

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 **Fitch Ratings** (“Fitch”), con fecha 15 de abril de 2019, comunica que ha elevado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:

- **Serie A2:** **Bsf**, perspectiva estable (anterior **CCCsf**, recobro estimado 95%)
- **Serie A3:** **Bsf**, perspectiva estable (anterior **CCCsf**, recobro estimado 95%)

Asimismo, Fitch ha confirmado las calificaciones asignadas a las restantes Series de Bonos:

- **Serie B:** **CCsf**, recobro estimado 0%
- **Serie C:** **CCsf**, recobro estimado 0%
- **Serie D:** **Csf**, recobro estimado 0%

Se adjunta la comunicación emitida por Fitch.

Madrid, 15 de abril de 2019.



Fitch Upgrades 9 Tranches of 4 Hipocat RMBS Deals; Affirms Others

Fitch Ratings-Madrid/London-15 April 2019: Fitch Ratings has upgraded nine tranches and affirmed 11 tranches of four Spanish Hipocat RMBS transactions. The Outlooks are Stable. A full list of rating actions is at the end of this rating action commentary.

The transactions comprise residential mortgages originated by Catalunya Banc S.A. (now part of Banco Bilbao Vizcaya Argentaria, S.A., (BBVA); A-/Stable/F2) and serviced by BBVA.

KEY RATING DRIVERS

Payment Interruption Risk Present

For Hipocat 9, the reserve fund has only recently started to increase and is still relatively low. For Hipocat 10 and Hipocat 11, the cash reserve funds are currently fully depleted. Therefore, the notes' ratings remain capped at 'A+sf' due to insufficient structural isolation from payment interruption risk.

For Hipocat 7, the cash reserve fund has a balance of EUR22 million and has been increasing steadily for the last 2.5 years. Although the cash reserve fund may be drawn in future to cover for defaults, three-month plus arrears are at their lowest level for more than 11 years. Fitch has not applied a rating cap, based on the expectation that funds will remain sufficient to provide sustainable coverage of payment interruption risk in the short to medium term.

Stable or Improving Credit Enhancement (CE)

Fitch expects CE to increase slightly as the transactions will continue to amortise sequentially as a result of the reserve funds being below target. The only transaction likely to switch to pro-rata payments in the near future is Hipocat 7. Fitch views these CE trends as sufficient to withstand the rating stresses, leading to the upgrades and affirmations. However, the negative CE for some tranches is a driver of the 'Cs' to 'CCCsf' ratings.

Stable Asset Performance

The rating actions reflect Fitch's expectation of stable credit trends, given the significant seasoning of the securitised portfolios of more than 15 years, the prevailing low interest rate environment and the Spanish macroeconomic outlook.

Three-month plus arrears (excluding defaults) as a percentage of the current pool balance remained below 1% for all deals. Cumulative default rates range from 3.8% (Hipocat 7), to 25.0% (Hipocat 11). The high amount of cumulative defaults is a consequence of the economic crisis affecting Spain and the related high unemployment figures. In recent years defaults have stabilised as a result of the improving macroeconomic situation in Spain.

Recoveries on Defaulted Receivables

The balances of outstanding defaulted receivables are quite substantial for all transactions, although all transactions have shown large decreases in outstanding defaults and PDL amounts since our last review. Fitch was provided with supplementary loan-level information on defaulted accounts to enable the calculation of recoveries, which are a main driver for Hipocat 9, 10 and 11.

For Hipocat 7 the balance of defaulted receivables totalled EUR18.9 million (prior year (PY) EUR24.4 million) and Fitch calculated a recovery rate of 28.3% for these foreclosed loans in our base case. For Hipocat 9 the balance of defaulted receivables totalled EUR28.1 million (PY EUR36.7 million) and a base case recovery rate of 21.0%. For Hipocat 10 the balance of defaulted receivables totalled EUR59.7 million (PY EUR83.4 million) and a base case recovery rate of 17.6%. For Hipocat 11 the balance of defaulted receivables totalled EUR93.1 million (PY EUR125.3 million) and a base case recovery rate of 11.2%.

Historical Recovery Rates below Expectations

We have observed lower than expected recovery rates for Hipocat 7, Hipocat 9 and Hipocat 10. This is reflected in our analysis by limiting some of the ratings to levels below the model-implied ones.

RATING SENSITIVITIES

For all notes rated below 'A+sf' ('AAAsf' for Hipocat 7), a timely and successful resolution of the existing defaulted receivables could have a positive rating impact.

A worsening of the Spanish macroeconomic environment, especially employment conditions, or an abrupt shift of interest rates could jeopardise the underlying borrowers' affordability. This could have negative rating implications, especially for junior tranches that are less protected by structural CE.

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

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

DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pool and the transaction. There were no findings that affected the rating analysis. 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 transactions' 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, Fitch's assessment of the asset pool information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

SOURCES OF INFORMATION

The information below was used in the analysis.

Loan-by-loan data sourced from European Data Warehouse as at December 2018.

Issuer and servicer reports provided by Europea de Titulizacion SGFT, S.A. up to January 2019.

Communications with the management company up to April 2019.

MODELS

The models below were used in the analysis. Click on the link for a description of the model.

ResiEMEA.

EMEA Cash Flow Model.

The rating actions are as follows:

HIPOCAT 7, FONDO DE TITULIZACION DE ACTIVOS

Class A2 (ISIN ES0345783015): upgraded to 'AAAsf' from 'AA+sf'; Outlook Stable

Class B (ISIN ES0345783023): upgraded to 'AAAsf' from 'AAsf'; Outlook Stable

Class C (ISIN ES0345783031): affirmed at 'A+sf'; Outlook Stable

Class D (ISIN ES0345783049): upgraded to 'BBB+sf' from 'BBBsf'; Outlook Stable

HIPOCAT 9, FONDO DE TITULIZACIóN DE ACTIVOS

Class A2a (ISIN ES0345721015): affirmed at 'A+sf'; Outlook Stable

Class A2b (ISIN ES0345721023): affirmed at 'A+sf'; Outlook Stable

Class B (ISIN ES0345721031): upgraded to 'A+sf' from 'Asf'; Outlook Stable

Class C (ISIN ES0345721049): upgraded to 'Asf' from 'BB+sf'; Outlook Stable

Class D (ISIN ES0345721056): upgraded to 'CCCsf' from 'CCsf'; RE revised to 90% from 80%

Class E (ISIN ES0345721064): affirmed at 'Csf'; RE 0%

HIPOCAT 10, FONDO DE TITULIZACION DE ACTIVOS

Class A2 (ISIN ES0345671012): affirmed at 'A+sf'; Outlook Stable

Class A3 (ISIN ES0345671020): affirmed at 'A+sf'; Outlook Stable

Class B (ISIN ES0345671046): upgraded to 'BB-sf' from 'Bsf'; Outlook Stable

Class C (ISIN ES0345671053): affirmed at 'CCsf' ; RE 0%

Class D (ISIN ES0345671061): affirmed at 'Csf'; RE 0%

HIPOCAT 11, FONDO DE TITULIZACION DE ACTIVOS

Class A2 (ISIN ES0345672010): upgraded to 'B sf' from 'CCCsf'; Outlook Stable

Class A3 (ISIN ES0345672028): upgraded to 'B sf' from 'CCCsf'; Outlook Stable

Class B (ISIN ES0345672036): affirmed at 'CCsf' ; RE 0%

Class C (ISIN ES0345672044): affirmed at 'CCsf' ; RE 0%

Class D (ISIN ES0345672051): affirmed at 'Csf'; RE 0%

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Applicable Criteria

European RMBS Rating Criteria (pub. 21 Dec 2018)

Fitch Ratings Interest Rate Stress Assumptions for Structured Finance and Covered Bonds (pub. 08 Mar 2019)

Global Structured Finance Rating Criteria (pub. 15 May 2018)

Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 01 Aug 2018)

Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (pub. 01 Aug 2018)

Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 23 Oct 2018)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 08 Mar 2019)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

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