

**Hecho Relevante de**

**HIPOCAT 11 FONDO DE TITULIZACIÓN DE ACTIVOS**

En virtud de lo establecido en el Folleto Informativo de **HIPOCAT 11 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 confirmado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:

- **Serie A2:** CCC (sf)
- **Serie A3:** CCC (sf)
- **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.

Javier Eiriz Aguilera  
Director General

## Ratings Affirmed In Spanish RMBS Transaction Hipocat 11 Following Review

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### OVERVIEW

- We have reviewed Hipocat 11 by conducting our credit and cash flow analysis under our European residential loans criteria and current counterparty criteria.
- Following our review, we have affirmed our ratings on all classes of notes.
- Hipocat 11 is a Spanish RMBS transaction that closed in March 2007 and securitizes first-ranking mortgage credits. Catalunya Banc (formerly named Caixa Catalunya and now part of BBVA) originated the pool, which comprises credits secured over owner-occupied properties, mainly in Catalonia.

MADRID (S&P Global Ratings) Aug. 7, 2017--S&P Global Ratings today affirmed its credit ratings on Hipocat 11, Fondo de Titulizacion de Activos' class A2, A3, B, C, and D notes (see list below).

Today's affirmations 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 balance and once triggered they are irreversible. Both interest deferral terms have been triggered, so interest on the class B and C notes is subordinated to senior principal payment. Given the insufficiency of available resources, both classes of notes have missed their timely interest payment.

Available credit enhancement for all classes of notes is negative, as the performing collateral balance is less than their outstanding amounts. This is a deterioration compared with our previous review, in which the difference between nondefaulted principal balance and the class A2 and A3 notes was lower, though already negative at -4.59% (see "Various Rating Actions Taken In Spanish RMBS Transaction Hipocat 11 Following Application Of Updated Criteria," published on Nov. 18, 2014).

Class	Available credit enhancement, excluding defaulted credits (%)
A2	(6.02)
A3	(6.02)
B	(21.40)
C	(40.03)

Hipocat 11 features a reserve fund, which was fully funded at closing with the proceeds of the issuance of the class D notes and which can amortize to a target amount. It is fully depleted because it was used to provision for defaulted assets in the past.

Severe delinquencies of more than 90 days, excluding defaults, at 1.99%, are 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. The outstanding balance of credits in default, at about 25%, is higher than in other Spanish RMBS transactions that we rate as severe delinquencies rolled into defaults in the past. Due to the lack of available resources, as of July 2017 the balance of defaulted collateral that the transaction was not able to provision for in advance totaled €137.48 million. Prepayment levels remain low and we believe that the transaction is unlikely to pay down significantly in the near term.

About 71% of the collateral pool is concentrated in Catalonia, which is the originator's home region. Specifically, about 61% and 5% of the pool is concentrated in the provinces of Barcelona and Girona, respectively. 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 and 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 decreased WALS 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	36.12	37.53	13.56
AA	27.42	34.12	9.36
A	22.23	27.88	6.20
BBB	16.35	24.47	4.00
BB	10.37	22.07	2.29
B	8.51	19.83	1.69

CC--Credit coverage.

We have considered in our cash flow analysis the credits with the payment holiday option, by delaying a proportion of scheduled interest and principal receipts in line with our European residential loans criteria.

The collection account is held with Banco Bilbao Vizcaya Argentaria, S.A. (BBVA; BBB+/Positive/A-2) in the name of the servicer, BBVA. Consequently, 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. Therefore, 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 16% of the outstanding collateral balance, the swap notional (which is the performing balance up to 90 days in arrears) will include the balance of credits in payment holiday. The swap counterparty also pays the servicer fees in case of substitution.

The class A2 and A3 notes do not pass our cash flow stresses at the 'B' rating level. Our cash flow analysis for these classes of notes shows that we do not expect a default to occur in the next 12 months. In line with our European residential loans criteria, and our criteria for assigning 'CCC' category ratings, given the degree of financial stress, the negative level of credit enhancement for the class A2 and A3 notes, and the collateral performance, we consider that the class A2 and A3 notes are dependent upon favorable economic conditions to pay note interest and principal (see "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," published on Oct. 1, 2012). We have therefore affirmed our 'CCC (sf)' 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 the lack of excess spread in the transaction. Our ratings in Hipocat 11 address the timely payment of interest and ultimate principal during the transaction's life. We have therefore affirmed our 'D (sf)' ratings on the class B, C, and D notes in line with our criteria (see "Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings," published on Oct. 24, 2013).

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 price stabilization during 2017.

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named Caixa Catalunya and now part of BBVA) originated the pool, which 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

- 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
- 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 11 Following Application Of Updated Criteria, Nov. 18, 2014

RATINGS LIST

Class                      Rating

Hipocat 11, Fondo de Titulizacion de Activos  
€1.628 Billion Residential Mortgage-Backed Floating-Rate Notes

Rating Affirmed

A2	CCC (sf)
A3	CCC (sf)
B	D (sf)
C	D (sf)
D	D (sf)

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