

**Hecho Relevante de**

**HIPOCAT 11 Fondo de Titulización de Activos**

En virtud de lo establecido en el apartado 4.1.4 del Módulo Adicional a la Nota de Valores del Folleto Informativo de **HIPOCAT 11 Fondo de Titulización de Activos** se comunica a la COMISIÓN NACIONAL DEL MERCADO DE VALORES el presente hecho relevante:

- La Agencia de Calificación **Fitch Ratings**, con fecha 11 de julio de 2011, comunica que ha bajado la calificación asignada a las siguientes Series de Bonos emitidos por **HIPOCAT 11 Fondo de Titulización de Activos**:

- **Serie A2 :**     **BBB**    (anterior A)
- **Serie A3:**     **BBB**    (anterior A)
- **Serie B:**      **B**        (anterior BB)
- **Serie C:**      **CC**     (anterior CCC)

- La Agencia de Calificación **Fitch Ratings**, con fecha 11 de julio de 2011, comunica que ha afirmado la calificación asignada a las siguiente Serie de Bonos emitidos por **HIPOCAT 11 Fondo de Titulización de Activos**:

- **Serie D:**       **C**       (anterior C )

Adjuntamos las comunicaciones emitidas por Fitch Ratings.

Barcelona, 19 de julio de 2011

Carles Fruns Moncunill  
*Director General*

## **FITCH TAKES VARIOUS RATING ACTIONS ON HIPOCAT RMBS SERIES**

Fitch Ratings-London/Madrid-11 July 2011: Fitch Ratings has downgraded 16 and affirmed 17 tranches of Hipocat, a series of 11 Spanish RMBS transactions. The agency has removed the Rating Watch Negative (RWN) from 33 tranches. Meanwhile, the RWN has been maintained on seven tranches pending implementation of appropriate structural features to mitigate the payment interruption risk that would arise should Caixa d'Estalvis de Catalunya, Tarragona i Manresa (CatalunyaCaixa; not rated) default. A full list of rating actions is available at [www.fitchratings.com](http://www.fitchratings.com) or by clicking on the link above.

The ratings of ten Hipocat transactions were placed on RWN on 29 October 2010, as Fitch had concerns over counterparty exposure. CatalunyaCaixa, which is not a Fitch-rated entity, acts as collection account bank in all transactions, as well as the interest rate swap provider in the earlier transactions in the series (Hipocat 3 to 6). CatalunyaCaixa also acted as the interest rate swap provider in Hipocat 16 and is currently being replaced.

The rating actions outlined above follow Fitch's assessment of the performance to date, the counterparty exposure and the structural features in place that could ultimately be used to mitigate any interruption to payments resulting from a "jump-to-default" event of CatalunyaCaixa. The various rating actions taken on the transactions mainly reflect the varied performance trends seen across the series.

### **Hipocat 3 to 6**

These more seasoned Hipocat transactions have de-leveraged significantly since transaction close, with pool factors ranging from 7.8% in Hipocat 3 to 29.1% in Hipocat 6. Historically, these transactions have performed within Fitch's initial expectations. Cumulative write-offs in these transactions are at below 0.4% of the initial portfolio, and losses reported by the gestora (CX Titulizacion), are less than 0.1% of the original pools. The majority of loans in the portfolio are linked to IPRH/IRPC, which has historically been higher than the three-month Euribor rate to which the notes are linked. As CatalunyaCaixa, which acts as the swap provider in these deals, is no longer deemed an eligible counterparty under Fitch's structured finance counterparty criteria, the transactions have been modelled without a swap in place. The analysis showed that the rated notes have built-up sufficient credit support to withstand the stresses applied, which is why the rating on the notes have been affirmed.

The low levels of defaults and sufficient levels of excess spread generated by the four transactions mean that Fitch considers it unlikely that the reserve funds in Hipocat 3 to 6 will be utilised towards provisioning for defaults. For this reason, the agency believes that the reserve funds in these deals would be sufficient to mitigate any payment interruption following the default of the servicer. Should the issuers start utilising the reserve funds towards provisioning or for the purpose of covering other revenue shortfalls, Fitch may decide to take rating actions as it deems necessary.

Fitch notes that Banco de Sabadell ('A-/Negative/'F2') acts as the issuer account bank and paying agent in Hipocat 3 to 6 and Hipocat 16. Following the recent downgrade of Banco de Sabadell, the bank is no longer considered to be an eligible counterparty under Fitch's criteria. Fitch understands that the gestora has been actively monitoring the implications of the downgrade of the counterparty and is seeking mitigants to the risk.

### **Hipocat 7 to 9**

Compared to Hipocat 3 to 6, the performance of the underlying portfolios of Hipocat 7 to 9 has been weaker. As of May 2011, loans in arrears by more than three months stood between 0.77% (Hipocat 7) and 1% (Hipocat 8) of the current portfolio, compared to less than 0.55% in the more seasoned Hipocat deals. The weaker performance of the loans is also reflected in slightly higher

to other Spanish RMBS transactions, are attributed to the high seasoning of the underlying loans. In Hipocat 7, 8 and 9, the higher volumes of defaults have resulted in reserve fund draws, which are now being replenished. In the case of Hipocat 7, the reserve fund is expected to reach its target amount on the interest payment date (IPD) in July 2011.

The underlying assets in the Hipocat series are credit lines granted to borrowers. In most of the Fitch-rated deals in the series, except Hipocat 16 and 20, only the first drawdowns have been securitised. This type of loan features an option for the borrower to enter into a grace period on both their interest and principal payments. The grace period is up to five times and may not exceed 36 months. The maximum time period during which a loan can be in grace period is 12 months and each such period cannot be taken consecutively. Based on the information available in the investor reports for Hipocat 7 to 9, the portion and volume of loans currently in grace period is significantly higher than that seen in the more seasoned transactions. These loans make up between 4.4% and 7.3% of the current portfolios of Hipocat 8 and Hipocat 9, respectively. Fitch views such borrowers as being of weaker quality compared to the obligors that are currently performing. In its analysis, the agency assumed higher default probabilities on such loans, which, combined with the reserve fund draws in Hipocat 8 and 9, resulted in the downgrade of the class D notes of Hipocat 8 and the class B, C and D notes of Hipocat 9.

As Fitch's analysis shows there is a high likelihood of the reserve funds being further utilised in Hipocat 7 to 9 for the purpose of provisioning for defaulted loans, the agency is of the view that such reserves cannot be counted upon to mitigate potential commingling and payment interruption risk. For this reason, the agency is maintaining the RWN on notes rated above 'Asf'. Fitch understands that the gestora of these deals is looking to mitigate such risks in line with the agency's structured finance counterparty criteria. The agency will resolve the RWN once final mitigants have been established.

#### Hipocat 10 and 11

The performance of the transactions that closed in 2006 and 2007, Hipocat 10 and Hipocat 11, remains worse than Fitch's initial expectations. Both transactions have fully depleted reserve funds and outstanding principal deficiency ledgers as a result of high default levels, which as of May 2011 stood at 9.4% (Hipocat 10) and 15.4% (Hipocat 11) of the initial pools. The weaker quality of the loans in these portfolios is also reflected in the number of loan modifications. According to the information received from the gestora, 16.4% and 27.6% of the current portfolios of Hipocat 10 and 11 have been subject to a reduction in loan margin. For loans identified as being in arrears these numbers are at 18.6% and 27.1%. As of April 2011, the technical principal deficiency ledgers stood at 0.7% (Hipocat 10) and 7.4% (Hipocat 11) of the current note balances. These balances have declined since their peak in January 2011. However, Fitch has concerns over the ability of the deals to generate sufficient cash flow to fully clear these amounts. In Fitch's opinion, the ability of the deals to generate excess spread will come under additional pressure once interest rates revert to higher levels and so borrower affordability declines.

Although in recent months the arrears have stabilised in the two deals, large portions of borrowers are currently in a grace period, particularly in Hipocat 10 (8.5% of the current pool). Fitch believes that these loans are likely to enter into arrears once they roll off their grace period and eventually some may roll-through to default. For this reason, the agency applied more conservative default assumptions for such loans.

Fitch also recognises that most of the recoveries seen in the transactions to date are a result of CatalunyaCaixa's active role in repurchasing repossessed properties, limiting the volume of losses generated, in these deals; however the pipeline of outstanding defaults remains high. Given the current market conditions, Fitch believes the purchase of properties may not be sustained for the long term. Without CatalunyaCaixa's ongoing intervention, recoveries are likely to take longer to achieve and be at a lower level than seen to date. As a result the ratings on the senior, mezzanine and junior tranches have been downgraded.

On each IPD since July 2008, EUR12.5m of principal proceeds from the portfolio backing Hipocat 10 has been placed in an account held with Caja de Ahorros y Pensiones de Barcelona (la Caixa;

maturity in April 2012. Should collected funds be insufficient to meet the bullet payment, the issuer will be able to draw funds from a credit line provided by Calyon (not rated). Over the past three quarters, the volume of principal proceeds received from borrowers has declined significantly. It is therefore possible that the principal collections over the next four periods will be insufficient to cover the remaining EUR50m needed to make the bullet payment in April 2012, necessitating a drawing on the credit line. For this reason the rating of Hipocat 10's class A4 notes has been downgraded to 'AA-sf', in line with the rating of Calyon's parent company Credit Agricole. The full utilisation of the reserve fund in Hipocat 10 and the absence of other structural features that could mitigate the commingling exposure and payment interruption risk leave the notes exposed to the potential "jump-to-default" of CatalunyaCaixa. For this reason Fitch maintains the RWN on the class A4 notes.

#### Hipocat 16

The downgrade of the capital structure in Hipocat 16 was driven by the low levels of credit support available to the rated tranches compared to levels seen in the earlier transactions. Although the performance to date has been within Fitch's initial expectations, the historical performance of the more seasoned loans with similar portfolio characteristics has shown weaker performance in times of stress. In Fitch's view, the current macro-economic environment in Spain remains uncertain, and the agency has therefore taken a more cautious view on this deal.

The information received from the gestora indicates that 6.3% of the current portfolio has been subject to a reduction in loan margins. Although some of the margin reduction is driven by cross-selling bank products, Fitch is concerned that 5.6% of the borrowers have struggled to meet their payments despite a reduction in payments.

At present, the low levels of arrears indicate that the pipeline of future defaults are expected to remain within levels seen to date. At present, Fitch does not expect the reserve fund to be utilised towards provisioning for defaulted loans. Similar to Hipocat 3 to 6, Fitch believes that Hipocat 16's reserve fund will be sufficient to mitigate any payment interruption following the default of CatalunyaCaixa. Should there be a notable increase in period defaults, causing the issuer to utilise its reserve fund towards provisioning or for the purpose of covering other revenue shortfalls, Fitch may decide to take rating actions as it deems necessary.

#### Hipocat 20

The transaction closed in June 2010, and has shown good performance to date. The senior notes in this transaction have sufficient subordination (37.5%), provided by the subordinated loan and the reserve fund. The transaction also has a commingling reserve in place, held with Banco Espanol de Credito S.A. (Banesto; 'AA'/Stable/'F1+'). The good asset performance to date, along with the sufficient level of credit enhancement of the class A notes has resulted in the affirmation of the senior notes' ratings.

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Sources of information - in addition to those mentioned in the applicable criteria, the sources of information used to assess the ratings were Investor Reports and servicer reports contain information on loan modifications, write-offs and recoveries.

Applicable criteria, 'EMEA Residential Mortgage Loss Criteria' dated 7 June 2011, and 'EMEA Residential Mortgage Loss Criteria Addendum - Spain', dated 23 February 2010 are available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research: Fitch Takes Various Rating Actions on Hipocat Series  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=645390](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=645390)

EMEA Residential Mortgage Loss Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=631130](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=631130)

EMEA Residential Mortgage Loss Criteria Addendum - Spain

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=500764](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=500764)

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**RATING WATCH MAINTAINED**



**Fitch Takes Various Rating Actions on the Hipocat Series**

Deal Legal Name	Class	ISIN	Prior Rating	Prior Severity/ Recovery Rating	Prior Rating Watch/Outlook	Rating Action	New Rating	Loss Severity/ Recovery Rating	Rating Watch / Outlook	Rating Action Effective Date	Loss Coverage Ratios (LCR)*	Expected Loss (XL) Current Bal.
Hipocat 11, Fondo de Titulizacion de Activos	Class A2	ES0345672010	Asf	LS1	Rating Watch Negative	Downgrade	BBBsf	LS1	Rating Outlook Negative	11 jul 2011		
Hipocat 11, Fondo de Titulizacion de Activos	Class A3	ES0345672028	Asf	LS1	Rating Watch Negative	Downgrade	BBBsf	LS1	Rating Outlook Negative	11 jul 2011		
Hipocat 11, Fondo de Titulizacion de Activos	Class B	ES0345672036	BBsf	LS4	Rating Watch Negative	Downgrade	Bsf	LS3	Rating Outlook Negative	11 jul 2011		
Hipocat 11, Fondo de Titulizacion de Activos	Class C	ES0345672044	CCCsfsf	RR5	Downgrade	Downgrade	CCsfsf	RR5	Rating Outlook Negative	11 jul 2011		
Hipocat 11, Fondo de Titulizacion de Activos	Class D	ES0345672051	Csf	RR6	Affirmed	Affirmed	Csf	RR6		11 jul 2011		

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