

Rating Action: HIPOCAT 12, FTA

Moody's Downgrades Spanish RMBS Notes in 3 Hipocat Transactions

EUR 2.53 billion of debt securities affected

Madrid, April 02, 2009 -- Moody's Investors Service has today downgraded the ratings of:

- Classes A2, B, C and D issued by Hipocat 10, Fondo de Titulización de Activos (Hipocat 10),
- Classes A3, B, C and D issued by Hipocat 11, Fondo de Titulización de Activos (Hipocat 11) and
- All the notes issued by Hipocat 12, Fondo de Titulización de Activos (Hipocat 12).

A detailed list of the rating actions is provided at the end of this press release.

Today's rating actions were prompted by the worse-than-expected performance of the collateral backing the notes and Moody's methodology update for rating Spanish RMBS. As explained in the press release issued on July 2008 in relation to the methodology update, the refinements to Moody's Spanish MILAN model result in higher credit enhancement levels for Spanish RMBS pools, especially those with riskier features, such as higher loan-to-value ratios and higher-risk products. Hipocat 10, 11 and 12 were three of the transactions flagged by Moody's as having such features. Classes B, C and D of notes issued by Hipocat 10 and all the notes issued by Hipocat 11 and 12 were placed on review for possible downgrade on 23 July 2008. Today's actions conclude a detailed review of these transactions.

Hipocat 10, 11 and 12 -- which closed in July 2006, March 2007 and December 2007, respectively -- share some collateral and structural features. The notes of these transactions are backed by first-ranking mortgage loans secured on residential properties located in Spain, which were originated by Caixa Catalunya (A2/P-1), for an overall balance at closing of EUR 1.5 billion, EUR 1.6 billion and EUR 1.6 billion, respectively.

The portfolios are showing worse-than-expected collateral performance leading to above market average delinquencies. Both Hipocat 10 and Hipocat 11 have seen draws on their reserve funds, being at 89.92% and 99.69% of their required balance. Taking into account the cumulative amount of defaulted loans and applying a roll-rate and severity analysis on the rest of the portfolio, Moody's has increased its loss expectations for the three transactions, as detailed below. Moody's has also assessed updated loan-by-loan information for the outstanding portfolios to determine the increase in credit support consistent with target rating levels and the volatility of the distribution of future losses. As a result, Moody's has updated its MILAN Aaa credit enhancement (MILAN Aaa CE) assumptions for these transactions, as detailed below. The loss expectation and the Milan Aaa CE are the two key parameters used by Moody's to calibrate its loss distribution curve, which is one of the core inputs in the cash-flow model it uses to rate RMBS transactions. These updated assumptions reflect the collateral performance to date as well as Moody's expectations for these transactions, in the context of a weakening macro-economic environment in Spain.

For Hipocat 10, as of the last reporting date of January 2009, loans in arrears for 90 days or above, amounted to 4.48% of the current pool balance. Cumulative defaults amounted to 0.44% of the original pool balance. Moody's has raised its Milan Aaa CE to 14% and the portfolio's expected loss assumption to 1.80% (as a percentage of original pool balance). The current available credit enhancement for the most junior of the Aaa classes (including subordination and Reserve Fund) is equal to 11.09%.

For Hipocat 11, as of the last reporting date of January 2009, loans in arrears for 90 days or above, amounted to 7.95% of the current pool balance. Cumulative defaults amounted to 0.31% of the original pool balance. Moody's has raised its Milan Aaa CE to 18.5% and the portfolio's expected loss assumption to 2.30% (as a percentage of original pool balance). The current available credit enhancement for the most junior of the Aaa classes (including subordination and Reserve Fund) is equal to 10.72%.

For Hipocat 12, as of the last reporting date of January 2009, loans in arrears for 90 days or above, amounted to 7.98% of the current pool balance. Cumulative defaults amounted to 0.14% of the original pool balance. Moody's has raised its Milan Aaa CE to 19.5% and the portfolio's expected loss assumption to 3.00% (as a percentage of original pool balance). The current available credit enhancement for the Aaa class (including subordination and Reserve Fund) is equal to 12.37%.

The collateral backing the three transactions includes loans with high Loan-to-Value (LTV over 80%) ratios of 63.77%, 68.63% and 72.33% of the pool balance at closing (57.62%, 66.10% and 66.74% of the outstanding pool balance as of January 2009), respectively. The collateral portfolios also include a proportion of loans concentrated in the area of Catalonia (where Caixa Catalunya has its highest expertise) and Madrid. These concentrations are 69.31% and 12.90% for Hipocat 10, 69.77% and 12.72% for Hipocat 11 and 67.86% and 12.39% for Hipocat 12, as per the latest available reporting dates.

These deals consist in the securitisation of the first drawdown of a mortgage product which is structured like a line of credit. The product, named "Crédito Total" and granted to individuals resident in Spain, offers the possibility of (1) withdrawing additional funds as soon as the loan principal amortises, up to the minimum of the original LTV or 80% and (2) enjoying grace periods of interest and principal of no more than 12 consecutive months and for a maximum total of 36 months. The structure allows for principal to pay interest in case of a liquidity shortfall.

These transactions benefit from an interest rate swap to hedge interest rate risk, securing weighted-average interest rate on the notes plus 0.65% excess spread and covering the servicing fee in case of servicer replacement, over a notional equal to the daily average outstanding amount of the loans not more than 90 days in arrears - excluding loans in grace period up to 35%, 16% and 14% of pool balance respectively. CECA (Confederación Española de Cajas de Ahorros, Aa2/P-1) acts as swap counterparty for Hipocat 10 and Hipocat 11. Caixa Catalunya (A2/P-1) acts as swap counterparty for Hipocat 12.

The transactions include artificial write-off of loans (1) more than 18 months delinquent or (2) for which there are no expectations of them becoming current. This typical Spanish RMBS mechanism speeds up the off balance sheet treatment of a non-performing loan compared to waiting for the "natural write-off"; thus, the amount of notes collateralised by non-performing loans and, consequently, the negative carry, is minimised.

Hipocat 10 and Hipocat 11 provide for the amortization mode of the Class A notes to switch to pro rata subject to a performance trigger. For Hipocat 10, the trigger is breached if the outstanding balance of loans more than 18 months in arrears exceeds 25% of the initial pool balance. Outstanding balance of loans more than 18 months in arrears represented 0.15% of outstanding pool balance as of January 2009. In relation to Series A4, on every payment date starting from July 2008 and until April 2012 EUR 12.5 million are retained and deposited on an amortization account. A liquidity facility, provided by Calyon Spanish branch, is in place to ensure payment of this Series at its maturity date falling on April 2012. Before October 2009 available funds for Aaa Series repayment, after paying Series A4, will be used to amortise A2. From October 2009 onwards 50% of these available funds will be used to amortise A3 and 50% to amortise A2. Moody's expects that Class A4 and A3 will be redeemed before Class A2 and has therefore taken rating action only on Class A2 Notes.

For Hipocat 11 the pro-rata trigger for Aaa classes is breached if the ratio between (1) the outstanding balance of loans less than 90 days in arrears (increased by principal collections received during the period preceding the relevant payment date) and (2) the outstanding balance of Series A1, A2 and A3 is equal to or lower than 1. The ratio computed on the determination date falling on January 2009 was 1.04. Moody's expects this trigger either not to be breached or to cure overtime so that the Class A2 will be redeemed in priority to Class A3.

On 4 November 2008, the Spanish Government announced a package of aid to assist unemployed, self employed and pensioner borrowers through a form of mortgage subsidy aid. It is unclear how the transaction will be affected, although both liquidity and credit implications are possible on this portfolio. However, any implications on the ratings will ultimately depend on the actual financial aid conditions which are approved.

Moody's ratings address the expected loss posed to investors by the legal final maturity of the notes - - April 2012 for Series A4 and October 2039 for the other Classes of Hipocat 10, January 2047 for all Classes issued by Hipocat 11 and September 2047 for all Classes issued by Hipocat 12 -- Moody's ratings address only the credit risks associated with the transactions. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

Moody's monitors Hipocat 10, 11 and 12 as described in the reports: "Moody's Approach to Rating Spanish RMBS: The "Milan" Model", March 2005, "Moody's Updated Methodology for Rating Spanish RMBS", July 2008, and "Revising Default/Loss Assumptions Over the Life of an ABS/RMBS Transaction", December 2008. The latest rating actions on the notes issued by Hipocat 10, 11 and 12 were taken by Moody's on 23rd of July 2008. Moody's will continue to monitor closely the performance of these transactions.

LIST OF DETAILED RATING ACTIONS

Hipocat 10

- Series A2 Downgraded to Aa1 from Aaa; previously Assigned Aaa on July 6th 2006;

- Class B Downgraded to A2 from Aa2; previously on July 23th 2008 Placed Under Review for Possible Downgrade ;

- Class C Downgraded to Ba3 from Baa2; previously on July 23th 2008 Placed Under Review for Possible Downgrade ;

- Class D Downgraded to C from Caa3; previously on July 23th 2008 Placed Under Review for Possible Downgrade ;

Hipocat 11

- Series A2 confirmed at Aaa; previously on July 23th 2008 Placed Under Review for Possible Downgrade;

- Series A3 downgraded to Aa2 from Aaa; previously on July 23th 2008 Placed Under Review for Possible Downgrade ;

- Class B downgraded to Baa1 from Aa2; previously on July 23th 2008 Placed Under Review for Possible Downgrade ;

- Class C downgraded to B2 from Baa2; previously on July 23th 2008 Placed Under Review for Possible Downgrade ;

- Class D downgraded to C from Caa3 ; previously on July 23th 2008 Placed Under Review for Possible Downgrade ;

Hipocat 12

- Class A downgraded to Aa2 from Aaa; previously on July 23th 2008 Placed Under Review for Possible Downgrade ;

- Class B downgraded to Baa2 from Aa3; previously on July 23th 2008 Placed Under Review for Possible Downgrade ;

- Class C downgraded to B3 from Baa3; previously on July 23th 2008 Placed Under Review for Possible Downgrade ;

- Class D downgraded to C from Ca; previously on July 23th 2008 Placed Under Review for Possible Downgrade ;

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