# Rating Report
# CaixaBank PYMES 12, FT

**DBRS Morningstar**
November 2020

**Contents**




María Lopez
Senior Vice President
European Structured Credit
+34 919 036504
maria.lopez@dbrsmorningstar.com

Carlos Silva
Senior Vice President
Head of European Structured Credit
+44 207 855 6604
carlos.silva@dbrsmorningstar.com

Simon Murphy
Vice President
European Operational Risk
+44 207 855 6676
simon.murphy@dbrsmorningstar.com


## Ratings, Issuer's Assets, and Liabilities

| Debt | Par Amount (EUR) | Initial Credit Enhancement (%) | Investor Coupon (p.a.) | ISIN | Rating | Rating Action | Rating Action Date |
|---|---|---|---|---|---|---|---|
| Series A Notes | 2,193,000,000 | 19.00% | 0.30% | ES0305516009 | AA (low) (sf) | Provisional Rating – Final | 18 November 2020 |
| Series B Notes | 357,000,000 | 5.00% | 0.50% | ES0305516017 | B (low) (sf) | Provisional Rating – Final | 18 November 2020 |

| | |
|---|---|
| **Kingdom of Spain, Sovereign Rating:** | "A", Stable trend |
| **Closing Date:** | 20 November 2020 |

## Transaction Summary

CaixaBank PYMES 12, FT (the Issuer; a special-purpose vehicle) is a cash flow securitisation collateralised by a portfolio of secured and unsecured loans originated by CaixaBank, S.A. (Caixabank, or the Originator) to corporates, small and medium-size enterprises (SMEs), and self-employed individuals based in Spain. As of 20 October 2020, the provisional transaction's portfolio included 31,024 loans to 28,623 obligor groups, totalling EUR 2.7 billion. At the issue date, the Originator selected the final portfolio of EUR 2.55 billion from the provisional portfolio.

The transaction is static and consists of Series A and Series B notes paying a fixed-rate coupon while the portfolio of loans pays a mix of floating and fixed rates. The transaction benefits from a cash reserve totaling EUR 127.5 million (equivalent to 5.0% of the initial portfolio) available to cover interest and principal shortfalls.

The rating on the Series A Notes addresses the timely payment of interest and the ultimate payment of principal on or before the legal final maturity date in September 2062. The rating on the Series B Notes addresses the ultimate payment of interest and the ultimate payment of principal on or before the legal final maturity date in September 2062.

## Methodologies Applied

The following are the primary methodologies that DBRS Ratings GmbH (DBRS Morningstar) applied to assign ratings to this transaction, which can be found on www.dbrsmorningstar.com under Methodologies. Alternatively, please contact info@dbrsmorningstar.com or contact the primary analysts whose contact information is listed in this report.

- *Rating CLOs Backed by Loans to European SMEs* (30 September 2020)
- *Legal Criteria for European Structured Finance Transactions* (11 September 2019)
- *Interest Rate Stresses for European Structured Finance Transactions* (28 September 2020)

- *Rating CLOs and CDOs of Large Corporate Credit* (21 July 2020)
- *Cash Flow Assumptions for Corporate Credit Securitizations* (21 July 2020)
- *Operational Risk Assessment for European Structured Finance Servicers* (19 November 2020)
- *Operational Risk Assessment for European Structured Finance Originators* (30 September 2020)
- *European RMBS Insight: Spanish Addendum* (26 August 2020)

### Transaction Parties

| Type | Name | Current Rating (Long-Term/Short-Term) |
|---|---|---|
| Issuer | CaixaBank PYMES 12, FT | N/A |
| Originator/Seller/Servicer | CaixaBank, S.A. | A/R-1 (low) |
| Account Bank/Paying Agent | CaixaBank, S.A. | A/R-1 (low) |
| Reserve Fund Account Bank | CaixaBank, S.A. | A/R-1 (low) |
| Transaction/Fund Manager | CaixaBank Titulización, S.G.F.T., S.A.U. | N/A |
| Arrangers | CaixaBank, S.A.<br>CaixaBank Titulización, S.G.F.T., S.A.U. | A/R-1 (low)<br>N/A |

### Relevant Dates

| Type | Date |
|---|---|
| Issue Date | 17 November 2020 |
| DBRS Morningstar Initial Rating Date | 12 November 2020 |
| First Interest Payment Date | 16 March 2021 |
| Payment Frequency | Quarterly, on the 16th day of March, June, September, and December |
| Call Date | When the asset balance is less than the 10.0% of the original portfolio |
| Early Amortisation Date | N/A |
| Legal Final Maturity Date | 16 September 2062 |

### Rating Rationale

The ratings are based on DBRS Morningstar's review of the following analytical considerations:

- The transaction's capital structure and the form and sufficiency of available credit enhancement.
- Relevant credit enhancement in the form of subordination, reserve fund, and excess spread.
- The ability of the transaction to withstand stressed cash flow assumptions and repay investors according to the terms of the transaction documents.
- The originator's capabilities with respect to origination, underwriting, servicing, and financial strength.
- The credit quality of the collateral and the ability of the servicer to perform collection activities on the collateral.
- The structure of the priority of payments.
- The legal structure and presence of legal opinions addressing the assignment of the assets to the Issuer and the consistency with DBRS Morningstar's *Legal Criteria for European Structured Finance Transactions* methodology.

**Extraordinary Rating Considerations due to COVID-19**

The Coronavirus Disease (COVID-19) and the resulting isolation measures have caused an economic contraction, leading to sharp increases in unemployment rates and income reductions for many borrowers. DBRS Morningstar anticipates that delinquencies may increase in the coming months for many SME transactions, some meaningfully. The ratings are based on additional analysis and adjustments to expected performance as a result of the global efforts to contain the spread of the coronavirus.

On 16 April 2020, the DBRS Morningstar Sovereign group released a set of macroeconomic scenarios for the 2020-22 period in select economies. These scenarios were last updated on 10 September 2020. For details see the following commentaries: *Global Macroeconomic Scenarios: September Update* and *Global Macroeconomic Scenarios: Application to Credit Ratings* with the moderate scenario in the referenced reports.

For more information regarding rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: https://www.dbrsmorningstar.com/research/357883.

For more information regarding structured finance rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: https://www.dbrsmorningstar.com/research/358308.

For more information on DBRS Morningstar considerations for European Structured Credit transactions and Coronavirus Disease (COVID-19), please see DBRS Morningstar's *European Structured Credit Transactions' Risk Exposure to Coronavirus (COVID-19) Effect* commentary.

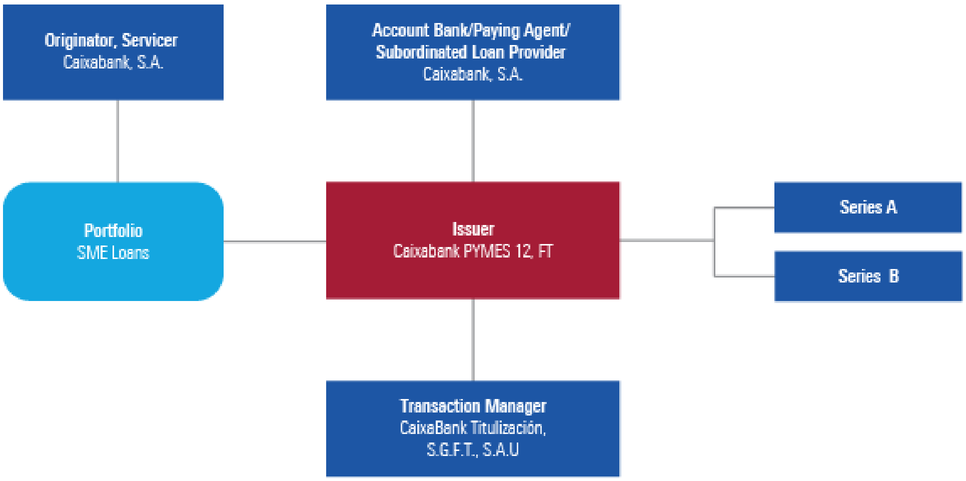
**Strengths**

- **The EUR 127.5 million reserve fund:** The reserve fund corresponds to 5.0% of the initial aggregate balance of the portfolio and is available as additional credit enhancement for the Notes.
- **The structure of the priority of payments:** This ensures that the Series A Notes' principal benefits from any available excess cash to cure any shortfalls before distributing any proceeds to the more junior notes.
- **Low industry concentration:** The top three industries of the portfolio as per DBRS Morningstar's industry definition are Building and Development, Farming and Agriculture, and Food Products, representing 14.40%, 10.72%, and 10.25% of the outstanding balance, respectively.
- **Relatively low borrower concentration:** The largest exposure of the borrower group in the provisional pool is 1.19% of the portfolio's aggregate principal balance. The top 10 and top 20 largest borrower groups represent 6.51% and 9.37% of the provisional portfolio balance, respectively.
- **Portfolio credit quality:** The portfolio selected for this transaction benefited from better credit quality than the overall CaixaBank loan book as evidenced by the lower probability of default (PDs) of the assets in the portfolio when compared with the PD distributions of the overall loan book as per CaixaBank internal models.

**Challenges and Mitigating Factors**

- **Relatively High Regional Concentration:** Catalonia represents 26.76%% of the portfolio balance with Madrid (11.58%) and Andalusia (10.69%) completing the top three largest regions.
  *Mitigant:* The high exposure of the portfolio to Catalonia reflects the originator's strong market share in this region, which is also captured by the historical performance data.
- **The Reliance on CaixaBank to Perform Most of the Relevant Ancillary Roles in the Transaction:** CaixaBank originated the loans and will act as the servicer and financial agent where all of the Issuer's bank accounts (including collections and reserve fund cash) will be held.
  *Mitigant:* DBRS Morningstar maintains public ratings, private ratings, or internal assessments to evaluate and monitor the potential risk that counterparties pose to the performance of the Notes in their roles. In addition, the transaction agreements foresee specific remedial actions for each counterparty role once the DBRS Morningstar ratings fall below certain levels.
- **Interest Rate Risk:** There is a mismatch between the interest due on the notes, which is at fixed rate, and the interest earned on the portfolio, which is a mix of floating and fixed rates. Approximately 50% of the portfolio references a floating interest rate. The Issuer does not include any hedging agreements to mitigate the aforementioned interest rate risk in the transaction.
  *Mitigant:* The risk of an interest shortfall due to reductions of Euribor is limited given the Euribor rates remain at historical lows. Nevertheless, DBRS Morningstar's cash flow analysis includes scenarios where interest rates fall further from current levels. Scenarios where the interest rates rise are beneficial for the transaction.
- **The Servicer's Ability to Modify Some of the Original Terms of the Loan Agreements Within Specified Limits:** This could increase the risk profile and the weighted-average life (WAL) of the portfolio.
  *Mitigant:* The servicer flexibility is common in balance sheet securitisations. DBRS Morningstar has assumed a stress portfolio allowed by the servicer's permitted variations.
- **High Percentage of Loans in Grace Period:** About 28% of the portfolio balance is currently in a principal grace period, which could increase the risk profile of the pool.
  *Mitigant:* In current circumstances, some companies in certain specific industries could suffer temporary liquidity issues, and DBRS Morningstar assumes it could imply higher defaults rates. DBRS Morningstar's applied adjustments in the default rate and grace periods are considered in the amortisation profile.

## Transaction Structure




Source: DBRS Morningstar.

## Transaction and Counterparty Overview

DBRS Morningstar evaluates the potential credit impact on its ratings based on the performance of counterparties that issuers face in the capacity of derivative counterparties, account banks, custodian, or other roles. To minimise the impact that the failure of such counterparties would have on the DBRS Morningstar-rated debt, each counterparty is required to satisfy minimum rating, collateral posting, or other requirements as outlined in the publicly available DBRS Morningstar *Legal Criteria for European Structured Finance Transactions* methodology. For this transaction, each counterparty satisfies such criteria based on DBRS Morningstar public ratings, private ratings, or private internal assessments of the creditworthiness of counterparties that do not have a DBRS Morningstar public rating.

| Role | Counterparty Name | Minimum Rating | Actual Rating |
|---|---|---|---|
| Issuer Account Bank/Paying Agent | CaixaBank, S.A. | BBB (high) | A/R-1 (low)/COR: AA (low) |
| Servicer | CaixaBank, S.A. | BBB (low) | A/R-1 (low)/COR: AA (low) |

### Issuer

The Issuer is a special-purpose vehicle (SPV) created in accordance with Spanish securitisation law. Under the securitisation laws, the SPV is a separate and independent entity from the originator (*Patrimonio Separado*) but does not have any legal personality or capacity. The Issuer is represented by CaixaBank Titulización, S.G.F.T., S.A.U. (the management company, or *Sociedad Gestora*). All acts performed and all contracts, transactions, or agreements executed by the management company on behalf of the Issuer are considered, under Spanish law, to be acts performed and transactions, agreements, or contracts executed by the Issuer.

### Originator and Servicer

CaixaBank will be responsible for collecting all payments due from the borrowers on the assets, managing relationships with borrowers, monitoring the performance of the credit rights, and initiating recovery processes against defaulted or nonperforming borrowers. CaixaBank will transfer all collections received from the loan portfolio to the treasury account on a daily basis.

### Management Company

CaixaBank Titulización, S.G.F.T., S.A.U. acts as the management company and legal representative of the Issuer. It will be responsible for all administrative functions, including priority of payments calculations, instructing payments to and from the treasury accounts, maintaining the financial accounting of the Issuer, preparing performance reports, and providing information to regulators and rating agencies. The management company is also responsible for representing the noteholders' interests in the Issuer and determining whether counterparties should be replaced under certain circumstances. CaixaBank owns 100% of the management company.

### Collections Account

CaixaBank will act as the collection account bank. All payments received on the loans will initially be domiciled in their collection accounts in CaixaBank. All collections of principal and interest are then transferred to the treasury account within one business day.

### Account Bank, Reserve Fund Account Bank, and Paying Agent

CaixaBank will act as the account bank and will maintain the treasury account, where all the collections and reserve fund amounts will be held. DBRS Morningstar publicly rates CaixaBank at "A" with a Stable trend and it has a Critical Obligations Rating (COR) of AA (low). As per the transaction documentation, in case of a withdrawal of the rating or a downgrade of the account bank's applicable rating below BBB (high), the account bank must either (1) be replaced within 60 natural days by a financial institution with a DBRS Morningstar public rating, private rating, or internal assessment of at least BBB (high) or (2) find a guarantor with a DBRS Morningstar public rating, private rating, or internal assessment of at least BBB (high). If there are any costs incurred by these options, they will be at the expense of the Issuer (Caixabank PYMES 12). The account bank applicable rating will be the higher between (1) the senior debt rating of the bank or (2) one notch below the Long Term COR.

## Origination and Servicing

DBRS Morningstar conducted an operational review of CaixaBank S.A.'s SME operations in September 2020 via a telephone conference call. DBRS Morningstar considers the origination and servicing practices of CaixaBank to be consistent with those observed among other Spanish SME lenders.

CaixaBank in its current form was established in 2011 from the reorganisation of Fundacion Bancaria Caixa d'Estalvis y Pensions de Barcelona, "la Caixa", which was founded in 1904. The banking assets and liabilities of the La Caixa group were transferred to Criteria Caixa Corp S.A., a listed investment vehicle that was subsequently converted into a bank and renamed CaixaBank. Simultaneously, various other nonbanking assets of Criteria Caixa Corp were spun off to create Criteria Caixa (Criteria), a holding company wholly owned by Fundacion Bancaria La Caixa. Criteria is the largest shareholder of CaixaBank with a 40% stake as at end March 2020.

CaixaBank is Spain's third largest banking group by total assets and provides a full range of banking services to individuals, SMEs, and corporates. It is based in Barcelona and has a nationwide footprint on retail banking and insurance. The group also provides asset management services through the wholly owned subsidiary CaixaBank Asset Management. CaixaBank is present in Portugal as the sole owner of Banco BPI S.A., the fifth largest banking group in Portugal with total assets of EUR 37 billion at end September 2020. Caixabank is led by an experienced senior management team, which has remained largely stable in recent years, which DBRS Morningstar considers beneficial for continuity of strategic approach.

CaixaBank employs the industry standard three-lines-of-defence model in its risk management. The first line comprises the operational team supervisors who maintain oversight of staff activities. The second line involves the monitoring through a quality assurance programme. The third line is internal audit, which reports to the board; internal audit undertakes periodic reviews of key areas in accordance with a risk-based plan. In April 2020, CaixaBank retained the International Quality Assurance Certificate granted by the Institute of Internal Auditors, achieving the highest qualification in all its sections. This external review is carried out at least every five years and CaixaBank has held this certification since January 2015.

DBRS Morningstar maintains public ratings of CaixaBank, and its Long-Term Issuer Rating of "A" was confirmed on 30 March 2020. More information on CaixaBank's ratings can be found at www.dbrsmorningstar.com.

**Origination & Underwriting**

*Origination and Sourcing*

All loans are sourced through CaixaBank's network of retail branches and specialised business centres. Relationship managers liaise with clients to establish their financing requirements, collect data & documentation, and input relevant information into the appropriate credit scoring system and rating model. CaixaBank offers standard business financing products that are common in the Spanish market.

*Underwriting*

The underwriting process starts at the branch with the preparation of the application by the relationship manager for consideration by a mandated approver. Risk approval levels are based on the risk rating of the application with only the lowest risk, lowest value applications approved at branch level. Along with risk approval, business approval is also required in terms of pricing. Approvers review the outputs from CaixaBank's internal rating models that take into consideration loan data, the behaviour of the applicant, socio-economic factors, and early warning signals, which may come from internal sources or credit bureaux.

CaixaBank's internal rating models are IRB (Internal Rating based) approved, except for the model for self-employed nonclients where there is a lack of historical data. The models follow a standard PD calculation and include rating categories (1-9) mapped to a standard credit rating scale (AAA, BBB, etc.). The ratings are mainly used for assessing the borrower's creditworthiness and overall risk profile and are used as an ongoing monitoring tool. For SMEs, the rating is reviewed monthly or whenever a new application is received for a loan, while large corporate ratings are reviewed annually or following a corporate reorganisation or restructure.

All models and parameters are validated by CaixaBank's internal validation department as well as by the bank's internal audit department. Most models have been approved by the central bank and are subject to ongoing supervision. All IRB Models are reviewed by the validation department on an annual basis and specifically when material changes are proposed. Credit risk parameters are monitored continually. .

Approval authority is based on the level assigned to the various approving bodies from branch level through to senior management, executive committees, and the board. The approval limits also take into account the borrower type, client, and loan risk profile (including expected loss) as well as the total exposure to an economic group.

CaixaBank has a pre-approval system for micro-enterprises. The maximum pre-approved loan for a micro-enterprise is EUR 50,000, which can be requested via a branch, ATM, or online. In practice pre-approved loans are rarely granted but the offer of a pre-approved loan brings clients into a branch to discuss their financing needs.

*Valuations*

CaixaBank uses a panel of 10 appraisal companies to undertake valuations and they must comply with the following conditions:

- They have to be a Bank of Spain-authorised appraisal company.
- They have to cover the whole Spanish territory.
- The companies have to demonstrate that they have public liability insurance for at least the minimum legal amount determined by the Bank of Spain.
- They have to be able to adapt their systems and communications to CaixaBank standards.
- They have to be independent of the CaixaBank group.

*Summary Strengths*

- No external sourcing channels for new originations.
- Largest domestic presence with high market share in terms of deposits and loans.
- Loan-to-deposit ratio under 100% and lower real estate exposure compared with peers, the latter a result of the reorganisation of La Caixa group.

*Servicing*

The operational loan management department, centralised in Barcelona, is responsible for all loan management and servicing activities. Primary borrower contact is managed at the branch level through relationship managers using CaixaBank's system, which also manages alerts warning of indicators of distress.

If an account falls into arrears multiple functions are involved in the recovery process at different stages as follows:

**One to 30 days past due**

Branches are responsible for early stage arrears including the following activities:

- Prevention of delinquency (Alert system);
- Collection and recovery of unpaid customers within the first month of default;
- Proposal for restructuring debt to adjust to customers' payment capability: "one client, one solution";
- Each branch has a dedicated recovery manager responsible for managing delinquency and recoveries.

**31 to 90 days past due**

There are recovery specialists in each business branch area who support branches in managing delinquent agreements. Their role involves:

- Preventing, reducing delinquencies, and tracking results in their area;
- Tracking branch office performance;
- Supporting branches with the resolution of complex cases;
- Analysing outcomes to confirm that an appropriate solution has been reached;
- Undertaking client negotiation.

**91 days to 365 days past due**

Each territory has its own specialised team of delinquency and recovery managers whose role involves:

- Acting as the link between headquarters and the network - communicating and implementing recovery strategies;
- Recruiting, training, and placing the recovery staff in their territory;
- Taking part in the resolution of complex cases;
- Reporting to headquarters and regional commercial managers.

**Beyond 365 days past due**

Specialist SME recovery managers take over the management of the nonperforming agreements. Their role includes the management of judicial and insolvency procedures whilst continuing to try to reach amicable agreements with the aim of reaching stable solutions.

CaixaBank uses a subsidiary company, Caixabank Operational Services, to support its recovery operations with solutions such as dialler-based telephony and automated issuance of text messages. Caixabank Operational Services provides CaixaBank with flexible resources to undertake the specific management of portfolios by age of debt, product debt, or outstanding balance.

*Summary Strengths*

- Proactive intervention in the early stages of financial difficulties;
- Well-structured and resourced recovery management teams;
- Good use of technology to manage customer relationships throughout the loan lifecycle.

## Legal Structure

### Laws Affecting Transaction

The Issuer is incorporated and regulated under Spanish laws. The key Spanish securitisation law regulating this transaction is Law 5/2015 governing Asset-Backed Securitisation Funds and Securitisation Funds Managing Companies.

The securitisation laws do not include a full and complete legal framework for securitisations and, in many respects, the legal analysis relies on general law, including laws regarding commingling, tax, transfer of assets, and risks related to the counterparties of the Issuer. In addition, the general law of the mortgage market, Law 2/1981 and Royal Decree 716/2009 (the Mortgage Market Laws), are key considerations in mortgage-backed securities transactions; therefore, any DBRS Morningstar rating analysis also takes these laws into consideration.

More details on the legal framework in Spain can be found in DBRS Morningstar's *Legal Criteria for European Structured Finance Transactions* methodology, published in September 2019.

Additionally, the changes to the Spanish insolvency law introduced by the Royal Decree Law 4/2014 imply additional risks and uncertainties that could have an adverse effect on the performance of SME collateralised loan obligation (CLO) transactions. The key risks that could affect SME CLO transactions include:

1. Potential extension in the asset maturities.
2. Uncertainty about how voting rights will be used in the approval of restructuring plans.
3. Uncertainty about how certain loss or default triggers will be calculated following the implementation of restructuring plans, which may include changes to the debt instruments held by the SPV (such as debt conversion).

Further details on how the Royal Decree Law 4/2014 may affect SME CLO transactions can be found in the DBRS Morningstar commentary "*Spanish Insolvency Law Changes: The Good, the Bad and the Uncertain for SME CLOs*".

### Current Transfer/Assignment of Receivables

In Spanish securitisations, the transfer of receivables must be made in writing, but the consent of the underlying obligor is not necessary. Neither Law 5/2015 nor the Mortgage Market Laws require the formalisation of the transfer in a public deed; however, the transfer of receivables either through the issuance of mortgage securities (*Participaciones Hipotecarias* or *Certificados de Transmisión de Hipoteca*) or through the ordinary transfer of nonmortgage receivables is usually documented in a public deed or transfer agreement to record the date of execution for the purposes of its effect with respect to third parties and, therefore, to be recognised by regulators or insolvency officers.

In this transaction, the transfer of the loans on the mortgaged collateral from CaixaBank to the Issuer are done directly in the public deed on the date of the Issuer's incorporation. The transfer of the assets from the mortgage credit rights also happens on the incorporation date through the issuance of mortgage transfer certificates and their subscription by the Issuer.

**Asset Eligibility Criteria**

The following is a selection of the representations given to the Issuer by the seller relating to the collateral. For a full list, please see the prospectus.

- All loans are duly documented and formalised, and the corresponding agreements are available to the management company.
- All credit rights exist and are valid and enforceable.
- All borrowers are resident in Spain.
- CaixaBank rightfully holds all credit rights and there are no restrictions on their sale to the Issuer.
- CaixaBank originated all assets in its normal course of business and using its normal criteria and policies.
- All credit rights have been serviced by CaixaBank since the date of origination. Currently, all loans are serviced by CaixaBank in accordance with its current procedures.
- There are no legal claims against the credit rights that may adversely affect their validity.
- At the date of transfer, CaixaBank has no knowledge of any bankruptcy of any of the borrowers included in this portfolio.
- None of the loans have been made to employees of, or companies related to, CaixaBank.
- All credit rights have a final payment date before 1 March 2059.
- None of the loans were granted to developer real estate companies to finance the construction or rehabilitation of residential or commercial properties destined for sale or rent through work certification or documents related with future payments.
- No credit rights result from the renegotiation of previous debts.
- At the incorporation date of the Issuer, the portfolio can include loans that were in arrears for less than 30 days, up to an amount equal to 5.00% of the portfolio notional amount, and loans that were in arrears between 31 and 90 days, up to an amount equal to 1.00% of the portfolio notional amount.

**Buyback/Indemnity Mechanics for the Breach**

If it is detected that any loans have hidden defects or have breached any of the representations, the seller will agree to repair the hidden defects within 30 days following their identification or notification. If this is not possible, the seller will replace the corresponding loans with others that have similar characteristics with respect to maturity profile, interest rate, notional amount, and loan-to-value level if approved by the management company.

In the case of mortgage loans, the seller will replace the corresponding mortgage participation or mortgage transfer certificate with another of similar characteristics that is acceptable to the management company and that does not affect the ratings of the Notes.

The seller will pay any expenses incurred with the repair or replacement of such loans. If the seller cannot replace or repair the affected loans, the management company will request that the seller buy back the affected loans, including accrued and unpaid interest, and deposit such amounts in the fund’s treasury account.

## Financial Structure

### Transaction Cash Flow

The servicer will collect all payments received on interest and principal (including recoveries) from the portfolio on an ongoing basis. On each payment date, the amounts available in the treasury account will be distributed in accordance with the priority of payments as summarised below.

### Priority of Payments

1. Taxes and senior expenses;
2. Interest on the Series A Notes;
3. Principal on the Series A Notes;
4. Top up reserve fund to the required level while Series A Notes are outstanding;
5. Interest on the Series B Notes;
6. Principal on the Series B Notes;
7. Top up reserve fund to the required level once the Series A Notes have been paid down and while the Series B Notes are outstanding;
8. Interest on the subordinated loan for initial expenses;
9. Principal of the subordinated loan for initial expenses;
10. Interest on the subordinated loan for reserve fund;
11. Principal of the subordinated loan for reserve fund;
12. Servicer fees; and
13. Excess to equity.

### Note Redemption Rules

The Notes amortise following the  theoretical amortisation concept which is calculated as the amount that will make outstanding balance of liabilities equal the outstanding balance of performing loans (including loans in arrears up to 90 days).

- The Series A Notes will start amortising on the first payment date in March 2021.
- The Series B Notes will amortise once the Series A Notes have been fully redeemed.

### Early Liquidation Events

- Once the outstanding balance of the assets is less than 10.0% of the initial balance and the proceeds from the sale of the assets are sufficient to pay down all Notes outstanding.
- If there are circumstances that permanently affect the SPV's financial stability.
- If the management company is declared bankrupt and a substitute is not appointed within four months.
- In case of a nonpayment indicating a serious and permanent imbalance that affects the transaction.
- The first payment date following 36 months from the amortisation of the last loan in the portfolio.

### Liquidation Priority of Payments

1. Taxes and expenses;
2. Interest on the Series A Notes;
3. Principal on the Series A Notes;
4. Interest on the Series B Notes;
5. Principal on the Series B Notes;

6. Interest on the subordinated loan for initial expenses;
7. Principal of the subordinated loan for initial expenses;
8. Interest on the subordinated loan for reserve fund;
9. Principal of the subordinated loan for reserve fund;
10. Servicer fees; and
11. Excess to equity.

### Payment Timing
Interest due on the Notes for each subsequent period is determined two days before the applicable payment date. The transaction pays interest and principal on a quarterly basis on the 16th of March, June, September, and December. The Notes will pay fixed interest rate; Series A will pay 0.30% and Series B will pay 0.50%.

## Security

### Receivables
The portfolio consists of secured and unsecured loans granted by CaixaBank to corporates, SMEs, and self-employed individuals in Spain. At the time of the ratings, approximately 11.3% of the outstanding balance of the portfolio was secured by mortgages on residential and commercial properties situated in Spain.

## Servicer Agreement

CaixaBank will act as the servicer of the portfolio of secured and unsecured loans. The servicer will employ standard due diligence to ensure that the payments are collected in accordance with the terms and contractual conditions of the loans.

### Mechanics of Servicing
The servicer is expected to monitor and manage the credit rights sold to the Issuer with the same care and diligence as it does with its own loans. The servicer will be responsible for collecting all payments due from the borrowers on the credit rights, managing relationships with borrowers, monitoring the performance of the loans, and initiating recovery procedures against defaulted or nonperforming borrowers.

The servicer is allowed to negotiate changes to existing loans within the permitted variations foreseen in the servicing agreement. The permitted variations are mainly limited to changes in the interest rate and maturity of the credit rights.

### Commingling Risk
The servicer will pay all amounts received from loans within one business day of being collected to the Issuer's treasury account opened with the account bank; however, as the account bank is CaixaBank, the Issuer has significant exposure to CaixaBank. Nevertheless, DBRS Morningstar is comforted by CaixaBank's ratings of "A" and R-1 (low) with a Stable trend and by its COR of AA (low) and R-1 (low) with a Stable trend. There are also provisions established in the transaction

documentation to take certain remedial actions if the account bank's applicable rating on CaixaBank falls below BBB (high).

The remedial actions upon a DBRS Morningstar rating downgrade of the Servicer below BBB (low) include one of the following options: appoint a backup servicer, appoint a replacement servicer, or constitute a deposit to mitigate the commingling risk.

### Servicer Termination

The servicer agreement can be terminated under certain conditions by the management company. The primary reasons for which a servicer could be terminated include: a breach of the obligations of the servicer under the servicer agreement, the insolvency or bankruptcy of the servicer, or if the servicer ceases to have necessary authorisation by the Bank of Spain to provide such services. In cases where a servicer agreement is terminated, the management company will appoint a replacement servicer.

The servicer agreement can also be voluntarily terminated by the servicer only when the servicer has proposed a new replacement servicer, which does not add additional costs to the Issuer and does not negatively affect the ratings of the Notes. Any event of servicer replacement needs to be communicated to the Comisión Nacional del Mercado de Valores, the Spanish financial securities markets regulator, and to the rating agencies.

## Credit Enhancement

The Series A Notes benefit from credit enhancement in the form of the excess of the balance of the portfolio above the notional amount of the outstanding balance of the Series A Notes. Additionally, credit enhancement is provided by the reserve fund. The transaction also benefits from excess spread that can be used to replenish the reserve fund in the case of defaults of the credit rights.

### Reserve Fund

As of the closing date, the balance in the reserve fund was EUR 127.5 million, equivalent to 5.0% of the Notes. The reserve fund is available to cover senior expenses as well as missed interest and principal payments on the Series A and Series B Notes once the Series A Notes have paid in full. The reserve fund balance must be maintained at the minimum level, defined as 5.0% of the outstanding balance of the Series A and Series B Notes. However, no reduction of the required reserve fund level will be allowed (1) in the first 12 months, or (2) if the reserve fund was not funded to the minimum level on the previous payment date.

## Interest Rate Risk

The Issuer has not entered into any interest rate hedging agreements and is therefore relatively exposed to the interest rate mismatch between assets and liabilities.. As of the provisional portfolio date, 20 October 2020, the floating portion of the portfolio was 50.4%.

The Issuer is exposed to a potential interest rate risk because of the timing mismatches between payments on the Notes (quarterly) and payments collected on the asset portfolio (a mixture of monthly, quarterly, semiannual, and annual paying loans). This risk is partially mitigated by the liquidity provided by the Reserve Fund and the excess spread that the loan portfolio generates, which can be used to cover this potential shortfall to a certain extent.

### Data Quality

CaixaBank provided historical data consistent with the DBRS Morningstar data template to support the analysis of this transaction. CaixaBank provided historical default and delinquency information organised by vintage with information on the notional amount and number of loans; the data comprised information on secured SME loans, unsecured SME loans, secured corporates loans, unsecured corporates loans and pre-approved SME loans granted to corporates, self-employed individuals, and SMEs.

The information provided on historical loan amortisation was not consistent with the details requested by DBRS Morningstar's data template. As such, DBRS Morningstar's analysis incorporates its views on the loan amortisation based on the tenor profile of the average CaixaBank portfolio. The loan amortisation assumption is required to calculate the base-case PD under DBRS Morningstar's *Rating CLOs Backed by Loans to SMEs* methodology.

DBRS Morningstar determined key inputs used in its analysis based on historical performance data provided for the originator and servicer as well as analysis of the current economic environment.

The sources of information used for these ratings comprise parties involved in the ratings, including but not limited to CaixaBank and the management company.

DBRS Morningstar considers the information available to it for the purposes of providing these ratings to be of satisfactory quality.

### Collateral Analysis

| | | Provisional Portfolio (as of 20 October 2020) |
|---|---|---|
| Asset Type (% of portfolio notional) | Loans | 100.0% |
| Borrower Type (% of portfolio notional) | Micro Companies | 19.1% |
| | Small Companies | 21.9% |
| | Medium-Size Companies | 23.3% |
| | Self-Employed Individuals | 12.9% |
| | Corporates | 22.7% |
| Portfolio Balance (EUR million) | Performing | 99.7% |
| | Principal overdue (<90 days in arrears) | 0.3% |
| Number of Loans | Total | 31,024 |
| Number of Borrower Groups | | 28,623 |
| Floating/Fixed (% of portfolio notional) | Floating | 50.4% |
| | Fixed | 49.6% |
| Average Loan Size (EUR) | | 87,033 |
| Average Borrower Exposure (EUR) | | 94,333 |
| Weighted-Average Floating Spread (p.a.) | | 1.4% |
| Weighted-Average Fixed Interest Rate (p.a.) | | 1.8% |
| Mortgage Guarantee (% of portfolio notional amount) | First Lien | 9.2% |
| | Second Lien | 2.1% |
| | Unsecured | 88.7% |

| | | **Provisional Portfolio (as of 20 October 2020)** |
|---|---|---|
| Mortgage Guarantee Type (% of portfolio notional amount) | Residential | 17.2% |
| | Commercial | 82.8% |
| | Other | 0.0% |
| Weighted-Average Maturity | | 5.6 years |
| Weighted-Average Life | | 3.1 years |
| Obligor Group Concentration (% of portfolio notional amount) | Largest | 1.2% |
| | Top 10 Largest | 6.5% |
| | Top 20 Largest | 9.4% |
| Credit Rights Origination Dates | | 2012-2020 |
| Delinquency (% of portfolio notional amount) | Loans in Arrears (1 to 30 days) | 0.2% |
| | Loans in Arrears (31 to 90 days) | 0.1% |

Sources: CaixaBank, DBRS Morningstar.

### Portfolio Distribution – Largest Exposures

The portfolio is relatively granular, showing a certain level of concentration for the two bigger borrower groups and it is well diversified across group of borrowers. The largest and top 10 obligors represent 1.2% and 6.5% of the outstanding balance of the portfolio, respectively.

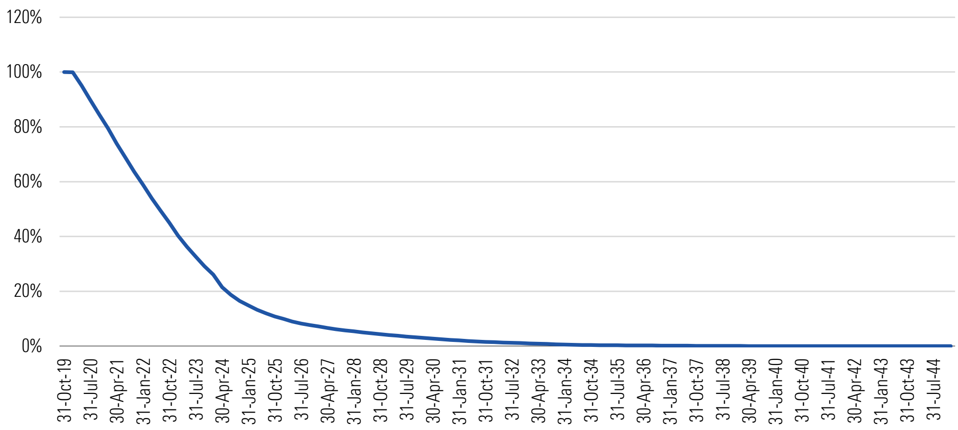
| Rank | Balance (EUR) | Percentage of Portfolio | Region | Industry |
|---|---|---|---|---|
| 1 | 32,200,000 | 1.2% | Balearic Islands | Lodging & Casinos |
| 2 | 26,910,377 | 1.0% | Valencian Community | Food Products |
| 3 | 18,592,720 | 0.7% | Canary Islands | Lodging & Casinos |
| 4 | 18,091,435 | 0.7% | Madrid | Business Equipment & Services |
| 5 | 18,000,000 | 0.7% | Madrid | Conglomerates |
| 6 | 17,000,000 | 0.6% | Madrid | Building & Development |
| 7 | 12,704,545 | 0.5% | Andalusia | Building & Development |
| 8 | 11,666,667 | 0.4% | Catalonia | Lodging & Casinos |
| 9 | 10,373,690 | 0.4% | Extremadura | Farming/Agriculture |
| 10 | 10,244,692 | 0.4% | Canary Islands | Clothing/Textiles |
| **Total** | **185,784,126** | **6.5%** | **Various** | **Various** |

Sources: CaixaBank, DBRS Morningstar.

### Amortisation Profile

The provisional portfolio used for the analysis had a WAL of 3.15 years; for the purpose of the analysis, DBRS Morningstar assumed 3.32 years to account for selection and permitted variations (which allows up to 5.0% of the portfolio maturity to be extended). The Series A Notes are expected to begin amortising from the first payment date, given the scheduled amortisation profile (assuming a 0% constant prepayment rate) of the underlying loans (see Exhibit 1).

**Exhibit 1** Amortisation Profile (0% CPR)




Source: DBRS Morningstar.

### Portfolio Distribution – Borrower Industry Sector Classification

The portfolio is well diversified across industries grouped by DBRS Morningstar industry classification. The top industry exposure is to Building and Development, which represents approximately 14.4% of the portfolio balance, which is in line with other DBRS Morningstar-rated Spanish SME CLOs originated recently.

**Exhibit 2**

| DBRS Morningstar Industry (as of the Closing Date) | Percentage of Balance |
|---|---|
| Building & Development | 14.4% |
| Farming/agriculture | 10.7% |
| Food products | 10.2% |
| Business equipment & services | 9.5% |
| Lodging & casinos | 9.5% |
| Surface transport | 4.1% |
| Retailers (except food & drug) | 4.0% |
| Chemicals & plastics | 3.7% |
| Conglomerates | 3.3% |
| Food service | 3.3% |
| Beverage & Tobacco | 2.5% |
| Automotive | 2.4% |
| Clothing/textiles | 2.2% |
| Leisure goods/activities/movies | 2.1% |
| Nonferrous metals/minerals | 2.0% |
| Health care | 1.9% |
| Industrial equipment | 1.8% |
| Food/drug retailers | 1.8% |
| Electronics/electrical | 1.0% |
| Drugs | 1.0% |
| Utilities | 0.9% |
| Home furnishings | 0.9% |
| Containers & glass products | 0.8% |
| Ecological services & equipment | 0.8% |
| Steel | 0.7% |

| DBRS Morningstar Industry (as of the Closing Date) | Percentage of Balance |
|---|---|
| Telecommunications | 0.6% |
| Cosmetics/toiletries | 0.6% |
| Equipment leasing | 0.6% |
| Forest products | 0.5% |
| Remaining Industries | 2.1% |
| **Total** | **100.0%** |

Note: Because of rounding, the items in the columns might not add up to the stated totals.
Sources: CaixaBank, DBRS Morningstar.

**Exhibit 3** Portfolio Distribution – Borrower Location by Region

| Regional Classification (as of the Closing Date) | Percentage of Balance |
|---|---|
| Catalonia | 26.8% |
| Madrid | 11.6% |
| Andalusia | 10.7% |
| Valencian Community | 10.4% |
| Basque Country | 6.1% |
| Navarre | 5.2% |
| Canary Island | 4.8% |
| Balearic Island | 4.2% |
| Castille-Leon | 3.9% |
| Galicia | 3.6% |
| Murcia | 3.2% |
| Castille -La Mancha | 2.5% |
| Aragon | 2.3% |
| Extremadura | 2.3% |
| La Rioja | 1.2% |
| Asturias | 0.8% |
| Cantabria | 0.5% |
| Ceuta | 0.0% |
| Melilla | 0.0% |
| **Total** | **100.0%** |

Note: Because of rounding, the items in the column might not add up to the stated totals.
Sources: CaixaBank, DBRS Morningstar.

## DBRS Morningstar Analysis

### Asset Analysis

DBRS Morningstar used its SME Diversity Model to determine a lifetime default rate at the required rating levels. The SME Diversity Model takes key loan-by-loan information of the securitised portfolio (such as borrower identification (ID), borrower notional amount, industry ID, and amortisation type for each loan); the expected WA life of the portfolio, which is calculated creating a loan-by-loan amortisation schedule of the portfolio; and the annualised PD assumption estimated by DBRS Morningstar based on the historical data provided and internal PD distribution. The SME Diversity Model employs a Monte Carlo simulation to determine cumulative default rates (or hurdle rates) at each rating stress level.

Break-even default rates (BDRs) on the Notes were determined using the DBRS Morningstar CDO cash flow tool. The minimum BDR is computed over nine combinations of default timing and interest rate stresses. At the AA (low) (sf) and B (low) (sf) rating levels, the BDRs for the average of the nine scenarios must exceed the respective hurdle rate calculated by the SME Diversity Model.

**Average Annualised Default Rate**

The average annualised default rate is determined from the historical data supplied by the originator. CaixaBank supplied historical default data divided into mortgage loans, nonmortgage loans, mortgage corporate loans, nonmortgage corporate loans, and pre-approved loans.

The average annualised default rate is determined from the historical data supplied by the originator. CaixaBank supplied historical default data divided by corporate secured loans, corporate unsecured loans, secured SME loans, unsecured SME loans, and pre-approved SME loans. The annual base-case PDs from the historical data are 0.73% for secured corporate loans, 0.42% for unsecured corporate loans, 1.32% for secured SME loans, 3.12% for unsecured SME loans, and 1.95% for pre-approved SME loans, with a WA default rate of 2.29%, based on the performance data provided by CaixaBank from the past seven years.

As per the *European Structured Credit Transactions' Risk Exposure to Coronavirus (COVID-19) Effect* commentary published on 18 May 2020, DBRS Morningstar anticipates certain economic activities will be significantly affected by the coronavirus outbreak. The list of economic activities most affected are available in the above report.

As a result, DBRS Morningstar applied additional adjustments to reflect the expectations of a higher PD. DBRS Morningstar considered an adjustment factor of 2x the base-case PD for borrowers in the "High" risk industries, and an adjustment factor of 1.5x the base-case PD for borrowers in "Mid-High" risk industries. Based on the detailed NACE code mapping, the current exposure to the coronavirus industry risk levels is as follows:

| COVID-19 Risk Level | Current Balance | Current Balance | No. Loans | No. of Loans % |
|---|---|---|---|---|
| Low to Mid | 1,814,519,020 | 67.20% | 18,506 | 59.65% |
| Mid-High | 138,511,763 | 5.13% | 2,336 | 7.53% |
| High | 747,065,932 | 27.67% | 10,182 | 32,82% |
| **Total** | **2,700,096,715** | **100.00%** | **31,024** | **100.00%** |

The PD derived from the historical data provided a base case upon which risk adjustments were applied. An adjustment to account for the positive selection evidenced in the portfolio was applied (see Positive Selection Analysis section below). The COVID-19 adjustments mentioned above have been applied after consideration of the positive selection.

**Positive Selection Analysis**

When justified, DBRS Morningstar analyses the distribution of the originator’s internal ratings assigned to each loan in the provisional pool and compares them with those in the overall corresponding loan book of the originator. This analysis helps DBRS Morningstar to determine if the quality of the loans selected for the transaction is of similar average quality as those in the loan book.

This is important because the historical performance data provided is normally based on the performance of the originator loan book. CaixaBank employs one of several internal rating models to assess the risk of each obligor. The choice of model depends on the client type (i.e., SME, corporate, self-employed, etc.) as well as on client size and industry. The portfolio selected for this transaction benefited from better credit quality than the overall CaixaBank loan book as evidenced by the lower PDs of the assets in the portfolio when compared with the PD distributions of the overall loan book as per CaixaBank internal models, with the exception for Corporate loans segment, for which the internal models suggest the selection was of slightly lower credit quality. Based on this evidence, DBRS Morningstar adjusted the base-case PDs to take the negative and positive selections into consideration resulting in an annual base-case PD of 2.11% for secured corporate loans, 1.86% for unsecured corporate loans, 0.78% for secured SME loans, 1.47% for unsecured SME loans and 1.95% for pre-approved SME loans.

**Granularity Default Risk**

Borrower concentration is taken into account in the DBRS Morningstar SME Diversity Model. In exceptional cases, DBRS Morningstar may need to conduct additional analysis to ensure that the risk associated with specific borrowers is accounted for appropriately. DBRS Morningstar determined that there were no borrowers requiring additional analysis in the portfolio for this transaction.

**Correlation**

DBRS Morningstar employs a two-factor correlation model as the basis for the SME default analysis. This correlation structure is implemented in the DBRS Morningstar SME Diversity Model, allowing for explicit concentration in obligor and industries while using a Monte Carlo process to generate the stressed default rates. To account for the increased concentration risk inherent in SME pools because of obligor and industry, DBRS Morningstar applies a rating level-based correlation stress using the DBRS Morningstar SME Diversity Model.

**Recovery Rates and Recovery Delay**

For assets that are unsecured or secured by collateral other than real estate, DBRS Morningstar applies recoveries for the applicable proposed rating and country tier in line with its *Rating CLOs and CDOs of Large Corporate Credit* methodology.

For assets secured by residential or commercial real estate, market value decline (MVD) assumptions are applied to the collateral value with the resulting stressed value available for loan repayment. For residential collateral, MVDs and indexation are based on regional distribution. For commercial collateral, DBRS Morningstar applies different MVDs depending on whether the valuation is indexed or if it is applied to an updated valuation. In the case of multiple loans or liens, DBRS Morningstar considers all available data and computes the appropriate recovery. The resulting recovery rate is floored at the senior unsecured recovery rate for the applicable proposed rating. The MVD assumptions for assets secured by residential real estate can be found in DBRS Morningstar's *European RMBS Insight Methodology* and *European RMBS Insight: Spanish Addendum*. MVD assumptions for assets secured by commercial real estate are based on residential real estate MVDs with additional stress applied. Commercial MVDs are assumed using a peak-to-trough approach and, therefore, DBRS Morningstar accounts for situations where prices have corrected significantly from the peak by indexing property values to account for relevant price movements. DBRS Morningstar MVDs for commercial real estate are contained in the DBRS Morningstar *Rating CLOs Backed by Loans to European SMEs* methodology.

The CaixaBank provisional portfolio comprises secured and unsecured loans with 11.3% of the portfolio's outstanding balance secured by mortgages. The secured portfolio includes loans backed by first and second liens.

Recovery timing is assumed to vary according to the domicile of the obligor. In general, recovery delay assumptions have been determined by examining the average time to resolve insolvencies as well as the legal framework regarding relative debtor-/creditor-friendliness in a particular jurisdiction. For Spain, DBRS Morningstar assumes a recovery delay of 2.25 years for unsecured loans and 4.00 years for secured loans.

Please refer to DBRS Morningstar's *Rating CLOs and CDOs of Large Corporate Credit* methodology for country tiers and recovery delays for commercial real estate and unsecured recoveries as well as the *European RMBS Insight Methodology* and *European RMBS Insight: Spanish Addendum* for recovery delays by country for residential real estate.

| Collateral Seniority (DBRS Morningstar Definition) | Collateral Type (DBRS Morningstar Definition) | Percentage of Provisional Portfolio |
|---|---|---|
| Secured | First Lien | 9.2% |
| | Second Lien and below | 2.2% |
| Unsecured | Unsecured | 88.7% |

In terms of mortgage security type, 9.3% of the portfolio balance was backed by commercial property, 1.9% was backed by residential property, and 0.1% has been considered unsecured, given the collateral type.

A summary of the recovery rates and recovery delay assumptions used for this transaction is shown in the table below.

| Parameters | Values (at AA (low) (sf) Rating Stress) | Values (at B ((low) (sf) Rating Stress) |
|---|---|---|
| Weighted-Average Unsecured Recovery Rate | 15.8% | 21.5% |
| Unsecured Recovery Delay for Spain | 2.25 years | 2.25 years |
| Weighted-Average Secured Recovery Rate | 48.0% | 70.3% |
| Secured Recovery Delay for Spain | 4.0 years | 4.0 years |

### Overall Rating Parameter Inputs for the DBRS Morningstar Diversity Model

The inputs used to calculate the portfolio default rates are:

| Parameters | Values (at AA (low) (sf) Rating Stress) | Values (at B (low) (sf) Rating Stress) |
|---|---|---|
| Weighted-Average Life of SME Portfolio (years) | 3.32 | 3.32 |
| Assumed One-Year Default Rate | Secured: 0.78%<br>Unsecured: 1.47%<br>Corporates Secured: 2.11%<br>Corporates Unsecured: 1.86%<br>Preapproved: 1.95% | Secured: 0.78%<br>Unsecured: 1.47%<br>Corporates secured: 2.11%<br>Corporates Unsecured: 1.86%<br>Preapproved: 1.95% |
| Inter-Industry Correlation | 9.75% | 5.12% |
| Intra-Industry Correlation | 24.38% | 12.81% |

The WAL of the pool was 3.15 years. DBRS Morningstar stresses to 3.32 years to adjust for the permitted variations that allow up to 5.0% of the portfolio to extend the maturity. The expected portfolio lifetime Total Default Rates for the respective ratings (based on the inputs described in the table above) are indicated below:

| Respective Ratings | Lifetime Total Default Rate |
|---|---|
| AA (low) (sf) | 26.70% |
| B (low) (sf) | 8.57% |

### Interest Rate Scenarios

The purpose of the interest rate stress scenarios is to determine whether the transaction has any systemic interest rate risk exposure, such as having all floating-rate liabilities and at least some fixed-rate assets without an adequate hedge. DBRS Morningstar uses its cash flow tool to test the impact on the Notes' BDRs for three interest rate scenarios: a forward interest rate curve, stressed increasing interest rate scenarios, and stressed decreasing interest rate scenarios.

The higher the respective rating, the more extreme the level of interest rate stress that is used. For example, the interest rates assumed under the increasing interest rate stress scenario are higher for a rating of AA (low) (sf) than for a rating of B (low) (sf). The interest rate stresses are discussed in DBRS Morningstar's *Interest Rate Stresses for European Structured Finance Transactions* methodology, published in September 2020.

### Default Timing Vectors Scenarios

In addition to the interest rate scenarios, DBRS Morningstar also varies the timing of when the defaults occur. There are three scenarios used for all ratings:

| Default Vector | Year 1 | Year 2 | Year 3 | Year 4 |
|---|---|---|---|---|
| Front | 40% | 30% | 20% | 10% |
| Back | 20% | 30% | 40% | 10% |
| Smooth | 30% | 30% | 30% | 10% |

### Overall Cash Flow Summary

The lifetime total default rate is the cumulative default rate (or hurdle rate) that the transaction must survive if the specified Notes are assigned the rating in question, under the nine interest rate and default timing vector scenarios described above.

Specifically, to pass the AA (low) (sf) rating level, the Series A Notes must not suffer any losses for the average of the nine scenarios tested. In addition, the payment type of interest on a timely basis (as is the case for the senior notes) is taken into account.

**Cash Flow Results**

| Factor/Result | Series A Notes | Series B Notes |
|---|---|---|
| Rating Stress | AA (low) (sf) | B (low) (sf) |
| Expected Lifetime Default Rate (at relevant rating stress) | 26.70% | 8.57% |
| Average Cash Flow BDR | 27.38% | 10.09% |
| Cushion | 0.68% | 1.52% |

The results of the cash flow analysis indicate the following:

- The average BDRs for the Series A Notes are higher than the AA (low) (sf) stress lifetime default rate, supporting the decision to assign a AA (low) (sf) rating to the Series A Notes.
- The average BDRs for the Series B Notes are higher than the B (low) (sf) stress lifetime default rate, supporting the decision to assign a B (low) (sf) rating to the Series B Notes.

## Sensitivity Analysis

The sensitivity analysis conducted highlights the likely impact on the ratings when one key risk parameter is stressed while holding all others constant. In addition, the sensitivity analysis also demonstrates the impact on the ratings where two risk parameters stresses are combined.

DBRS Morningstar considered the following stress scenarios compared with the parameters used to determine the rating (the base case):

- **PD Rates:** Base-case PD of 0.78% for secured SME loans, 1.47% for unsecured SME loans, 2.11% for secured corporate loans, 1.86% for unsecured corporate loans, and 1.95% for pre-approved SME loans; a 10.0% increase of the base case and a 20.0% increase of the base-case PD.
- **Recovery Rates:** Base-case recovery rate, a 10.0% and 20.0% decrease in the base-case recovery rates at each rating level.

**Series A Notes – Rating Sensitivity to Changes in Key Risk Parameters**

| | Relative Changes to PD | | |
|---|---|---|---|
| Relative Changes to Recoveries | Original (Base Case) | +10% | +20% |
| Original (Base Case) | AA (low) (sf) | A (high) (sf) | A (high) (sf) |
| -10% | AA (low) (sf) | A (high) (sf) | A (high) (sf) |
| -20% | AA (low) (sf) | A (high) (sf) | A (high) (sf) |

**Series B Notes – Rating Sensitivity to Changes in Key Risk Parameters**

| | Relative Changes to PD | | |
|---|---|---|---|
| Relative Changes to Recov-eries | Original (Base Case) | +10% | +20% |
| Original (Base Case) | B (low) (sf) | B (low) (sf) | B (low) (sf) |
| -10% | B (low) (sf) | B (low) (sf) | CCC (high) (sf) |
| -20% | B (low) (sf) | B (low) (sf) | CCC (high) (sf) |

**Assessment of the Sovereign**

At the issue date, the Kingdom of Spain's Long-Term Foreign and Local Currency Issuer Ratings were "A" with Stable trends. The Stable trend reflects DBRS Morningstar's assessment that the risks to the ratings remain broadly balanced.

For more information, please refer to the most recently published press release by DBRS Morningstar titled, *DBRS Morningstar Confirms Kingdom of Spain at "A", Stable Trend*, dated 4 September 2020.

**Monitoring and Surveillance**

The ratings of the Notes depend on the portfolio performance and counterparties' ratings. The main triggers that DBRS Morningstar will rely on for monitoring are as follows:

- Evolution of the reserve fund level;
- Updated SME default data from CaixaBank;
- Changes in the DBRS Morningstar public or private credit ratings or private internal assessments in which the counterparties engaged during the transaction as well as implementation of the remedial actions foreseen in the transaction agreements; and
- Any event of default by the Issuer.

DBRS Morningstar will monitor the transaction on an ongoing basis to ensure that it continues to perform as expected. Any subsequent changes in the ratings will be publicly announced.

**About DBRS Morningstar**

DBRS Morningstar is a global credit ratings business with approximately 700 employees in eight offices globally.

On 2 July 2019, Morningstar, Inc. completed its acquisition of DBRS. Combining DBRS' strong market presence in Canada, the U.S., and Europe with Morningstar Credit Ratings' U.S. footprint has expanded global asset class coverage and provided investors with an enhanced platform featuring thought leadership, analysis, and research. DBRS and Morningstar Credit Ratings are committed to empowering investor success, serving the market through leading-edge technology and raising the bar for the industry.

Together as DBRS Morningstar, we are the world's fourth-largest credit ratings agency and a market leader in Canada, the U.S., and Europe in multiple asset classes. We rate more than 2,600 issuers and 54,000 securities worldwide and are driven to bring more clarity, diversity, and responsiveness to the ratings process. Our approach and size provide the agility to respond to customers' needs, while being large enough to provide the necessary expertise and resources.

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