

Various Rating Actions Taken On Hipocat 11's Spanish RMBS Notes Following Review

Primary Credit Analyst:

Rocio Romero, Madrid (34) 91-389-6968; rocio.romero@spglobal.com

Secondary Contact:

Isabel Plaza, Madrid (34) 91-788-7203; isabel.plaza@spglobal.com

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 raised our ratings on the class A2 and A3 notes, and affirmed our ratings on the class B, C, and D notes.
- Hipocat 11 is a Spanish RMBS transaction that closed in March 2007 and securitizes first-ranking mortgage credits.

MADRID (S&P Global Ratings) Nov. 8, 2018--S&P Global Ratings today raised its credit ratings on Hipocat 11, Fondo de Titulizacion de Activos' class A2 and A3 notes. At the same time, we affirmed our ratings on the class B, C, and D notes (see list below).

Today's rating actions follow the application of our relevant criteria and our full analysis of the most recent transaction information that we have received, and reflect the transaction's current structural features (see "Related Criteria"). We have also considered our updated outlook assumptions for the Spanish residential mortgage market (see "Outlook Assumptions For The Spanish Residential Mortgage Market," published on April 17, 2018).

Our structured finance ratings above the sovereign (RAS) criteria classify the

sensitivity of this transaction as moderate (see "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016). The highest rating that we can assign to the senior-most tranche in this transaction is six notches above the Spanish sovereign rating, or 'AAA (sf)', if certain conditions are met (see "Spain 'A-/A-2' Ratings Affirmed; Outlook Positive," published on Sept. 21, 2018). For all the other tranches, the highest rating that we can assign is four notches above the sovereign rating. However, our ratings assigned today are below the sovereign rating level, and, therefore, the application of our RAS criteria does not cap our ratings in this transaction.

Our European residential loans criteria, as applicable to Spanish residential loans, establish how our loan-level analysis incorporates our current opinion of the local market outlook (see "Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Aug. 4, 2017). Our current outlook for the Spanish housing and mortgage markets, as well as for the overall economy in Spain, is benign. Therefore, we revised our expected level of losses for an archetypal Spanish residential pool at the 'B' rating level to 0.9% from 1.6%, in line with table 87 of our European residential loans criteria, by lowering our foreclosure frequency assumption to 2.00% from 3.33% for the archetypal pool at the 'B' rating level (see "Guidance: Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on April 17, 2018).

After applying our European residential loans criteria to this transaction, the overall effect on our credit analysis results is a decrease in the required credit coverage for 'AA' to 'B' rating levels compared with our previous review, mainly driven by our revised foreclosure frequency assumptions, as well as the increase in seasoning and decrease in arrears levels.

Rating level	WAFF (%)	WALS (%)
AAA	27.14	43.8
AA	18.77	38.66
A	14.25	30.66
BBB	10.65	26.14
BB	7.14	22.96
B	4.39	20.01

WAFF--Weighted average foreclosure frequency.

WALS--Weighted average loss severity.

The available credit enhancement has increased since our previous review as the amortization deficit--i.e., the difference between accrued and paid principal--has decreased. As of July 2017, the amortization deficit was €137.48 million. That fell to €96.66 million in October 2018. The reserve fund is fully depleted as it was used to provision for loans in foreclosure and in arrears over 18 months. In September, the trustee, representing the fund, sold 123 repossessed properties, totaling €8.3 million. Cash flows from the sale of

these properties formed part of the October available distribution funds and contributed to the decrease in the amortization deficit. We consider this sale and related revenues to be an unusual occurrence in the transaction's life. In addition, according to the trustee, during 2017 and 2018, recoveries from defaulted assets narrowed the gap between assets and liabilities. Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) has been the servicer of this pool of loans since September 2016. The trustee confirmed that the transaction's performance has improved in the last couple of years due to the active servicing policies put in place by BBVA, as well as the improved general macroeconomic conditions, namely the unemployment rate decrease.

Following the application of our criteria, we have determined that our assigned ratings on the classes of notes in this transaction should be the lower of (i) the rating as capped by our RAS 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.

The application of our European residential loans criteria, including our updated credit figures and our cash flow analysis, indicates that our ratings on the class A2 and A3 notes could withstand our stresses at a higher rating level than those currently assigned. However, in reviewing our ratings on these classes of notes, in addition to applying our credit and cash flow analysis, we have considered their position in the capital structure and the current status of the amortization deficit, which although it has improved, it remains at €96.66 million. We have also considered the scope of the improved credit enhancement since our previous review, and have compared the available credit enhancement with other Hipocat transactions. We have therefore raised to 'BB (sf)' from 'CCC (sf)' our ratings on these classes of notes.

The class B and C notes continue to experience ongoing interest shortfalls because of interest deferral trigger breaches and the lack of excess spread in the transaction. The non asset-backed class D notes also suffer interest shortfalls due to the lack of excess spread. Our ratings in the transaction address the timely payment of interest and ultimate principal during its life (see "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.

Hipocat 11 is a Spanish residential mortgage-backed securities (RMBS) transaction that closed in March 2007 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

- 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: 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

- Spain 'A-/A-2' Ratings Affirmed; Outlook Positive, Sept. 21, 2018
- Ratings Affirmed In Spanish RMBS Transaction Hipocat 11 Following Review, Aug. 7, 2017
- 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

RATINGS RAISED

Hipocat 11, Fondo de Titulizacion de Activos

Class	Rating	
	To	From
A2	BB (sf)	CCC (sf)
A3	BB (sf)	CCC (sf)

RATINGS AFFIRMED

Hipocat 11, Fondo de Titulizacion de Activos

Various Rating Actions Taken On Hipocat 11's Spanish RMBS Notes Following Review

Class	Rating
B	D (sf)
C	D (sf)
D	D (sf)

Copyright © 2018 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.