









05 OCT 2021

Fitch Takes Rating Action on 3 Spanish RMBS

Fitch Ratings - Madrid - 05 Oct 2021: Fitch Ratings has upgraded two tranches of Hipocat 7, FTA and one tranche of Hipocat 8, FTA, affirmed the others and removed two tranches from Rating Watch Positive (RWP). Fitch has also affirmed Bancaja 13, FTA. A full list of rating actions is below.

Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Hipocat 7, FTA			
• Class A2 LT ES0345783015	AAAsf 	Affirmed	AAAsf 
• Class B LT ES0345783023	AAAsf 	Affirmed	AAAsf 
• Class C LT ES0345783031	AAAsf 	Upgrade	AAsf 
• Class D LT ES0345783049	Asf 	Upgrade	A-sf 
Hipocat 8, FTA			

ENTITY/DEBT	RATING		RECOVERY	PRIOR
• Class A2 LT ES0345784013	A+sf		Affirmed	A+sf
• Class B LT ES0345784021	A+sf		Affirmed	A+sf
• Class C LT ES0345784039	A+sf		Affirmed	A+sf
• Class D LT ES0345784047	BBB-sf		Upgrade	BBsf
Bancaja 13, FTA				
• Class A LT ES0312847009	A+sf		Affirmed	A+sf

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Transaction Summary

The transactions comprise residential mortgages serviced by BBVA S.A. for the Hipocat deals (BBVA, BBB+/Stable/F2) and Caixabank S.A. for Bancaja 13 (Caixabank, BBB+/Stable/F2).

KEY RATING DRIVERS

Performance Outlook, Removal of Additional Stresses: The upgrades and removals from RWP mainly reflect the removal of the additional stresses in relation to the coronavirus outbreak and legal developments in Catalonia as announced on 22 July 2021 (see "Fitch Retires EMEA RMBS Coronavirus Additional Stress Scenario Analysis, Except UK Non-Conforming", "Fitch Retires Additional Stress Scenario Analysis for Spanish RMBS Linked to Catalonia Decree Law", and "Correction: Fitch Places or Maintains 121 EMEA RMBS Ratings on RWP on Additional Stress Scenario Retirement" at www.fitchratings.com).

All rating actions are based on the broadly stable asset performance outlook. This is driven by the low share of loans in arrears over 90 days (ranging between 0.3% and 0.8% of the current portfolio balance (CPB)) and the improved macro-economic outlook for Spain, as described in Fitch's latest Global Economic Outlook dated September 2021.

Rating Caps due to Counterparty Risks: Fitch views Hipocat 8 as exposed to payment interruption risk (PIR) in the event of a servicer disruption. Current liquidity sources are sufficient to cover senior fees, net swap payments and senior notes' interest during a minimum three months needed to implement alternative servicing arrangements. However, as the reserve fund can be drawn to cover credit losses, we believe its balance can be depleted in a stress scenario, as it has been in the past, and not be available to cover PIR. As a result, the notes' maximum achievable rating is in the 'Asf' category, in line with Fitch's Structured Finance and Covered Bonds Counterparty Rating Criteria.

Hipocat 7's class D notes' rating is capped at the long-term deposit rating (LT-DR) of the issuer's account bank provider (Société Générale; 'A /F1') because all the available credit enhancement (CE) for this class of notes is the reserve deposited with this entity. Hipocat 8's class D notes could also be capped for the same reason, but are currently rated below this level.

Bancaja 13's class A notes' rating is limited to 'A+sf' due to documented counterparty provisions. The replacement trigger on the account bank is set at 'BBB', which according to our Structured Finance and Covered Bonds Counterparty Criteria cannot support ratings in the 'AAsf' or above categories.

CE Trends: The rating actions reflect Fitch's view that the notes are sufficiently protected by CE to absorb the level of losses commensurate with prevailing and higher rating scenarios. We expect CE ratios for Hipocat 7 and Hipocat 8 to remain broadly stable in the short to medium term, due to the current pro-rata amortisation of the notes, and to increase after the mandatory switch to sequential once the portfolio balances fall below 10% of the initial amount (currently at 10.9% and 12.2%, respectively). For Bancaja 13, CE ratios could continue to increase in the short term as the transaction is currently amortising sequentially, due to the reserve fund being below its target (currently 70.2%).

Fitch's analysis of Hipocat 7 and Hipocat 8 is subject to a performance adjustment factor floor of 100%, reflecting the absence of data on outstanding defaults in the servicer's reporting between January 2017

and August 2018.

Regional Concentration: The portfolios are exposed to geographical concentration in the regions of Catalonia (between 62.9% and 81.4% of the CPB for the Hipocat deals) and Valencia (43.3% of CPB in Bancaja 13). In line with Fitch's European RMBS rating criteria, higher rating multiples are applied to the base foreclosure frequency assumption to the portion of the portfolios that exceeds two and a half times the population share of these regions relative to the national count.

ESG Considerations: Bancaja 13 has an Environmental, Social and Governance (ESG) Relevance Score of '5' for "Transaction Parties and Operational Risk" due to account bank eligibility thresholds, which has a negative impact on the credit profile, and is highly relevant to the rating, resulting in a downward adjustment to the ratings by at least one notch.

Hipocat 8 has an ESG Relevance Score of '5' for Transaction & Collateral Structure due to unmitigated payment interruption risk, which has a negative impact on the credit profile, and is highly relevant to the rating, resulting in a downward adjustment to the ratings by at least one notch.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/ downgrade:

- For Hipocat 7's class A and B notes, a downgrade of Spain's Long-Term Issuer Default Rating (IDR) that could decrease the maximum achievable rating for Spanish structured finance transactions. This is because these notes are rated at the maximum achievable rating, six notches above the sovereign IDR.
- For Hipocat 7's class D notes, a downgrade of Sociétés Générale LT-DR as it is the SPV account bank provider, and the notes' rating is capped at the bank's rating due to excessive counterparty risk exposure.
- Long-term asset performance deterioration such as increased delinquencies or larger defaults, which could be driven by changes to macroeconomic conditions, interest rate increases or borrower behavior.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Hipocat 7's class A, B and C notes are rated at the highest level on Fitch's scale and cannot be upgraded.
- For Hipocat 7's class D notes, an upgrade of Société Générale's LT-DR as the notes' rating is capped at the bank's rating due to excessive counterparty risk exposure to the account bank.
- For Hipocat 8's class D notes, CE ratios increase as the transactions deleverage, able to fully compensate the credit losses and cash flow stresses commensurate with higher rating scenarios, all else being equal.
- Hipocat 8's class A, B and C notes' ratings could be upgraded if improved liquidity protection fully

mitigates PIR. This is because the ratings are currently capped at 'A+sf' due to unmitigated PIR.

- Bancaja 13's senior notes' rating is limited to 'A+sf'. To be upgraded above this level, the contractual provisions for account bank replacement would need to be amended to a level commensurate with a higher rating. Fitch would also request an explicit commitment from the issuer to comply with the reviewed eligibility triggers.

Best/Worst Case Rating Scenario

International scale credit ratings of Structured Finance transactions have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of seven notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of seven notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAAsf' to 'Dsf'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

USE OF THIRD PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G -10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

DATA ADEQUACY

Bancaja 13, FTA, Hipocat 7, FTA, Hipocat 8, FTA

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pools and the transactions. Fitch has not reviewed the results of any third-party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Fitch did not undertake a review of the information provided about the underlying asset pools ahead of the transaction's initial closing. The subsequent performance of the transactions over the years is consistent with the agency's expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable.

Overall, and together with any assumptions referred to above, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Hipocat 7's class D notes are capped at Société Générale's LT-DR because they are exposed to excessive counterparty dependency risk. Although not currently at the cap, Hipocat 8's class D notes 'BBB-sf' rating is also limited by Société Générale's LT-DR for the same reason.

ESG Considerations

Bancaja 13 has an ESG Relevance Score of '5' for "Transaction Parties and Operational Risk" due to account bank eligibility thresholds, which has a negative impact on the credit profile, and is highly relevant to the rating, resulting in a downward adjustment to the ratings by at least one notch.

Hipocat 8 has an ESG Relevance Score of '5' for Transaction & Collateral Structure due to unmitigated payment interruption risk, which has a negative impact on the credit profile, and is highly relevant to the rating, resulting in a downward adjustment to the ratings by at least one notch.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

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Applicable Criteria

[European RMBS Rating Criteria \(pub.15 Sep 2021\) \(including rating assumption sensitivity\)](#)

[Global Structured Finance Rating Criteria \(pub.24 Mar 2021\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub.29 Jan 2020\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub.29 Jan 2020\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub.23 Sep 2020\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub.20 Sep 2021\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Multi-Asset Cash Flow Model, v2.11.0 [\(1\)](#)

ResiGlobal Model: Europe, v1.7.1 [\(1\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Bancaja 13, FTA EU Issued, UK Endorsed

Hipocat 7, FTA EU Issued, UK Endorsed

Hipocat 8, FTA EU Issued, UK Endorsed

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