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## Rating Action

EthiFinance Ratings ("the Agency") downgrades the rating of the Bonds issued by AQUA 2020, FT from "BBB" to "BBB-".

## Executive Summary

AQUA 2020, FT (the "Issuer" or the "Fund"), is a special purpose vehicle established in November 2020 under the Spanish legislation, opened both by the assets and the liabilities (through the successive issuance of securities). The objective of the Fund is to obtain financing and liquidity through the issuance of Bonds. The collateral is composed of Credit Rights originated and assigned to the Fund by CREALSA INVESTMENT SPAIN, S.A. (hereinafter "CREALSA") or entities of the same group.

The downgrade of the rating is due to the fact that the Assignor has not been able to assign sufficient Credit Rights to the Fund, in order to fully utilize the resources available for the purchase of credit rights, resulting in a negative carry for the operation. It should be noted that in the initial rating, the quantitative analysis considered a higher Bond issuance, full utilization of the purchase account that did not result in a negative carry, and a stress scenario in which higher losses were withstood.

Class	Final Maturity Date	Underlying	Nominal Balance of the Credit Rights	Bank Accounts Balance <sup>1</sup>	Bonds Balance
AQUA 2020, FT	13/05/2027	Credit Rights	5.631.738€ (30/11/2023)	6.544.682€ (30/11/2023)	11.800.000€ (30/11/2023)

Source: The Deed of Incorporation of the Fund and the monthly report provided by the Management Company.

1. Before Payment Date (04/12/2023)

## Rating Fundamentals

- In the last monthly report provided by the Management Company at the end of November 2023 and considering the accounts after the payment date, the Fund had an over-collateralization of 2.5%, but on December 12, after additional purchases of Credit Rights, the Fund had an over-collateralization of 3.5%, but still resulting in a lower level than the initially expected 5%. The lower level of over-collateralization was caused by a low discount applied to the Credit Rights and by the outflow of resources through the intermediation margin, a situation that was corrected after the novation of the deed and is not expected to occur again.
- A deficit occurred because some resources left the Fund, as they were considered available resources, and then were distributed to the Assignor as an intermediation margin, a situation that has been amended through changes in the deed. The Assignor has transferred to the Fund a total of 690.000€ as the Fund exhibited a deficit between its assets and liabilities. This money is now in the Fund's Purchase Account and therefore during the Assignment Period can only be used for the purchase of Credit Rights. For the avoidance of doubt, the transferred amount by the Assignor is not considered as any financial support to the transaction, but rather a corrective measure for the deficit produced.
- The performance of the Credit Rights since the inception of the Fund has shown a better performance than initially considered. The default rate of all the Credit Rights since inception has been 2.8%, but

it is important to mention that after defaults the recoveries are 76.92%. Since we already have a historical performance of the Fund, the Monte Carlo simulation was performed considering this information, contrary to last year where we simulated a portfolio with worse probabilities of default.

- **Of the total face value of all the Credit Rights that have been assigned to the Fund 19,0% has been sold with a discount of 0,0%.** Until the 30 of November 2023 the Fund has been assigned 8427 Credit Rights with a total face value of 62,53 million euros, for 1124 of them, with a total face value of 11,87 million euros, the Fund paid a Purchase Price equal to their Face Value. The insurance policies covering these Credit Rights insured 95% of their Face Value, exposing the Fund to the remaining 5%. These Credit Rights comply with the eligibility criteria and the required discount percentage as specified in the Deed but represent a source of unnecessary risk for the Fund. This situation has been amended because of the change in the deed where a minimum discount of 5% will be required.
- **Indemnity payments under the Insurance Policy contracted with CESCE, will be paid directly into the Fund's Collection Account.** This ensures that the collection of indemnity payments related to this insurance policy is directly paid to the Funds account, mitigating the commingling risk.
- **The Assignor's 2022 audited financial report has a qualified opinion.** The Management Company has deemed that the qualified opinion does not affect the Credit Rights and, therefore, has decided not to terminate the Assignment Period.
- **As of 12 September 2023, the Debtors have to be notified of (i) the assignment of the Credit Rights to the Fund and (ii) that all payments have to be made to the Fund's Collection Account.** With these changes, the Fund will directly receive in its Collection Account all payments related to the Credit Rights and, therefore, there will not be any commingling risk, other than the one that could arise from an operational mistake.
- **The Assignor has signed Pledge Agreements on the two Bank Accounts where it could receive payments of Credit Rights.** In the case the payment of a Credit Right is received in one of these two bank accounts, due to an operational mistake (as the Debtors have been notified that payment must be made into the Fund's Collection Account), the signed pledge agreements mitigate the risk that this money is commingled with the funds of the Assignor.
- **The Reserve Fund required amount is, as of 12 September 2023, 2% of the Bond's outstanding balance.** This increase benefits the Fund as it would have a bigger buffer to absorb possible shortfalls. As of the last payment date (04 November 2023), the Reserve Fund is fully funded.

## Sensitivity analysis

### Factors that could (individually or collectively) impact the rating

- **Positive factors (↑).**

An increase in the over-collateralization of the Fund, in addition to a stress scenario that withstands a higher default rate and that does not has negative carry. Also, a higher percentage discount on the transfer price

would strengthen the credit quality of the transaction. Furthermore, a longer origination track record, which shows a good diversification and performance of the portfolio, would have a positive impact on the creditworthiness of the transaction.

● **Negative factors (↓).**

A drop in the level of stress that withstands the Fund. Also, a continued imbalance between the Fund's receivables and liabilities, generating higher interest expense due to cash tied up in the treasury account.

## Description of the Transaction

Constituted in November 2020, the Fund was structured by EBN Banco de Negocios and is managed by EBN Titulización, S.A.U., SGFT (hereinafter, the "Management Company") with the issuance of a single tranche of Bonds. The Assignors will periodically assign new Credit Rights to the Fund during the Assignment Period, which will end on 13 May 2026 or on the date cause for early termination of the Assignment Period takes place. Once the Assignment Period has ended, the Amortization Period of the Bonds will begin. The Bonds will be amortized using a pass-through amortization method.

Currently, the FT has credit insurance provided by CESCE (the "Insurance Company"). The Insurance Policy does not consider a Limit of Indemnity (LOI) for the Fund's Credit Rights portfolio as a whole, but instead, a risk limit is established by the Insurer for each Debtor. One of the General Eligibility Criteria of the transaction establishes that at least 75% of the Fund's Credit Rights portfolio must be insured, and the remaining 25%, even if the Debtor is a private company, can remain uninsured (Credit Rights from public companies do not have to be insured). The Credit Rights that are insured by a different insurance policy, other than the one contracted by the Fund, must be insured by an insurance company with a credit rating of at least "A-".

The FT has a credit enhancement provided by: (i) the Insurance Policy, which minimizes the exposure of the Fund to the debtor's credit risk; (ii) a Liquidity Fund of 2.00% of the outstanding nominal balance of the Bonds, as a payment safeguard for the Fund's creditors; and (iii) the spread between the interest rate of the Credit Rights and the interest rate of the issued Bonds, that seek to ensure that the Fund has enough revenue to cover its expenses.

<b>Description</b>	
<b>Issuer</b>	AQUA 2020, Fondo de Titulización
<b>Purpose</b>	Funding and Liquidity
<b>Fund Type</b>	Open by the assets and liabilities
<b>Asset Class</b>	Credit Rights arising from assignments of receivables between CREALSA or the Assignors and their clients for the advance of collections from their respective debtors.
<b>Issue Date</b>	13/11/2020
<b>Maturity Date</b>	13/05/2027
<b>Legal Maturity Date</b>	13/11/2027
<b>Assignment Period</b>	It would terminate on the 13th of May 2026 or in the event of a cause for termination of the Assignment Period set forth in the Deed.
<b>Additional Credit Rights Purchase Date</b>	Any business day during the Assignment Period
<b>Additional Bond Issue Date</b>	The Tuesday and Thursday of each week
<b>Bonds Amortization Schedule</b>	It will last 12 months starting at the end of the Assignment Period or will start on the date of early termination of the Fund, whichever comes first. Will end 13/05/2027.
<b>Clean-Up Call</b>	10% of the Nominal Outstanding Balance of the Bonds, once the Assignment Period has finished
<b>Interest Rate</b>	1 month EURIBOR + 4,0%
<b>Payment Date</b>	3rd day of the month
<b>Amortization Method</b>	Pass-Through
<b>Interest and Principal Payment Frequency</b>	Monthly

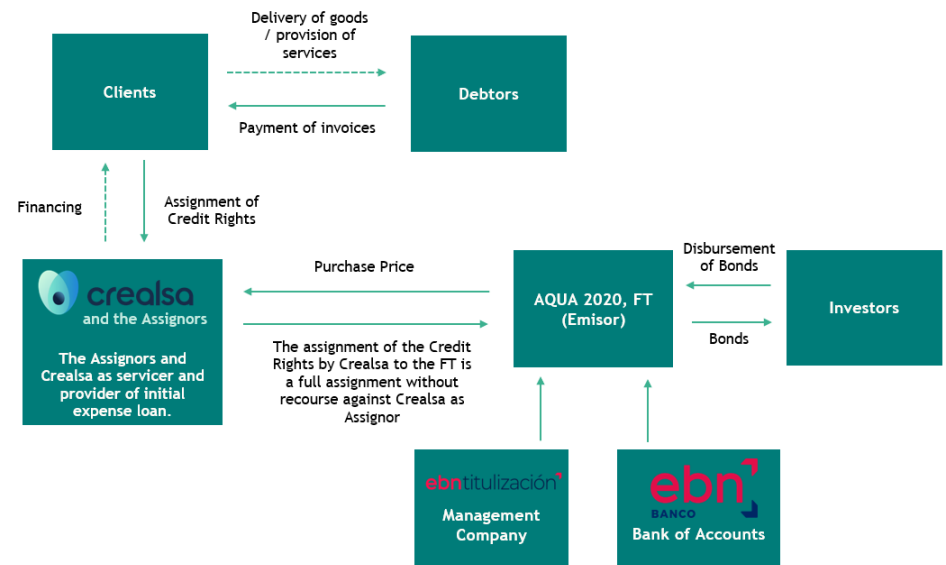
Source: EBN Titulización, S.A.U., S.G.F.T.

## Participants

<b>Participants</b>	
<b>Assignor and servicer of the Credit Rights</b>	Crealsa Investments Spain, S.A. o los Cedentes
<b>Management Company</b>	EBN Titulización, S.A.U., S.G.F.T.
<b>Bank of Accounts</b>	EBN Banco, S.A.
<b>Underwriting and Structuring Entity</b>	EBN Banco, S.A.
<b>Insurers</b>	Compañía Española de Seguros de Crédito a la Exportación, S.A. (CESCE)
<b>Lawyers</b>	J&A Garrigues, S.L.P.

Source: The Deed of Incorporation of the Fund.

## Operation Diagram



## Description of the Assignor

CREALSA was incorporated in 2009 under the name of Créditos Alternativos S.A., later, in 2014, it acquired the companies Eleven Cube Comunicación S.L.U. and Consultoría Financiera del Levante, S.L. In May 2020, the founding shareholders of CREALSA signed an investment agreement with IMAN CAPITAL PARTNERS LTD, through which IMAN acquired a majority stake in the company.

CREALSA provides discount lines and collection management services to its customers, who hold Credit Rights, against their respective Debtors, as a result from their commercial activities. CREALSA offers its customers the service of discounting commercial paper like promissory notes, checks, direct debit payments and invoices, held by their clients and then assigned or endorsed to CREALSA. The Assignors will be CREALSA or other entities of the Group.

## Description of the Insurance Company

Compañía Española de Seguros de Crédito a la Exportación, S.A. (“CESCE” or the “Insurance Company”) has a credit rating, issued by EthiFinance Ratings, of A- with a stable outlook. This credit rating was ratified by the Agency in November, 2022.

The credit rating is based on its outstanding profitability and efficiency that is above the one from its main peers, as well as a strong capitalization that exceeds regulatory requirements and the lack of financial leverage. Furthermore, there is a strong synergy between the company’s two business lines, insurance and information, and a balanced distribution of the profits of the two business lines. Additionally, the group investment portfolio shows has conservative investment policy as it prioritizes assets with low credit risk.

Moreover, the credit rating is limited by a low geographical diversification, in comparison to its peers, and the complex macroeconomic environment, which could negatively impact the financial profile of the company.

## Description of the Underlying Assets

Credit Rights originate from assignments of credit instruments by the Assignors’ Clients to the Assignors, which in turn assigns them to the Fund in exchange for an advance, at a discount, on the collections of said instruments face value. The Credit Rights arise from the business relations between the Assignors’ Clients and their respective clients and are a consequence of goods delivered or services rendered under their commercial

relationship. The Credit Rights may come from different credit instruments such as invoices, direct debit payments, checks payable to order and not payable to order, bills of exchange, and promissory notes. Additionally, there has to be an assignment contract signed between the Client and the Assignor, in order for the Assignor to be able to assign the Credit Rights to the Fund.

## Regulatory information

### Sources of information

The credit rating assigned in this report has been made solicited by the originator of the assets, taking part in the process. The credit rating is based in:

- Public information from public access sources.
- Information provided by the originator of assets assigned or that shall be assigned to the securitization fund.

From the time of the assignment of the credit rating, all information provided by the originator of the assets, by the servicer of the assets (other than the originator) or by a third participant in the transaction, shall be reviewed and analyzed with the aim to assess the following issues:

1. The performance of the credit quality of the assets comprising the collateral of the Fund.
2. The level of credit enhancement.
3. The evolution of the quantitative triggers of the Fund.
4. The evolution of the qualitative triggers (counterparty risks).

The information has been thoroughly reviewed to ensure that it is valid, coherent and consistent and it is considered as satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information provided and the conclusions drawn from it.

### Additional information

- The rating was carried out in accordance with Regulation (EC) N° 1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies, and in accordance with the Trade Receivables Methodology that can be consulted on <https://www.ethifinance.com/en/ratings/methodologies> and according to the Structured Finance Rating scale available at <https://www.ethifinance.com/en/ratings/ratingScale>.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has provided ancillary services to related third parties of the rated entity, but not to the rated entity. However, according to our Conflict of Interest Policy, it does not involve a conflict of interest, since the aggregate sale does not exceed 5% of net turnover.
- The issued credit rating has been notified to the rated entity, and it has been modified as the result of the review made during the appeal process.

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