



**Rating Action: Moody's upgrades ratings in two Auto ABS in Spain and Portugal**

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15 Jul 2021

Frankfurt am Main, July 15, 2021 -- Moody's Investors Service ("Moody's") has today upgraded the ratings of certain notes in Aqua Finance No. 4 and BBVA CONSUMER AUTO 2018-1 FONDO DE TITULIZACION. The rating action reflects increased levels of credit enhancement for the affected notes and better than expected performance for Aqua Finance No.4.

Moody's affirmed the ratings of the notes that had sufficient credit enhancement to maintain the current rating on the affected notes.

Maximum achievable rating is Aa3 (sf) and Aa1 (sf) for structured finance transactions in Portugal and Spain respectively, driven by the corresponding local currency country ceiling of the country.

Issuer: Aqua Finance No. 4

...EUR 140M Class A Notes, Affirmed Aa3 (sf); previously on Feb 5, 2020 Upgraded to Aa3 (sf)

...EUR 15M Class B Notes, Upgraded to A1 (sf); previously on Feb 5, 2020 Upgraded to Baa1 (sf)

Issuer: BBVA CONSUMER AUTO 2018-1 FONDO DE TITULIZACION

...EUR 728M Class A Notes, Affirmed Aa1 (sf); previously on Jun 20, 2018 Definitive Rating Assigned Aa1 (sf)

...EUR 23.2M Class B Notes, Upgraded to Aa3 (sf); previously on Jun 20, 2018 Definitive Rating Assigned A1 (sf)

...EUR 32.8M Class C Notes, Affirmed Baa1 (sf); previously on Aug 31, 2020 Confirmed at Baa1 (sf)

...EUR 10M Class D Notes, Affirmed Ba2 (sf); previously on Aug 31, 2020 Confirmed at Ba2 (sf)

...EUR 6M Class E Notes, Affirmed B3 (sf); previously on Aug 31, 2020 Confirmed at B3 (sf)

**RATINGS RATIONALE**

The rating action is prompted by

- an increase in credit enhancement for the affected tranches as well as better than expected performance for Aqua Finance No. 4.

Revision of Key Collateral Assumptions

As part of the rating action, Moody's reassessed its default probability and recovery rate assumptions for the portfolio reflecting the collateral performance to date.

Aqua Finance No. 4:

The performance of the transactions has continued to be stable since closing.

Late stage arrears have remained stable in the past year, with 90 days plus arrears currently standing at 0.62% of current pool balance. Cumulative defaults currently stand at 0.89% of original pool balance.

For Aqua Finance No. 4, the current default probability is maintained at 7.2% of the current portfolio balance, which corresponds to a revised default probability of 2.8% of the original portfolio balance, down from 7.2% at closing. The assumption for the fixed recovery rate is unchanged at 26.0%. Portfolio credit enhancement remains unchanged at 22.4%.

BBVA CONSUMER AUTO 2018-1 FONDO DE TITULIZACION:

The performance of the transactions has continued to be stable since closing.

Total delinquencies of 3.77% have modestly decreased in the past year, with 90 days plus arrears currently standing at 0.5% of current pool balance. Cumulative defaults currently stand at 2.04% of original pool balance, an increase from 1.07% a year earlier.

For BBVA CONSUMER AUTO 2018-1 FONDO DE TITULIZACION the current default probability is 5.26% of the current portfolio balance, which corresponds to a default probability of 4.27% of the original portfolio balance unchanged from the last rating action in August 2020. The assumption for the fixed recovery rate is unchanged at 35.0%. Portfolio credit enhancement remains unchanged at 15.0%.

#### Increase in Available Credit Enhancement

Sequential amortization led to the increase in the credit enhancement available in this transaction. Additionally for Aqua Finance No. 4, a non-amortizing reserve fund further contributed to build up of credit enhancement.

The credit enhancement for the Class B in Aqua Finance No. 4, for example, increased to 60.80% from 33.3% since the last rating action in February 2020. Similarly, for BBVA CONSUMER AUTO 2018-1 FONDO DE TITULIZACION, the credit enhancement of Class B increased to 10.64% from 7.87% since the last rating action in August 2020.

For Aqua Finance No. 4, liquidity for Class A is available in form of a non-amortizing reserve fund and principal to pay interest mechanism. However, for Class B, liquidity support is only available in the form of the reserve fund once Class A Notes have been fully redeemed. This has limited today's upgrade of Class B to A1 (sf).

The principal methodology used in these ratings was "Moody's Global Approach to Rating Auto Loan- and Lease-Backed ABS" published in December 2020 and available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBS\\_1202515](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBS_1202515). Alternatively, please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors or circumstances that could lead to an upgrade of the ratings include (1) performance of the underlying collateral that is better than Moody's expected, (2) an increase in available credit enhancement, (3) improvements in the credit quality of the transaction counterparties and (4) a decrease in sovereign risk.

Factors or circumstances that could lead to a downgrade of the ratings include (1) an increase in sovereign risk, (2) performance of the underlying collateral that is worse than Moody's expected, (3) deterioration in the notes' available credit enhancement and (4) deterioration in the credit quality of the transaction counterparties.

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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