



# Morningstar DBRS Upgrades Credit Ratings on BBVA Consumer Auto 2018-1 FT

## CONSUMER LOANS & CREDIT CARDS

DBRS Ratings GmbH (Morningstar DBRS) upgrades its credit ratings on the notes issued by BBVA Consumer Auto 2018-1 FT (the Issuer) as follows:

- Class A Notes to AAA (sf) from AA (high) (sf)
- Class B Notes to AAA (sf) from AA (high) (sf)
- Class C Notes to AA (low) (sf) from A (sf)
- Class D Notes to BBB (sf) from BB (high) (sf)

The credit ratings on the Class A and Class B Notes address the timely payment of interest and ultimate payment of principal on or before the legal final maturity date in July 2031. The credit rating on the Class C Notes addresses the ultimate payment of interest and principal by the legal final maturity date and the timely payment of interest once they become the most senior outstanding class of notes in the transaction. The credit rating on the Class D Notes addresses the ultimate payment of interest and principal by the legal final maturity date.

The upgrades follow an annual review of the transaction and are based on the following analytical considerations:

- Portfolio performance, in terms of delinquencies, defaults, and losses, as of the April 2024 payment date;
- Probability of default (PD), loss given default (LGD), and expected loss assumptions on the remaining receivables; and
- Current available credit enhancement to the notes to cover the expected losses at their respective credit rating levels.

The transaction is a securitisation of Spanish unsecured vehicle loans originated and serviced by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA). The portfolio comprises loans to finance the purchase of new and used vehicles. The transaction closed in June 2018 and had a revolving period that ended in January 2020.

## PORTFOLIO PERFORMANCE

As of the April 2024 payment date, loans that were 30 days to 60 days delinquent and 60 days to 90 days delinquent represented 1.2% and 0.7% of the portfolio balance, respectively. The cumulative gross default ratio was 3.8% of the aggregate original portfolio, up from 3.6% last year, with cumulative principal recoveries of 47.0% to date.

## PORTFOLIO ASSUMPTIONS AND KEY DRIVERS

Morningstar DBRS conducted a loan-by-loan analysis of the remaining pool of receivables and updated its base case PD and LGD assumptions to 7.4% and 59.3%, respectively.

## CREDIT ENHANCEMENT

Subordination of the junior notes provides credit enhancement. As of the April 2024 payment date, the credit enhancement to the Class A, Class B, Class C, and Class D Notes increased to 79.0%, 53.9%, 18.4%, and 7.6%, respectively, from 43.5%, 29.7%,

10.1%, and 4.2% at the last annual review, respectively. The increased credit enhancements prompted the credit rating upgrades.

The transaction benefits from a cash reserve, currently at the floor target level of EUR 1.0 million. The cash reserve covers senior fees and provides liquidity support to the Class A, Class B, and Class C Notes.

BBVA acts as the account bank for the transaction. Based on the account bank reference rating of A (high) on BBVA (which is one notch below its Morningstar DBRS Long Term Critical Obligations Rating of AA (low)), the downgrade provisions outlined in the transaction documents, and other mitigating factors inherent in the transaction structure, Morningstar DBRS considers the risk arising from the exposure to the account bank to be consistent with the credit ratings assigned to the notes, as described in Morningstar DBRS' "Legal Criteria for European Structured Finance Transactions" methodology.

Morningstar DBRS' credit ratings on the notes address the credit risk associated with the identified financial obligations in accordance with the relevant transaction documents.

Morningstar DBRS' credit ratings do not address nonpayment risk associated with contractual payment obligations contemplated in the applicable transaction documents that are not financial obligations.

Morningstar DBRS' long-term credit ratings provide opinions on risk of default. Morningstar DBRS considers risk of default to be the risk that an issuer will fail to satisfy the financial obligations in accordance with the terms under which a long-term obligation has been issued.

#### ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

There were no Environmental/Social/Governance factors that had a significant or relevant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the "Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings" at <https://dbrs.morningstar.com/research/427030>.

Morningstar DBRS analysed the transaction structure in Intex DealMaker.

#### Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable to the credit ratings is the "Master European Structured Finance Surveillance Methodology" (7 March 2024), <https://dbrs.morningstar.com/research/429051>.

Other methodologies referenced in this transaction are listed at the end of this press release.

Morningstar DBRS has applied the principal methodology consistently and conducted a review of the transaction in accordance with the principal methodology.

A review of the transaction legal documents was not conducted as the legal documents have remained unchanged since the most recent credit rating action.

For a more detailed discussion of the sovereign risk impact on Structured Finance credit ratings, please refer to "Appendix C: The Impact of Sovereign Ratings on Other DBRS Morningstar Credit Ratings" of the "Global Methodology for Rating Sovereign Governments" at: <https://dbrs.morningstar.com/research/421590>.

The sources of data and information used for these credit ratings include transaction reports provided by Europea de Titulización, S.A., S.G.F.T. and loan-level data provided by the European DataWarehouse GmbH.

Morningstar DBRS did not rely upon third-party due diligence in order to conduct its analysis.

At the time of the initial credit ratings, Morningstar DBRS was supplied with third-party assessments. However, this did not impact the credit rating analysis.

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

Morningstar DBRS does not audit or independently verify the data or information it receives in connection with the credit rating process.

The last credit rating action on this transaction took place on 16 June 2023, when Morningstar DBRS upgraded its credit ratings on the Class B, Class C, and Class D Notes to AA (high) (sf), A (sf), and BB (high) (sf), respectively, from AA (sf), BBB (high) (sf), and BB (sf), respectively, and confirmed its credit rating on the Class A Notes at AA (high) (sf).

The lead analyst responsibilities for this transaction have been transferred to Baran Cetin.

Information regarding Morningstar DBRS credit ratings, including definitions, policies, and methodologies, is available at [dbrs.morningstar.com](https://dbrs.morningstar.com).

Sensitivity Analysis: To assess the impact of changing the transaction parameters on the credit rating, Morningstar DBRS considered the following stress scenarios as compared with the parameters used to determine the credit ratings (the base case):

- Morningstar DBRS expected a lifetime base case PD and LGD for the pool based on a review of the current assets. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative effect on credit ratings.
- The base case PD and LGD of the current pool of loans for the Issuer are 7.4% and 59.3%, respectively.
- The risk sensitivity overview below illustrates the credit ratings expected if the PD and LGD increase by a certain percentage over the base case assumption.

#### Class A Notes Risk Sensitivity:

- 25% increase in LGD, expected credit rating of AAA (sf)
- 50% increase in LGD, expected credit rating of AAA (sf)
- 25% increase in PD, expected credit rating of AAA (sf)
- 50% increase in PD, expected credit rating of AAA (sf)
- 25% increase in PD and 25% increase in LGD, expected credit rating of AAA (sf)
- 25% increase in PD and 50% increase in LGD, expected credit rating of AAA (sf)
- 50% increase in PD and 25% increase in LGD, expected credit rating of AAA (sf)
- 50% increase in PD and 50% increase in LGD, expected credit rating of AAA (sf)

#### Class B Notes Risk Sensitivity:

- 25% increase in LGD, expected credit rating of AAA (sf)
- 50% increase in LGD, expected credit rating of AAA (sf)
- 25% increase in PD, expected credit rating of AAA (sf)

- 50% increase in PD, expected credit rating of AAA (sf)
- 25% increase in PD and 25% increase in LGD, expected credit rating of AAA (sf)
- 25% increase in PD and 50% increase in LGD, expected credit rating of AAA (sf)
- 50% increase in PD and 25% increase in LGD, expected credit rating of AAA (sf)
- 50% increase in PD and 50% increase in LGD, expected credit rating of AAA (sf)

Class C Notes Risk Sensitivity:

- 25% increase in LGD, expected credit rating of A (high) (sf)
- 50% increase in LGD, expected credit rating of A (sf)
- 25% increase in PD, expected credit rating of A (high) (sf)
- 50% increase in PD, expected credit rating of A (sf)
- 25% increase in PD and 25% increase in LGD, expected credit rating of A (low) (sf)
- 25% increase in PD and 50% increase in LGD, expected credit rating BBB (high) (sf)
- 50% increase in PD and 25% increase in LGD, expected credit rating of BBB (high) (sf)
- 50% increase in PD and 50% increase in LGD, expected credit rating below BBB (sf)

Class D Notes Risk Sensitivity:

- 25% increase in LGD, expected credit rating of BB (high) (sf)
- 50% increase in LGD, expected credit rating BB (sf)
- 25% increase in PD, expected credit rating of BB (high) (sf)
- 50% increase in PD, expected credit rating BB (low) (sf)
- 25% increase in PD and 25% increase in LGD, expected credit rating BB (low) (sf)
- 25% increase in PD and 50% increase in LGD, expected credit rating B (high) (sf)
- 50% increase in PD and 25% increase in LGD, expected credit rating B (high) (sf)
- 50% increase in PD and 50% increase in LGD, expected credit rating below B (sf)

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://registers.esma.europa.eu/cerep-publication>. For further information on Morningstar DBRS historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

These credit ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

Lead Analyst: Baran Cetin, Senior Analyst

Rating Committee Chair: Mark Wilder, Senior Vice President

Initial Rating Date: 13 June 2018

DBRS Ratings GmbH

Neue Mainzer Straße 75

60311 Frankfurt am Main Deutschland

Tel. +49 (69) 8088 3500

Geschäftsführer: Detlef Scholz

Amtsgericht Frankfurt am Main, HRB 110259

The credit rating methodologies used in the analysis of this transaction can be found at:  
<https://dbrs.morningstar.com/about/methodologies>.

- Master European Structured Finance Surveillance Methodology (7 March 2024), <https://dbrs.morningstar.com/research/429051>
- Rating European Consumer and Commercial Asset Backed Securitisations (8 January 2024), <https://dbrs.morningstar.com/research/426219>
- Rating European Structured Finance Transactions Methodology (11 December 2023), <https://dbrs.morningstar.com/research/425149>
- Legal Criteria for European Structured Finance Transactions (30 June 2023), <https://dbrs.morningstar.com/research/416730>
- Operational Risk Assessment for European Structured Finance Servicers (15 September 2023), <https://dbrs.morningstar.com/research/420572>
- Interest Rate Stresses for European Structured Finance Transactions (15 September 2023), <https://dbrs.morningstar.com/research/420602>
- Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (23 January 2024), <https://dbrs.morningstar.com/research/427030>

A description of how Morningstar DBRS analyses structured finance transactions and how the methodologies are collectively applied can be found at: <https://dbrs.morningstar.com/research/278375>.

For more information on this credit or on this industry, visit [dbrs.morningstar.com](https://dbrs.morningstar.com) or contact us at [info-dbrs@morningstar.com](mailto:info-dbrs@morningstar.com).

## Ratings

### BBVA Consumer Auto 2018-1 FT

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
14-Jun-24	Class A Notes (ES0305364004)	Upgraded	AAA (sf)	--	<b>EU</b> <b>U</b>
14-Jun-24	Class B Notes (ES0305364012)	Upgraded	AAA (sf)	--	<b>EU</b> <b>U</b>
14-Jun-24	Class C Notes (ES0305364020)	Upgraded	AA (low) (sf)	--	<b>EU</b> <b>U</b>
14-Jun-24	Class D Notes	Upgraded	BBB (sf)	--	<b>EU</b> <b>U</b>

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## Contacts

### Baran Cetin, CFA

Senior Analyst - European Structured Finance Ratings, Surveillance

+(49) 69 2713 77008

[baran.cetin@morningstar.com](mailto:baran.cetin@morningstar.com)

**Daniel Rakhimov**

*Assistant Vice President - European Structured Finance Ratings, Surveillance*

+(49) 69 8088 3509

[daniel.rakhimov@morningstar.com](mailto:daniel.rakhimov@morningstar.com)

**Mark Wilder**

*Senior Vice President, Lead - European Structured Finance Ratings, Operational Risk*

+(44) 20 7855 6638

[mark.wilder@morningstar.com](mailto:mark.wilder@morningstar.com)

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