Europea de Titulización
Sociedad Gestora de Fondos de Titulización

Hecho Relevante de HIPOCAT 10 FONDO DE TITULIZACIÓN DE ACTIVOS

En virtud de lo establecido en el Folleto Informativo de **HIPOCAT 10 FONDO DE TITULIZACIÓN DE ACTIVOS** (el "**Fondo**") se comunica a la COMISIÓN NACIONAL DEL MERCADO DE VALORES el presente hecho relevante:

- La Agencia de Calificación **Standard & Poor's Ratings Services** ("**S&P**"), con fecha 7 de agosto de 2017, comunica que ha elevado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:

  - **Serie A2**: **BB+ (sf)** (anterior **B- (sf)**)
  - **Serie A3**: **BB+ (sf)** (anterior **B- (sf)**)

  Asimismo, S&P ha confirmado las calificaciones asignadas a las siguientes Series de Bonos:

  - **Serie B**: **D (sf)**
  - **Serie C**: **D (sf)**
  - **Serie D**: **D (sf)**

  Se adjunta la comunicación emitida por S&P.

Madrid, 7 de agosto de 2017.

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Various Rating Actions Taken In Spanish RMBS Transaction Hipocat 10 Following Review

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OVERVIEW

- We have reviewed Hipocat 10 by conducting our credit and cash flow analysis under our European residential loans criteria and our current counterparty criteria.
- Following our review, we have raised to 'BB+ (sf)' from 'B- (sf)' our ratings on the class A2 and A3 notes.
- At the same time, we have affirmed our 'D (sf)' ratings on the class B, C, and D notes.
- Hipocat 10 is a Spanish RMBS transaction that closed in July 2006 and securitizes first-ranking mortgage credits. Catalunya Banc, which was formerly named Caixa Catalunya and is now part of BBVA, originated the pool. The pool comprises credits secured over owner-occupied properties, mainly in Catalonia.

MADRID (S&P Global Ratings) Aug. 7, 2017--S&P Global Ratings has today raised its credit ratings on Hipocat 10, Fondo de Titulizacion de Activos' class A2 and A3 notes. At the same time, we have affirmed our 'D (sf)' ratings on the class B, C, and D notes (see list below).

Today's rating actions follow our credit and cash flow analysis of the most recent transaction information that we have received and the July 2017 investor report. Our analysis reflects the application of our European residential loans criteria and our current counterparty criteria (see "

Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Dec. 23, 2016, and "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

The transaction features an interest deferral trigger for the class B and C notes. If triggered, the interest payments are subordinated below principal in the priority of payments. These triggers are based on cumulative gross defaults in the transaction. Both interest deferral terms have been triggered and interest on the class B and C notes is subordinated to senior principal payment. Given the insufficiency of available resources, neither class of notes paid interest in a timely manner.

As the class A2 and A3 notes have amortized since our previous review, the credit enhancement available to them has increased. At the same time, the credit enhancement available to the class B and C notes has decreased due to the increase in defaults and the fact that the reserve fund is fully depleted.

Class	Available credit enhancement, excluding defaulted credits (%)
A2	7.87
A3	7.87
B	(7.78)
C	(22.58)

Hipocat 10 features a reserve fund, which can amortize to a target amount. It has been used to provision for defaulted assets in the past and is now fully depleted. The reserve fund was fully funded at closing from the proceeds of the issuance of the class D notes.

Severe delinquencies of more than 90 days, excluding defaults, are 1.87%, which is below our Spanish residential mortgage-backed securities (RMBS) index, although they have been above the index in the past (see "Spanish RMBS Index Report Q1 2017," published on June 1, 2017).

Mortgage credits in arrears for more than 18 months are classified as defaulted in this transaction and, consequently, artificially written off. In this transaction, the outstanding balance of defaulted assets is significantly higher than in other Spanish RMBS transactions that we rate, at about 19%, because severe delinquencies have rolled into defaults in the past. Due to the lack of available resources, as of April 2017, the balance of defaulted collateral that the transaction was not able to provision for in advance totaled €79.22 million. Prepayment levels remain low and we believe that the transaction is unlikely to pay down significantly in the near term.

About 72% of the collateral pool is concentrated in Catalonia, which was the home region of the originator. Specifically, about 61% of the pool is in the province of Barcelona and 5% in Girona. We have considered this high concentration limit in our analysis. Since the pool exceeds both the threshold province and region concentration limits, we have applied the higher province adjustment.

After applying our European residential loans criteria to this transaction, our credit analysis results show a decrease in the weighted-average foreclosure frequency (WAFF) and a decrease in the weighted-average loss severity (WALS) for all rating levels.

Based on recent information received from the trustee on the low use of the payment holiday flexibility by borrowers on this pool and our analysis of the performance of credits that used this flexibility in the past once the payment holiday period had elapsed, we have reassessed our view of the risks in relation to payment holidays. We have concluded that the use of the payment holiday flexibility feature in Hipocat transactions does not imply a potential payment shock. At the same time, we have reflected the recent performance data, in combination with improved macroeconomic conditions, and more specifically the decrease in the unemployment rate, by not projecting arrears in addition to the existing arrears in the pool in our credit analysis. The combination of these two variables has had a positive effect on our credit analysis. In addition, the current WAFF level reflects the benefit from the increased seasoning. The WALS decrease factors in the decrease in the current loan-to-value ratio due to the amortization of the pool, coupled with the application of our revised market value decline assumptions. The overall effect is a decrease in the required credit coverage for each rating level.

Rating level	WAFF (%)	WALS (%)	CC (%)
AAA	32.14	34.68	11.15
AA	24.13	30.95	7.47
A	19.49	24.05	4.69
BBB	14.36	20.35	2.92
BB	9.11	17.79	0.50
B	7.49	15.51	1.16

CC--Credit coverage.

Our cash flow analysis includes consideration of credits that have the option to take a payment holiday (that is, temporarily suspend periodic payments) in line with our European residential credits criteria. We account for these by delaying a proportion of scheduled interest and principal receipts. The proportion is based on historical data on borrowers that have exercised such an option.

The collection account is held with Banco Bilbao Vizcaya Argentaria, S.A. (BBVA; BBB+/Positive/A-2) in the name of the servicer, BBVA. As a consequence, the transaction is exposed to commingling risk. However, since our ratings in this transaction are at or below the rating on the servicer, we have not stressed commingling loss in our cash flow analysis, in line with our current counterparty criteria. Consequently, our ratings on the notes are constrained by our long-term issuer credit rating on BBVA.

BBVA is the swap counterparty. The replacement language in the swap agreement is in line with our current counterparty criteria. The hedge agreement mitigates basis risk arising from the different indexes used by the securitized assets and the notes, based on a notional. Under this agreement, the swap counterparty pays the coupon on the notes and includes an additional margin of 65 basis points. If the balance of credits taking a payment holiday exceeds 35% of the outstanding collateral balance, the swap notional (which is the performing balance up to 90 day in arrears) will include the balance of credits in payment holiday. The swap also pays the servicer fees in case of substitution.

Our credit and cash flow analysis indicates that the class A2 and A3 notes now have sufficient credit enhancement to pass our stresses at the 'BB+' rating level. We have therefore raised to 'BB+ (sf)' from 'B- (sf)' our ratings on the class A2 and A3 notes.

The class B, C, and D notes continue to experience ongoing interest shortfalls because of interest deferral trigger breaches and lack of excess spread in the transaction. Our ratings in Hipocat 10 address the timely payment of interest and ultimate principal during the transaction's life (see "General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings," published on Oct. 24, 2013). We have therefore affirmed our 'D (sf)' ratings on the class B, C, and D notes.

Our European residential loans criteria set the minimum projected losses at 0.35% at the 'B' rating level. The projected losses that we compare with these credit coverage floors include the negative carry resulting from interest due on the rated liabilities during the foreclosure period. Projected losses with interest meet the minimum floor level at the 'B' rating level.

In our opinion, the outlook for the Spanish residential mortgage and real estate market is not benign and we have therefore increased our expected 'B' foreclosure frequency assumption to 3.33% from 2.00%, when we apply our European residential loans criteria, to reflect this view (see "Outlook Assumptions For the Spanish Residential Mortgage Market," published on June 24, 2016). We base these assumptions on our expectation of modest economic growth, continuing high unemployment, and house prices stabilization during 2017.

Hipocat 10 is a Spanish RMBS transaction that closed in July 2006 and securitizes first-ranking mortgage credits. Catalunya Banc, which was formerly named Caixa Catalunya and is now part of BBVA, originated the pool. The pool comprises credits secured over owner-occupied properties, mainly in Catalonia.

RELATED CRITERIA

- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Dec. 23, 2016
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- Scenario and Sensitivity Analysis: 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Credit Conditions: Europe Displays Financial Calm, But What About The Brexit And QE Clouds Ahead?, June 30, 2017
- Spanish RMBS Index Report Q1 2017, June 1, 2017
- European Economic Snapshots For 2Q 2017 Published, May 15, 2017
- Outlook On Spain-Based BBVA And Santander Consumer Finance Revised To Positive Following Action On Sovereign, April 3, 2017
- Kingdom of Spain Outlook Revised To Positive On Strong And Balanced Economic Performance; 'BBB+/A-2' Ratings Affirmed, March 31, 2017
- Europe's Housing Markets Continue To Recover Amid Extended QE, Feb. 15, 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
- Outlook Assumptions For the Spanish Residential Mortgage Market, June 24,

2016

- Various Rating Actions Taken In Spanish RMBS Transaction Hipocat 10 Following Updated Spanish RMBS Criteria, Nov. 14, 2014

RATINGS LIST

Class	Rating	
	To	From
Hipocat 10, Fondo de Titulizacion de Activos		
€1.526 Billion Mortgage-Backed Floating-Rate Notes		
Ratings Raised		
A2	BB+ (sf)	B- (sf)
A3	BB+ (sf)	B- (sf)
Ratings Affirmed		
B	D (sf)	
C	D (sf)	
D	D (sf)	