

Otra Información Relevante de

HIPOCAT 8 FONDO DE TITULIZACIÓN DE ACTIVOS

En virtud de lo establecido en el Folleto Informativo de **HIPOCAT 8 FONDO DE TITULIZACIÓN DE ACTIVOS** (el “Fondo”) se comunica a la COMISIÓN NACIONAL DEL MERCADO DE VALORES la presente información relevante:

- La Agencia de Calificación **S&P Global Ratings (“S&P”)**, con fecha 30 de octubre de 2020, comunica que ha elevado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:
 - **Serie C: A (sf)** (anterior **BBB (sf)**)
 - **Serie D: BBB- (sf)** (anterior **B+ (sf)**)

Asimismo, S&P ha confirmado las calificaciones de las restantes Series de Bonos:

- **Serie A2: AAA (sf)**
- **Serie B: AAA (sf)**

Se adjunta la comunicación emitida por S&P.

Madrid, 23 de noviembre de 2020.

Hipocat 8 Class C And D Ratings Raised, Class A2 And B Ratings Affirmed Following Review

October 30, 2020

Overview

- Following our review of Hipocat 8, we have raised our ratings on the class C and D notes.
- At the same time, we have affirmed our ratings on the class A2 and B notes.
- Hipocat 8 is a Spanish RMBS transaction, which closed in May 2005 and securitizes first-ranking mortgage loans. Catalunya Banc, now part of BBVA (formerly named Catalunya Caixa), originated the pool, which comprises loans secured over owner-occupied properties, mainly located in Catalonia.

MADRID (S&P Global Ratings) Oct. 30, 2020--S&P Global Ratings today raised its credit ratings on Hipocat 8, Fondo de Titulizacion de Activos' class C and D notes to 'A (sf)' and 'BBB- (sf)', from 'BBB (sf)' and 'B+ (sf)', respectively. At the same time, we have affirmed our 'AAA (sf)' ratings on the class A2 and B notes.

Today's rating actions follow our full analysis of the most recent information that we have received and reflect the transaction's current structural features. Our review reflects the application of our relevant criteria (see "Related Criteria").

Our analysis also considers the transaction's sensitivity to the potential repercussions of the coronavirus outbreak. Of the pool, 4.05% has been granted payment holidays so far under the Spanish legal and sectorial moratorium schemes. In our analysis, we considered what could happen should these payment holidays become arrears in the future and the liquidity risk they could present. We also accounted for the notes' sensitivity to a 12-month increase in recovery timing from our standard assumption of 42 months.

As more than 83% of the pool is located in Catalonia, our recovery timing sensitivity also considered the potential effects of Catalanian Decree Law 17/2019, which is an amendment of the existing law 24/2015. Under this law, large dwelling holders are obligated to offer social rent leases for seven years before commencing foreclosure actions. Given the exposure to this region in this transaction, we have considered the transaction's sensitivity to an increase on recoveries up to 44 months after a payment default. We based this assumption on a delay of seven additional years on 5.7% of the pool. We will monitor this as part of our ongoing surveillance of the portfolio.

The analytical framework in our structured finance sovereign risk criteria assesses a security's ability to withstand a sovereign default scenario (see "Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions," published on Jan. 30, 2019).

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These criteria classify the transaction's sensitivity as low. Therefore, the highest rating that we can assign to the tranches in this transaction is six notches above the unsolicited sovereign rating on Spain, or 'AAA'.

On May 1, 2020, we revised our mortgage market outlook for Spain due to the updated macroeconomic expectations (see "Residential Mortgage Market Outlooks Updated For 13 European Jurisdictions Following Revised Economic Forecasts"). We therefore increased our base foreclosure frequencies in our analysis at the 'B' to 'AA+' ratings.

Since our previous rating action, our weighted-average foreclosure frequency assumptions have increased due to the increase in the original weighted-average loan-to-value (OLTV) ratio stemming from the amortization of loans with lower OLTV ratios, the slight increase in arrears, and the change in the base foreclosure frequencies (see "Rating Actions Taken On Spanish RMBS Transaction Hipocat 8 Following Review," published on May 29, 2019). However, this is partially offset by a decrease in the weighted-average loss severity assumptions, in turn due to the decreased current loan-to-value ratio but higher market value declines.

Table 1

Credit Analysis Results

Rating	WAFF (%)	WALS (%)	Credit coverage (%)
AAA	20.54	24.89	5.11
AA	14.56	19.50	2.84
A	11.22	12.03	1.35
BBB	8.62	8.29	0.71
BB	5.98	5.83	0.35
B	4.05	3.73	0.15

WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

Credit enhancement available in Hipocat 8 has increased since our previous review because:

- The sequential amortization of the notes; and
- The reserve fund has been replenished to its target level in September 2020. The reserve fund was fully depleted from December 2013 to January 2018 as it was used to provision for loans in foreclosure and in arrears over 18 months. Since then, it has been replenished to its target level.

Banco Bilbao Vizcaya Argentaria S.A. (BBVA; A-/Negative/A-2) has been the servicer of this pool of loans since September 2016. The transaction's performance has benefited over the last four years from BBVA's active servicing policies. The servicer continues to acquire repossessed properties from the fund. Cash flows from the sale of these properties contributed to the decrease in the amortization deficit. As of the September investor report, loan-level arrears of 90 days or more currently stand at 0.53%. Overall delinquencies remain well below our Spanish RMBS index (see "Spanish RMBS Index Report Q2 2020," published Sept. 8, 2020). The outstanding balance of defaults, defined as loans in arrears for a period equal to or greater than 18 months, and loans undergoing foreclosure proceedings represent 1.39% of the outstanding pool balance.

Interest on the class D notes is deferred if the outstanding balance of the class A2, B, and C notes less the available funds after payment of interest on the class D notes and the performing balance of the collateral is greater than zero. The interest deferral trigger for the class D notes is far from

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the trigger level and we do not expect that this level will be reached in the near term.

We have also applied our counterparty criteria (see "Counterparty Risk Framework: Methodology And Assumptions," published on March 8, 2019). BBVA provides the interest rate swap contract, which is in line with our previous counterparty criteria. As per our revised criteria, considering the collateral arrangement's enforceability, the maximum supported rating is 'A+', unless we delink our ratings on the notes from those on the counterparty. Our ratings on the class A2, B, and C notes are delinked from the swap counterparty.

BBVA, has a standardized, integrated, and centralized servicing platform. It is a servicer for many Spanish RMBS transactions, and all the securitizations in the Hipocat shelf have improved their performance since BBVA became their servicer. Currently, our rating on the class D notes is linked to our long-term issuer credit rating (ICR) on the servicer because in our cash flow analysis we exclude the application of a commingling loss at rating levels at and below the ICR on the servicer.

Our reassessment of the commingling risk considers that there is no incentive for borrowers to prepay if the servicer were to default and after being notified of its insolvency. We consider that this notification period will last one month. Therefore, we assume a 0% constant prepayment rate (CPR). In addition, we size the commingling loss amount based on the average monthly exposure of collections despite borrowers' payment concentrations. We believe it is unlikely that the servicer would go bankrupt at the same time a peak in collections occurs. As a result, we sized a total loss exposure of one month of total collections with no CPR.

The available credit enhancement for all classes of notes has increased since our previous reviews due to the increase of the reserve fund and the amortization of the class A2 notes. The transaction is currently paying sequentially. However, we expect that it will amortize pro rata on the December interest payment date if all the pro rata conditions are met.

Table 2

Available Credit Enhancement

Class	Current review (%)	Previous review (%)
A2	54.30	40.24
B	42.12	30.24
C	25.59	16.66
D	10.39	4.18

Following the application of our criteria, we have determined that our assigned ratings on all classes of notes in this transaction should be the lower of (i) the rating as capped by our sovereign risk criteria, (ii) the rating as capped by our counterparty criteria, or (iii) the rating that the class of notes can attain under our European residential loans criteria.

Our credit and cash flow results indicate that the credit enhancement available for the class A2 and class B notes is commensurate with our 'AAA' rating. We have therefore affirmed our 'AAA' (sf) ratings on the class A2 and B notes.

We have raised to 'A (sf)' from 'BBB (sf)' and to 'BBB- (sf)' from 'B+ (sf)' our ratings on the class C and D notes, respectively. These notes could withstand stresses at higher ratings under our credit and cash flow analysis due to the increased credit enhancement. The class D notes were also benefitted from our reassessment of commingling risk, sized now as a loss of one month of total collections with no CPR. However, we have limited our upgrades based on their position in the waterfall, the current deteriorating macroeconomic environment, and the risk that payment holidays could become arrears in the future.

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S&P Global Ratings acknowledges a high degree of uncertainty about the evolution of the coronavirus pandemic. The current consensus among health experts is that COVID-19 will remain a threat until a vaccine or effective treatment becomes widely available, which could be around mid-2021. We are using this assumption in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Related Criteria

- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Aug. 4, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- 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 Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- Criteria | Structured Finance | General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- Pandemic Won't Derail European Housing Price Rises, Oct. 20, 2020
- Spain Outlook Revised To Negative From Stable On Mounting Fiscal and Structural Challenges; Affirmed At 'A/A-1', Sept. 18, 2020
- Spanish RMBS Index Report Q2 2020, Sept. 8, 2020
- S&P Global Ratings Definitions, Aug. 8, 2020
- Banking Industry Country Risk Assessment: Spain, June 18, 2020
- Government Job Support Will Stem European Housing Market Price Falls, May 15, 2020

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- Residential Mortgage Market Outlooks Updated For 13 European Jurisdictions Following Revised Economic Forecasts, May 1, 2020
- Rating Actions Taken On Spanish RMBS Transaction Hipocat 8 Following Review, May 29, 2019
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 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

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