

BBVA Consumer Auto 2020-1 Spanish ABS Auto Loans Ratings Raised On Three Classes; Two Classes Affirmed

May 31, 2022

Overview

- We have reviewed BBVA Consumer Auto 2020-1's performance by analyzing the transaction's underlying assets and structural features following the publication of the revised criteria for rating global auto ABS transactions.
- Following our review, we raised our ratings on the class B-Dfrd, D-Dfrd, and E-Dfrd notes.
- At the same time, we affirmed our ratings on the class A and C-Dfrd notes.
- We also removed the under criteria observation (UCO) identifier from the ratings on the class D-Dfrd and E-Dfrd notes.

MADRID (S&P Global Ratings) May 31, 2022--S&P Global Ratings today raised to 'AA- (sf)' from 'A+ (sf)', to 'BBB+ (sf)' from 'BB+ (sf)', and to 'BB+ (sf)' from 'B+ (sf)' our credit ratings on BBVA Consumer Auto 2020-1 Fondo de Titulizacion's class B-Dfrd, D-Dfrd, and E-Dfrd notes, respectively. We also affirmed our 'AA (sf)' and 'A- (sf)' ratings on the class A and C-Dfrd notes, respectively

We removed the under criteria observation (UCO) identifier from the ratings on the class D-Dfrd and E-Dfrd notes, where we placed them following the publication of our revised criteria for rating global ABS (see "Global Auto ABS Methodology And Assumptions," published on March 31, 2022).

While our ratings on the class A notes address the timely payment of interest and the ultimate payment of principal, our ratings on the class B-Dfrd to E-Dfrd notes address the ultimate payment of principal and the ultimate payment of interest. In this transaction there is no compensation mechanism that would accrue interest on deferred interest, although we consider this feature common in the Spanish market. As soon as any mezzanine note becomes the most senior, interest payments will be timely and any accrued interest will be fully paid on the first payment date. Under these circumstances, when the class B-Dfrd, C-Dfrd, D-Dfrd, and E-Dfrd notes are the most senior notes outstanding, our rating will address timely payment of interest and ultimate payment of principal.

Today's rating actions follow our review of the transaction's performance and the application of our current criteria, and reflect our assessment of the payment structure according to the transaction documents (see "Related Criteria").

PRIMARY CREDIT ANALYST

Rocio Romero
Madrid
+ 34 91 389 6968
rocio.romero
@spglobal.com

SECONDARY CONTACT

Juan P Fuster
Madrid
+34 914233213
juan.fuster
@spglobal.com

BBVA Consumer Auto 2020-1 Spanish ABS Auto Loans Ratings Raised On Three Classes; Two Classes Affirmed

The transaction closed in June 2020 and revolved until January 2022, 18 months after closing (see "New Issue: BBVA Consumer Auto 2020-1 Fondo de Titulizacion," published on June 18, 2020).

Given that only one interest payment date has occurred since the end of the revolving period, and taking into account updated performance information received from the originator, Banco Bilbao Vizcaya Argentaria S.A. (BBVA), and the seasoning of the pool of assets, we kept our gross loss base case assumptions unchanged at 5.00%. However, we decreased our gross loss multiple to 4.6x from 4.8x, at 'AAA'.

With the introduction of our revised criteria for rating global ABS, we apply a different approach in terms of recoveries. We now first size a recovery base case, which we then haircut to achieve the stress recovery rates for the different rating categories. Therefore, we now size a recovery base case at 40%. We haircut the above base case with the set of haircuts listed below. Overall, our revised approach in estimating recoveries results in a slightly more stressful scenario for higher-rated classes and is slightly more beneficial for lower-rated classes. At the same time, given the performance data received, we have lowered our high prepayment rate assumption to 20% from 24% for our cash flow analysis.

Table 1

Haircuts Above The Base Case

Rating	Haircut (%)
AAA	45.00
AA	35.00
A	26.25
BBB	21.25
BB	16.25
B	11.25

Table 2

Credit Assumptions

Parameter	Current
Gross loss base case (%)	5.00
Recovery base case (%)	40.00
Gross loss multiple ('AA')	3.60
Gross loss multiple ('AA-')	3.27
Gross loss multiple ('A-')	2.33
Gross loss multiple ('BBB+')	2.20
Gross loss multiple ('BB+')	1.68
Stressed recovery rate ('AA') (%)	18.00
Stressed recovery rate ('AA-') (%)	16.35
Stressed recovery rate ('A-') (%)	11.65
Stressed recovery rate ('BBB+') (%)	11.00
Stressed recovery rate ('BB+') (%)	8.40

N/A--Not available.

BBVA Consumer Auto 2020-1 Spanish ABS Auto Loans Ratings Raised On Three Classes; Two Classes Affirmed

Our operational and legal analysis is unchanged since closing. We consider that the transaction documents adequately mitigate the transaction's exposure to counterparty risk from BBVA--as account bank provider and swap counterparty--up to an 'AA' rating.

Our cash flow analysis indicates that the available credit enhancement for the class A, B-Dfrd, and C-Dfrd notes is sufficient to withstand the credit and cash flow stresses that we apply at the 'AA', 'AA-', and 'A-' rating levels, respectively. Therefore, we have raised to 'AA- (sf)' from 'A+ (sf)' our rating on the class B-Dfrd notes and affirmed our class A and C-Dfrd notes at 'AA (sf)' and 'A- (sf)', respectively.

Our analysis indicates that the available credit enhancement for the class D-Dfrd and E-Dfrd notes is commensurate with ratings higher than currently assigned. However, we have limited our upgrade based on their overall credit enhancement and their position in the waterfall. In addition, the most junior tranches are expected to have a longer duration than the senior tranches, meaning they are more vulnerable to tail-end risk. Therefore, we have raised to 'BBB+ (sf)' from 'BB+ (sf)' and to 'BB+ (sf)' from 'B+ (sf)' and removed the UCO identifier from our ratings on the class D-Dfrd and E-Dfrd notes, respectively.

Although the structure pays pro rata from the start of amortization, it incorporates a sequential redemption event which, once breached, is irreversible. We have considered additional tests under cash flow analysis, simulating back-loaded defaults to assess the impact of concentrated defaults later in the life of the transaction and using late recession to simulate the effect of pro rata amortization under the notes.

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, March 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- Ratings On Certain European Auto ABS Transactions Under Criteria Observation Following Criteria Update, March 31, 2022
- S&P Global Ratings Definitions, Nov. 10, 2021
- ESG Industry Report Card: Auto Asset-Backed Securities, March 31, 2021
- New Issue: BBVA Consumer Auto 2020-1 Fondo de Titulizacion, June 18, 2020
- Credit FAQ: Questions Over Electric Vehicle Residual Values In European Auto ABS, May 31, 2019
- 2017 EMEA ABS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Scenario Analysis: Gross Default Rates And Excess Spread Hold The Answer To Future European Auto ABS Performance, May 12, 2009

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.