

Structured Finance

RMBS

Issue: 1,344,000,000 EUR

Coupon: EUR3M + 0.50%

Amortization: sequential



First rating date: 10/05/2016

Review date: 30/04/2021

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Rating Action

Axesor Rating raises BBVA RMBS 16 FT Class A rating from “AA(sf)” to “AA+(sf)”

Executive Summary

BBVA RMBS 16 FT (the "Fund") is a granular securitisation fund with a static pool of first-ranking residential mortgage loans granted to individuals, secured over properties located in Spain and structured under Spanish legislation. The fund's target was to obtain funding and liquidity by issuing bonds. The residential mortgage loans were originated by Banco Bilbao Vizcaya Argentaria S.A ("BBVA") and assigned to the Fund on May 2016. BBVA is the servicer of the mortgage loans. The transaction is managed by Europea de Titulización, S.A., SGFT ("EdT"). The legal maturity date is August 17, 2064.

Given the uncertain impact in the economy in the short term due to COVID-19, Axesor will monitor the performance of the transaction with the aim to see the evolution of the main drivers of the transaction, to ensure that the assigned ratings remain consistent regarding the uncertain negative effects as they materialize. Also, Axesor will pay special attention to the performance of the overall portfolio and prepayment rates, which are the main drivers that could potentially impact the Credit Enhancement (CE) of the fund.

Class	Rating	Outstanding Principal Balance (€)	Coupon	Credit Enhancement ¹ 2020	Credit Enhancement ² 2021	Legal Maturity Date
A	AA+(sf)	882.391.373	EUR 3M + 0.50%	25,95%	28,11%	17/08/2064
Loan B	NR ³	256.000.000	EUR 3M + 0.15%	5,19%	5,62%	17/08/2064
Reserve Fund	-	64.000.000				

1* Credit enhancement as of last payment date(17/02/2020)

2* Credit enhancement as of last payment date (17/02/2021).

3* NR = Non-rated

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Key Fundamentals

- ▶ The Credit Enhancement of the transaction has improved from 25.95% to 28.11% for the Class A: the Pass-Through amortizations of the bond have led to an improvement of the CE of the fund, by increasing the level of subordination from Loan B and the reserve fund.
- ▶ The Idealized rating curve and sensitivity analyses show an improvement in the level of stress that the transaction supports: a general improvement of current conditions such as, better collateral seasoning, improved Recovery Rate and lower Loan to Value lead to an overall improvement in the transaction assets side.
- ▶ Combined Loan to Value % (CLTV%) showing a decrease from 65.1% at the beginning of the transaction to 63.1% in march 2021: levels of CLTV% were adjusted in october 2019 due to changes in real estate appraisal.

- ▶ Accumulated Defaults remain in low levels and below 0.6%: Despite the steady increase in the accumulated portfolio defaults reaching 0.53% through march 2021, they remain below Axesor's initial expectations in different stress testing scenarios.
- ▶ Annual prepayment rate increased from 3.5% to 3.9%: Despite the increase of the portfolio's prepayment rate, it remains similar with other outstanding transactions in the markets and with Axesor's expectations.

Sensitivity Analysis

Factors that could potentially affect the determined rating (individually or collectively)

▶ **Positive Factors (↑):**

An overall improvement in the CE of the Transaction including seasoning, recoveries, defaults, Loan to Value and prepayment would enhance the collateral of the transaction and thus, the Rating.

▶ **Negative Factors (↓):**

A worsen in macroeconomic conditions due to the COVID-19 Pandemic, which could trigger a strong increase in the delinquencies of the portfolio and negatively impact the collateral and reduce the fund's overall ability to meet its financial obligations.

Description of the Transaction

Description of the Transaction and Magnitudes

BBVA RMBS 16 FT is a granular securitization fund of € 1,600MM with a static pool of first-ranking residential mortgage loans granted to individuals, secured over properties located in Spain and structured under Spanish Legislation. The fund was established with the goal to obtain funding and liquidity. The residential mortgage loans were originated by Banco Bilbao Vizcaya Argentaria S.A ("BBVA") and assigned to the Fund on May 2016. BBVA is the servicer of the mortgage loans. The transaction is managed by Europea de Titulización S.A., SGFT ("EdT"). The legal maturity date is August 17, 2064.

Main figures

Issuer	BBVA RMBS 16 FT
Purpose	Liquidity and Funding
Asset class	Residential Mortgage Loans
Originator/Seller/Servicer	BBVA
Constitution Date	09/05/2016
Closing Date	11/05/2016
Performing Assets balance (as of 31/03/2021)	€1,123,937,666.16
Series A Notes balance + Loan B balance	€ 1,138,391,373
Listing	AIAF
Settlement	IBERCLEAR
Clean-Up Call	10%
Payment Date	Quarterly (February, May, August, November)

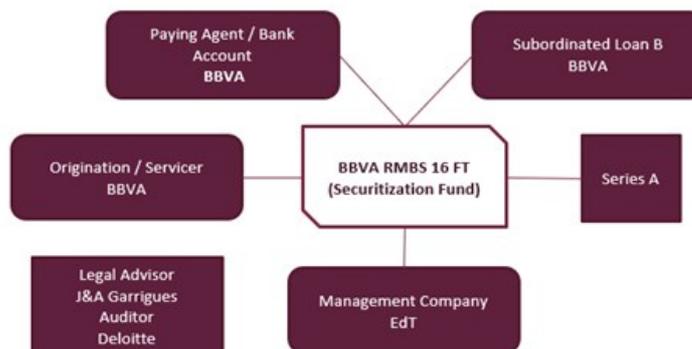
Source: EdT

Participants

Participants	Role
Banco Bilbao Vizcaya Argentaria, S.A.	Originator/Seller
Banco Bilbao Vizcaya Argentaria, S.A.	Servicer
BBVA and EdT	Arrangers
Europea de Titulización S.A., SGFT	Management Company
Banco Bilbao Vizcaya Argentaria S.A	Paying Agent
Banco Bilbao Vizcaya Argentaria S.A	Bank Account
Deloitte & Touche España, S.L.	Auditor of the assets assigned to the Fund
J&A Garrigues, S.L.P	Legal Advisor

Source: EdT

Diagram of the Transaction



1. Rating Rationale

1.1. Portfolio Performance

The portfolio has amortized in line with our expectations, currently at 70.2% of the initial portfolio balance, which shows a 7.4% extra amortization since February 2020. At month end closing of March 2021, the portfolio remains granular with 9,854 outstanding mortgage loans, 375 less than February 2020.

Metrics	February 2020 th	Current Portfolio	Difference (%)
Number of Outstanding Loans	10,229	9,854	-3.67%
Weighted Average Seasoning (Months)	108	124	14.55%
Weighted Average Maturity (Months)	276	267	-3.55%

*Source: Europea de Titulización S.A., SGFT

Credit enhancement for Class A has increased from 20.00% at the initial closing up to the current level of 28.11%, due to the deleveraging of the transaction. The credit enhancement is mainly driven by the current subordination of the Loan B (22.49%) and the reserve fund (5.62%). The subordination of the Loan B and the reserve fund will allow the fund to better manage timing mismatches between available portfolio collections and payment obligations.

1.2. Geographic Distribution

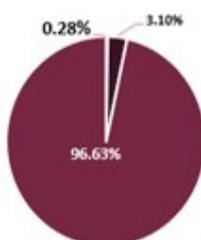
The portfolio is granular at a geographic level having 35.2% of the debtors from 16 regions that do not pass the 5% level. Madrid, Andalucía, Valencia and Catalonia have together 64.8% of the portfolio.

Regions	Amount (euros)	%
Madrid	256,124,653	22.79%
Andalucía	200,668,038	17.85%
Catalonia	181,550,320	16.15%
Valencia	89,874,503	8.00%
Other	395,720,152	35.21%
Total	1,123,937,666	100.00%

*Source: Europea de Titulización S.A., SGFT

1.3. Maturity Distribution

The portfolio does show a concentration at a maturity level, where 96.63% of the remaining loans are due to amortize after the 10-year bracket.

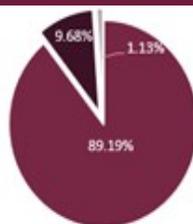


Maturity	Amount (euros)	%
Short term (< 5yr)	3,104,828	0.28%
Medium Term (5yr - 10yr)	34,813,210	3.10%
Long Term (> 10yr)	1,086,019,628	96.63%
Total	1,123,937,666	100.00%

*Source: Europea de Titulización S.A., SGFT

1.4. Interest Rate Distribution

The portfolio reveals that almost 89.19% of the individual rates are under 1.5%, where 100% of the rates are float.

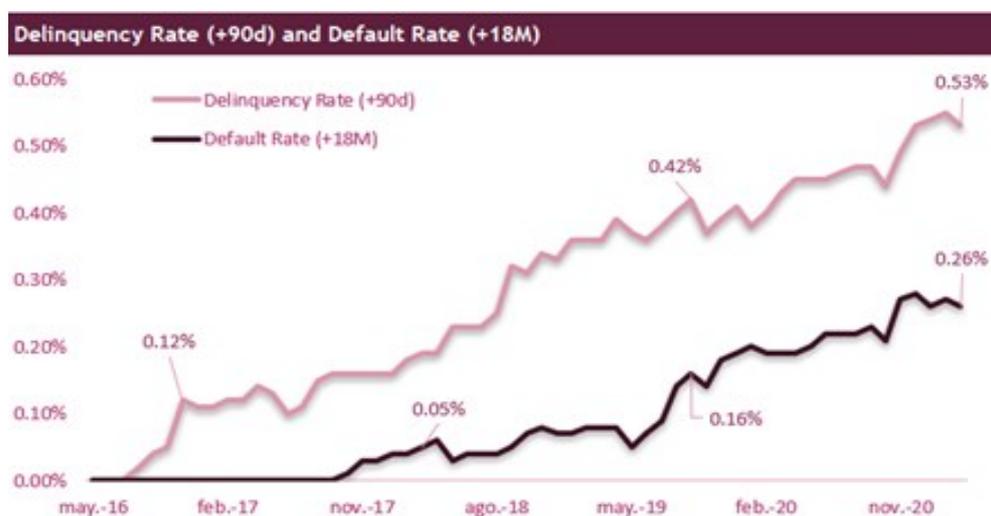


Interest Rate Intervals	Amount (euros)	%
Less than 1.5%	1,007,226,588	89.19%
Between 1.5% and 3%	104,240,656	9.68%
More than 3%	12,470,422	1.13%
Total	1,123,937,666	100.00%

*Source: Europea de Titulización S.A., SGFT

1.5. Delinquency Rate (+90d) and Default Rate (+18M)

As of March 2021, the portfolio reported a small increase in the delinquency rate (+90d) closing at 0.53%, and a default rate of 0.26%. Figures are still lower than the maximum expected and do not indicate a significant impact due to COVID-19. The following graph shows the evolution of both, the dynamic delinquency rate, and the default rate, since the inception of the transaction:

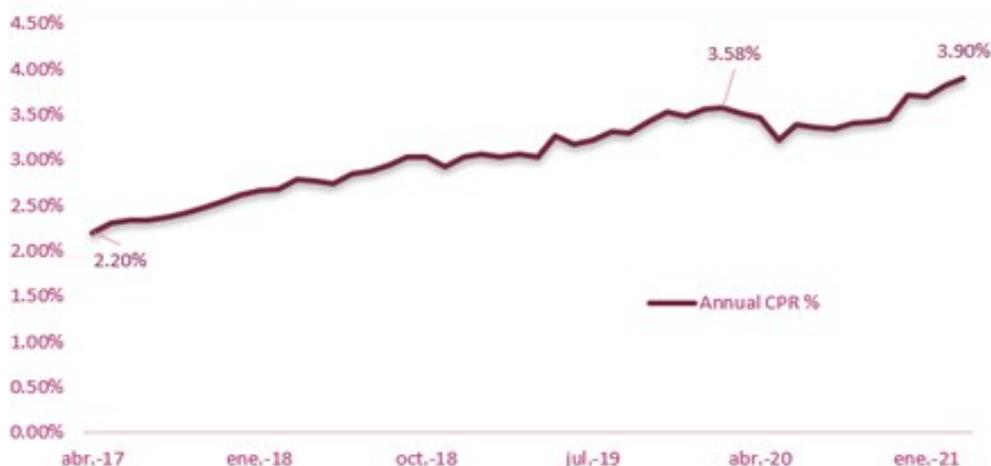


*Source: Europea de Titulización S.A., SGFT

1.6. Annual Conditional Prepayment Rate (CPR%)

On the other hand, the annual conditional prepayment rate (CPR%) has been experiencing a constant increase since inception, however the values are still low to impact directly on the cash flows of the vehicle. Current levels show an increase from 3.5% to 3.9% since last review. The following graph shows the evolution of this metric throughout the life of the current fund:

Annual conditional prepayment rate (CPR%)

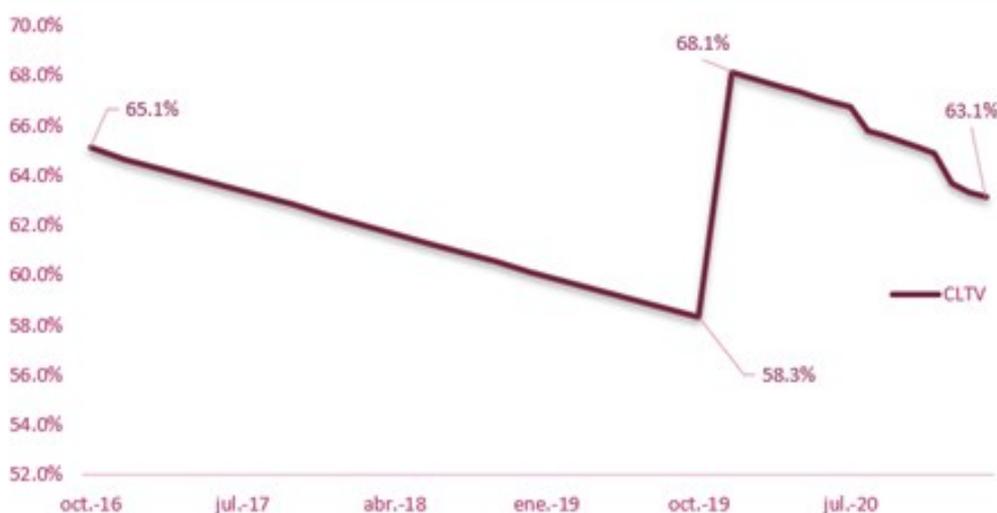


*Source: Europea de Titulización S.A., SGFT

1.7. Combined Loan to Value Rate (CLTV%)

As shown in the below graph, the Loan to Value Rate (CLTV%) has decreased since inception, however we should point out that the sponsor updated the real estate appraisal on October 19th, which shows a decrease in value of the real estate and had a minor impact on previous calculations. This explains the increment from 58.3% to 68.1%.

Combined Loan to Value Rate (CLTV%) - without adjustment

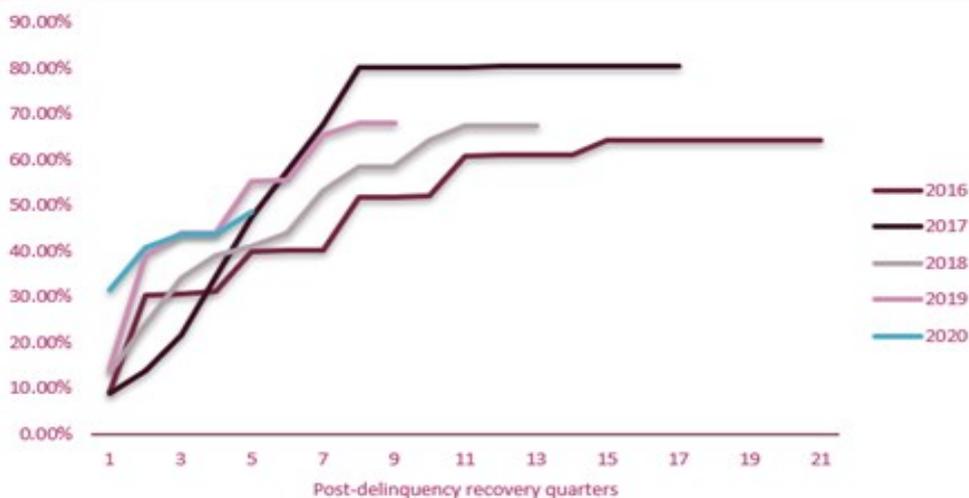


*Source: Europea de Titulización S.A., SGFT

1.8. Recovery Rate (%)

Finally, the recovery rate after 90 days delinquency has shown that after 8 assets in delinquency, the recovery rate gets to a maximum constant level. This level has been improving since 2016, with a minimum of 63.35% recovery rate. The increment in recovery rates has improved the structure cash flows, which contribute to a higher rating. The following graph shows the evolution of the recovery rate through the years since inception for +90d delinquencies:

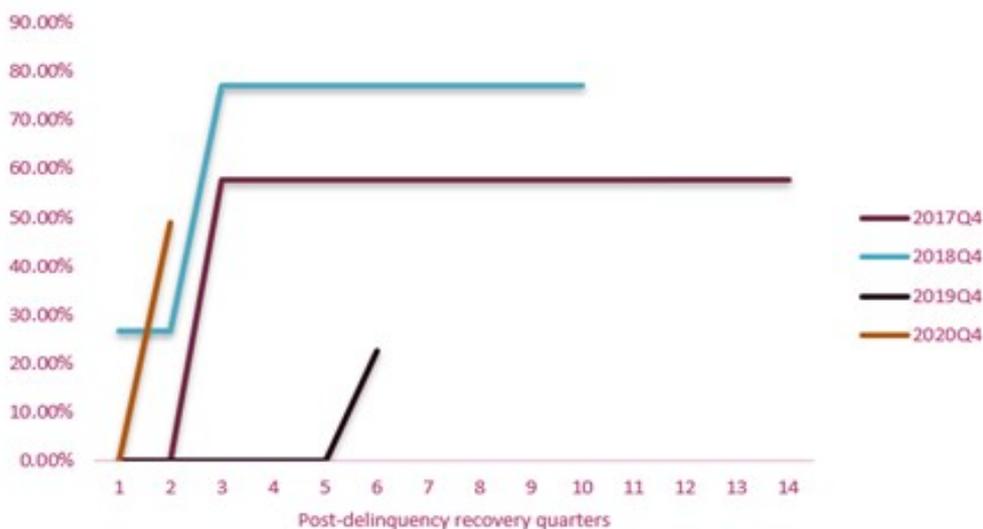
Recovery +90 Days Arrears



*Source: Europea de Titulización S.A., SGFT

The recovery rate for Q4 after 18 months delinquency, has set a similar outcome in comparison to the +90d metric, which infers that a high level of recoveries are being held under 90 days. The following graph shows the evolution of the recovery rate for Q4 through the years since inception for +18m delinquencies:

Recovery +18M Days Arrears T4



*Source: Europea de Titulización S.A., SGFT

2. Quantitative Assesment

In order to assess the collateral performance in various stress scenarios, Axesor included lower recovery rates due to a decrease in property values and a greater PD as a greater percentage of the borrower’s default in their loans. Additionally, Axesor has analyzed the cash flows to determine the viability of the repayments.

The pool has exhibited improved credit metrics since the initial closing date and prior reviews. Axesor conducted a sensitivity analysis to assess the impact on the rating of changes in the expected default and recovery rates, individually or combined over the base case assumptions. The overall PD of the pool of assets has improved slightly from 3.4% to 2.9%, due to an improvement in the Loan to Value metric from 65.1% to 63.1% in March 2021 and a greater seasoning of the portfolio.

To obtain the Portfolio's PD, Axesor used as the initial delinquency rate of a sample of global portfolio of 0.65% (the same delinquency base has been used in every review for this transaction), and certain factors were applied to the PD, such as the type of income of the debtor, nationality, seasoning, maturity of loans and LTV. The outcome results in a Portfolio's PD of 2.93%, presenting a marginal improvement of the PD from previous periods (3.40% in 2020).

Also, the Recovery Rate (RR) of the portfolio was obtained using the market decline value matrix by Axesor and the report of "Índices de Precios a la Vivienda" by "Instituto Nacional de Estadística", resulting in a target Recovery Rate for each rating level.

We used this Global DP and Recovery Rate to obtain an Idealized Rating Curve, and then we performed a cash flow model with this information. With the result of cash flow and the different levels of financial stress supported by the collateral, the following comparison of improvement in sensitivities was obtained for Class A Note.

Sensitivities	2020	2021
	Class A	Class A
DR +20%	AAA(sf)	AAA(sf)
DR +40%	AAA(sf)	AAA(sf)
RR - 20%	AAA(sf)	AAA(sf)
RR - 40%	AAA(sf)	AAA(sf)
DR +20% & RR - 20%	AAA(sf)	AAA(sf)
DR +40% & RR - 40%	AA+(sf)	AAA(sf)

Source: Sensitivity Analysis performed by Axesor Rating

In Axesor's view, the overall improvement in PD and RR reflects a rating improvement in the sensitivity analysis in Class A Note, which can stand higher levels of stress than previous years. Thus, Axesor has upgraded the rating of Class A from "AA(sf)" to "AA+(sf)" issued by BBVA RMBS 16 FT.

Regulatory information

Sources of information

The credit rating assigned in this report has been made solicited by the originator of the assets, taking part in the process. The credit rating is based in:

1. Public information from public access sources.
2. Information provided by the originator of assets assigned or that shall be assigned to the securitization fund.

From the time of the assignment of the credit rating, all information provided by the originator of the assets, by the servicer of the assets (other than the originator) or by a third participant in the transaction, shall be reviewed and analyzed with the aim to assess the following issues:

1. The performance of the credit quality of the assets comprising the collateral of the Fund.
2. The level of credit enhancement.
3. The evolution of the quantitative triggers of the Fund.
4. The evolution of the qualitative triggers (counterparty risks).

The information has been thoroughly reviewed to ensure that it is valid, coherent and consistent and it is considered as satisfactory. Nevertheless, Axesor Rating assumes no responsibility for the accuracy of the information provided and the conclusions drawn from it.

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies, and in accordance with the Structured Finance Rating Methodology that can be consulted on www.axesor-rating.com/en-US/about-axesor/methodology and according to the Structured Finance Rating scale available at www.axesor-rating.com/en-US/about-axesor/rating-scale.
- Axesor publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months axesor has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

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