulatory/eu-regulation. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on https://scoperatings.com/governance-and-policies/rating-governance/methodologies.

Solicitation, key sources and quality of information
The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.
The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity, the Rated Entities' Related Third Parties, third parties and Scope Ratings' internal sources.
Scope Ratings considers the quality of information available to Scope Ratings on the Rated Entity or instrument to be satisfactory. The information and data supporting these Credit Ratings originate from sources Scope Ratings considers to be reliable and accurate. Scope Ratings does not, however, independently verify the reliability and accuracy of the information and data.
Scope Ratings has received a third-party asset due diligence assessment/asset audit. The external due diligence assessment/asset audit was considered when preparing the Credit Ratings and it had no impact on the Credit Ratings.
Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Ratings and the principal grounds on which the Credit Ratings are based. Following that review, the Credit Ratings were not amended before being issued.

Regulatory disclosures
These Credit Ratings are issued by Scope Ratings GmbH at Lennéstraße 5 D-10785 Berlin, Germany, Tel +49-30-2789-0. The Credit Ratings are UK-endorsed.
Lead analyst: Sebastian Dietzsch, Director.
Person responsible for approval of the Credit Ratings: Antonio Casado, Executive Director.
The preliminary Credit Ratings were first released by Scope Ratings on 10 June 2021. The final Credit Ratings were first released by Scope Ratings on 15 June 2021.

Potential conflicts
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