

Commentary

Spain and Portugal: 2021 Structured Finance Year-to-Date Snapshot

DBRS Morningstar
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Benjamin Dennis
Writer
Global Editorial and Publishing
+44 (20) 7855 6628
benjamin.dennis@dbbrsmorningstar.com

Mudasar Chaudhry
Senior Vice President
Head of European Structured Finance and Covered Bond Research
+44 20 7855 6613
mudasar.chaudhry@dbbrsmorningstar.com

Christian Aufsatz
Managing Director
Head of European Structured Finance
+44 20 7855 6664
christian.aufsatz@dbbrsmorningstar.com

An overview of new DBRS Morningstar-rated issuance in the Spanish and Portuguese structured finance markets so far in 2021 along with interesting trends and projections for year-end 2021.

Exhibit 1 DBRS Morningstar-Rated Issuance by Country YTD

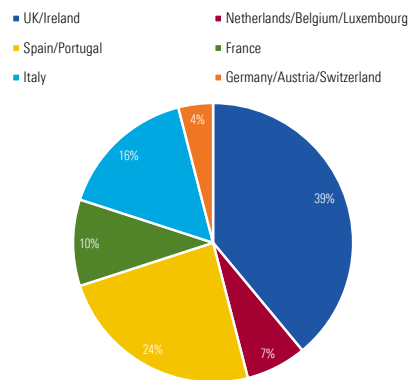
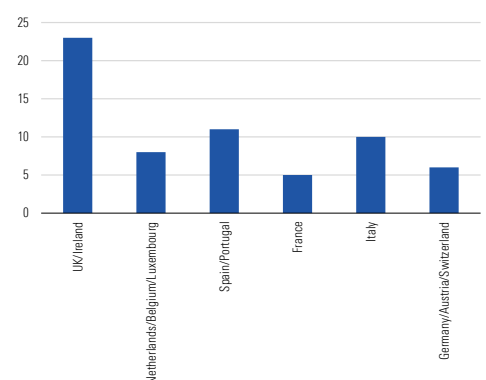


Exhibit 2 DBRS Morningstar New Rating Activity in Europe (Transactions)¹



Source: DBRS Morningstar.

1. Last Mile Logistics Pan Euro Finance DAC and Berg Finance 2021 DAC are pan-European transactions, for which we consider the main jurisdictions to be Germany and the Netherlands, respectively.

New Issuance

ABS

On 11 March 2021, we assigned provisional ratings of AA (low) (sf) and A (low) (sf) to the Series A and Series B notes, respectively, issued by **BBVA Consumo 11 FT**. The transaction represents the issuance of notes backed by a portfolio of fixed-rate and floating-rate receivables related to consumer loans granted by Banco Bilbao Vizcaya Argentaria, S.A. to private individuals residing in Spain.

On 15 July 2021, we assigned a rating of AA (sf) to the Class A Notes issued by **Secucor Finance 2021-1 DAC**, a securitisation programme of amortising consumer loans, store card charge loans, and limited revolving credit facilities granted to the customers of the El Corte Inglés S.A. group in Spain and serviced by the captive finance company, Financiera El Cortes Ingles E.F.C., S.A.

Covered Bonds

On 17 March 2021, we assigned an A (high) rating to the Cédulas Territoriales (Spanish Public Sector Covered Bonds) issued under the **Cajamar Caja Rural, Sociedad Cooperativa de Crédito**

Covered Bonds programme. The only outstanding CT (Cedulas Territoriales - ES0422714107) is a EUR 350 million fixed-rate bond with a coupon of 0.800%. The bond matures in March 2022. On 17 May 2021, we assigned a AAA rating to a new series of covered bonds issued by Banco Bilbao Vizcaya Argentaria S.A. under the **BBVA Covered Bonds** programme. The new CH (Cedulas Hipotecarias - ES0413211A34) comprises the issuance of EUR 3,000 million of floating-rate securities indexed to three-month Euribor + 0.20% maturing on 17 May 2026.

NPL

On 31 March 2021, we assigned ratings of A (sf), BBB (sf), BB (sf), and BB (low) (sf) to the Class A1, Class A2, Class B, and Class C notes, respectively, issued by **Retiro Mortgage Securities DAC**. All trends were Negative. Retiro Mortgage Securities DAC is a fully secured portfolio mainly consisting of nonperforming loans in Spain with more than half of the assets by property valuation already real estate owned. The portfolio results from the aggregation of four subportfolios (Wind, Tag, Normandia, and Tambo), acquired over time by OCM Luxembourg OPPS X S.à r.l., which operates as sponsor and retention holder in the transaction.

On 2 August 2021, we assigned a provisional rating of BBB (sf) with a Negative trend to the EUR 80,000,000 Class A Notes issued by **Scalabis STC S.A.** (compartment Panda). The transaction entails the issuance of Class A, Class B, and Class J notes backed by a mixed pool of Portuguese nonperforming secured and unsecured loans originated by Banco BPI, S.A., Banco Comercial Português, S.A., Caixa Geral de Depósitos, S.A., Caixa Leasing e Factoring - Sociedade Financeira de Crédito, S.A. and Novo Banco, S.A.

RMBS

On 20 April 2021, we assigned provisional ratings of AAA (sf), AAA (sf), and A (high) (sf) to the Class A, Class Z, and Class B notes, respectively, issued by **FT RMBS Prado VIII**, a securitisation of residential mortgage loans secured by first-lien mortgages originated by the Union de Créditos Inmobiliarios S.A., E.F.C. in Spain.

On 10 June 2021, we assigned provisional ratings of AA (high) (sf) and A (sf) to the Class A and Class B notes, respectively, issued by **BBVA RMBS 20 Fondo de Titulización**. The notes were issued at closing to finance the purchase of a portfolio of first-lien residential mortgage loans originated by Banco Bilbao Vizcaya Argentaria, S.A. (rated A (high) with a Stable trend by DBRS Morningstar); Catalunya Banc, S.A.; and UNIMM Banc, S.A. The mortgage loans are secured over residential properties located in Spain.

On 18 June 2021, we assigned provisional ratings of AA (high) (sf), A (high) (sf), and BB (high) (sf) to the Class A, Class B, and Class C notes, respectively, issued by **IM Andbank RMBS 1, Fondo de Titulización**, to finance the purchase of a portfolio of first-lien residential mortgage loans originated by Andbank España, S.A.U. The mortgage loans are secured over residential properties in Spain.

On 8 July 2021, we assigned provisional ratings of AA (sf) and BB (sf) to the Class A and Class B notes, respectively, issued by **FT RMBS Santander 7**. The notes were issued at closing to finance the purchase of a portfolio of first-lien residential mortgage loans originated by Banco Santander SA (Santander; rated A (high) with a Stable trend by DBRS Morningstar); Banco Español de Crédito,

S.A.; and Banco Popular, S.A.. The mortgage loans are secured over residential properties located in Spain.

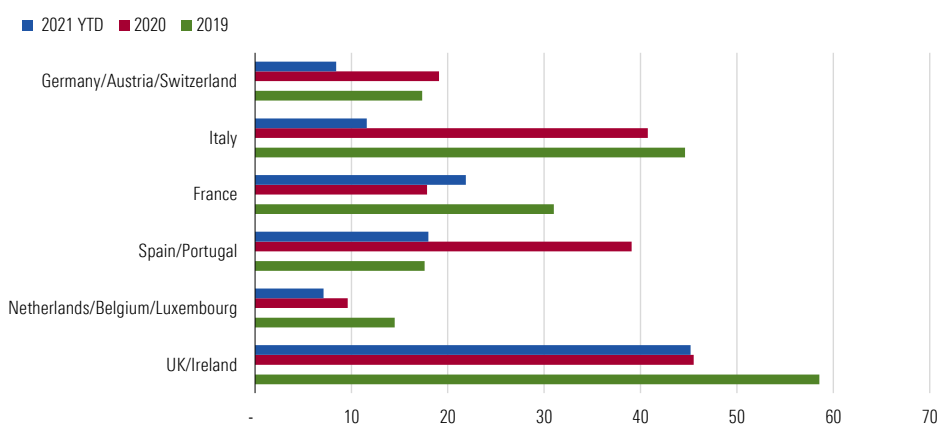
Structured Credit

On 30 March 2021, we assigned provisional ratings of AA (low) (sf) and CCC (low) (sf) to the Series A and Series B notes, respectively, issued by **IM BCC Cajamar PYME 3 PT**, a cash flow securitisation collateralised by a portfolio of secured and unsecured loans originated by Cajamar Caja Rural S.C.C. to small and medium-size enterprises and self-employed individuals based in Spain.

Interesting Trends

Spanish participation in RMBS has been sporadic in recent years, with issuance across Europe in decline since 2012. After Spanish RMBS returned in 2020 following a two-year absence Spain and amid increasing investor demand, we have rated four RMBS transactions so far this year. Even though Spain has been hit hard by the pandemic, the impact of COVID-19 on the housing market has been minimal, ensuring stability in RMBS performance. New builds in particular have helped to boost the recovery in demand seen since mid-2020 but second-hand housing was more severely affected. Interest rates have remained low though mortgage lending and house price growth have been slowing. There was an understandable spike in unemployment (one of Europe's highest rates) but this is recovering, is below historical levels, and was largely concentrated among young people – limiting the impact on RMBS given that mortgage borrowing in Spain is concentrated in the 40-54 year old age cohort, though unemployment stretching into young mortgage borrowers remains a risk. Performance has remained comparatively strong, however. We will monitor the impact of the ERTE furlough scheme ending this month.

We have been [monitoring](#) the impact that the hit to tourism has had on Mediterranean economies, not just on a sovereign level but also on [structured finance transactions we rate](#). In Portugal, there was a 76% reduction in foreign visitor numbers last year. Before the pandemic, tourism accounted for 17% of GDP in 2019 once industries with indirect effects are included, 19% of total employment, and 20% of total exports. The drop-off in foreign visitors has been partially compensated by an uptick in domestic tourism. With the increasing lifting of restrictions, tourism in Portugal has started to bounce back. In July 2021, the tourist accommodation sector registered 1.6 million guests and 4.5 million overnight stays, which compares with 1.0 million guests and 2.6 million overnight stays the previous July. The levels reached in July 2021 were, however, lower than those observed in July 2019, the last pre-pandemic Summer, the number of guests and overnight stays having decreased, by 42.5% and 45.0%, respectively.

Exhibit 3 Total Issuance by Country (EUR billions)

Source: DBRS Morningstar.

Spanish and Portuguese Securitisation at a Glance

- **Total Issuance YTD 2021:** EUR 17.98 billion
- **Total Issuance 2020:** EUR 39.07 billion
- **Total Issuance 2019:** EUR 17.60 billion

Recent Upgrades

On 14 July 2021, we upgraded the Class A notes and Class B notes issued by **FT RMBS Santander 6** to AA (low) (sf) from A (high) and to CCC (high) (sf) from CCC (sf), respectively.

On 8 September, we upgraded the Series A Notes issued by **Caixabank Leasings 3, FT** to AA (high) from AA (sf).

On 10 September 2021, we upgraded the Series A Notes issued by **Caixabank PYMES 11, FT** to AA (sf) from AA (low) (sf).

Regulatory Authorities

- National Bank of Spain (Banco de España)
- Spanish Securities Exchange Commission (Comisión Nacional del Mercado de Valores)
- Banco de Portugal
- Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários)

Spanish Sovereign at a Glance

DBRS Morningstar Confirms Kingdom of Spain at "A", Stable Trend (3 September 2021)

The Coronavirus Disease (COVID-19) has substantially affected Spain's economic, fiscal, and debt projections. Nevertheless, recent signals, supported by the country's strong vaccine rollout point to a solid recovery of the Spanish economy. Spain's gross domestic product decreased by 10.8% in

2020 and the government currently expects it to grow by 6.5% in 2021 and 7.0% in 2022. Although economic recovery appears underway, uncertainty remains high, particularly with regard to the potential for new vaccine resistant variants and on the potential economic effects of the full removal of government support measures. DBRS Morningstar considers that the strength and duration of the economic rebound will be key to abate longer-term risks associated with the pandemic. Key to Spain's economic recovery will be the timely implementation of the Next Generation EU programme, expected to provide some uplift to the country's growth momentum and possibly help raise Spain's medium-term potential growth.

Portuguese Sovereign at a Glance

DBRS Morningstar Confirms Republic of Portugal at BBB (high), Stable Trend (27 August 2021)

The disruption to the Portuguese economy brought on by the global health crisis has been severe. The pandemic has left the economy as of the second quarter of this year still 4.6% below the end-2019 level of output. The magnitude of the shock reflects the small and open nature of the economy as well as the contribution to output from tourism. Improvement of face-to-face sectors like tourism depends on the pandemic and recovery is unlikely to occur before mid-2022. Growth prospects have nonetheless improved, and as the vaccine rollout advances in Portugal and across Europe, the economy should rebound in the second half of the year and over the forecast period. The impact of the crisis on Portugal's credit profile will depend on the duration of the shock and whether it structurally alters medium-term growth prospects and weakens government finances.

Key Indicators – Spain

- **Overall Fiscal Balance (% of GDP):** -9.0% (2021F); -11.5% (2020); -2.9% (2019)
- **General Gross Government Debt (% of GDP):** 118.4% (2021F); 117.1% (2020); 95.5% (2019)
- **Economic Size (USD billions):** 1,462 (2021F); 1,278 (2020); 1,394 (2019)
- **GDP per Capita (USD thousands):** 31.0 (2021F); 27.1 (2020); 29.6 (2019)
- **Government Effectiveness (Percentile Rank):** 79.8 (2019)

Key Indicators – Portugal

- **Overall Fiscal Balance (% of GDP):** -5.0% (2021F); -6.1% (2020); 0.1% (2019)
- **General Gross Government Debt (% of GDP):** 131.4% (2021F); 131.6% (2020); 116.8% (2019)
- **Economic Size (USD billions):** 257 (2021F); 231 (2020); 240 (2019)
- **GDP per Capita (USD thousands):** 25.1 (2021F); 22.5 (2020); 23.3 (2019)
- **Government Effectiveness (Percentile Rank):** 84.1 (2019)

Related Research

- [Baseline Macroeconomic Scenarios: Application to Credit Ratings](#) (15 September 2021)
- [DBRS Morningstar Confirms the Autonomous Community of Madrid at A \(low\), Stable Trend](#) (10 September 2021)
- [DBRS Morningstar Changes Trend on Autonomous Community of Catalonia to Positive, Confirms at BB \(high\)](#) (10 September 2021)
- [Baseline Macroeconomic Scenarios For Rated Sovereigns](#) (8 September 2021)
- [European Nonperforming Loan Securitisations Performance - 2021 Update](#) (8 September 2021)
- [DBRS Morningstar Confirms the Autonomous Region of Madeira at BB \(high\), Stable Trend](#) (3 September 2021)
- [DBRS Morningstar Confirms the Autonomous Region of the Azores at BBB \(low\), Trend Remains Negative](#) (3 September 2021)
- [The Draft Law on Spanish Covered Bonds Has More Positive Than Negative Features](#) (1 July 2021)
- [The Impact of Covid-19 on European Mortgage Performance – One Year On...](#) (14 June 2021)
- [Spanish Unemployment Focused in Under 45s, Mortgage Impact in High Tourism Areas Likely](#) (15 April 2021)
- [European Auto ABS — Gear Change From Ownership to Usage](#) (22 March 2021)
- [Payment Holiday Impact on European Structured Finance](#) (3 March 2021)
- [Portugal's Tourist Sector Will Fully Recover, Eventually](#) (8 February 2021)

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