Europea de Titulización
Sociedad Gestora de Fondos de Titulización

<u>Hecho Relevante de</u> **<u>HIPOCAT 11 FONDO DE TITULIZACIÓN DE ACTIVOS</u>**

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 **Moody´s Investors Service** ("**Moody´s**"), con fecha 26 de noviembre de 2019, comunica que ha elevado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:

- **Serie A2**: **A1 sf** (anterior **B2 sf**)
- **Serie A3**: **Aa1 sf** (anterior **B2 sf**)

Se adjunta la comunicación emitida por Moody´s.

Madrid, 27 de noviembre de 2019.

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades the ratings of two tranches in HIPOCAT 11, FTA, Spanish RMBS transaction

26 Nov 2019

Madrid, November 26, 2019 -- Moody's Investors Service ("Moody's") has today upgraded ratings of two Classes of Notes of HIPOCAT 11, FTA. The rating action reflects the material reduction in unpaid Principal Deficiency Ledger ("PDL") driven by, amongst others, unexpected receipt of recoveries from previously defaulted collateral, contributing to an increase in credit enhancement for the affected Notes, and better than expected collateral performance.

Issuer: HIPOCAT 11, FTA

....EUR 1083.2M Class A2 Notes, Upgraded to A1 (sf); previously on Feb 25, 2015 Downgraded to B2 (sf)

....EUR 200M Class A3 Notes, Upgraded to Aa1 (sf); previously on Feb 25, 2015 Downgraded to B2 (sf)

RATINGS RATIONALE

The rating action reflects the material reduction in unpaid PDL driven by, amongst others, unexpected receipt of recoveries from previously defaulted collateral, contributing to an increase in credit enhancement for the affected Notes, and better than expected collateral performance.

Material reduction in unpaid PDL and increase in Available Credit Enhancement:

The unpaid PDL has decreased to EUR 72.4 million as of October 2019 from EUR 114.3 million since the last rating action in February 2015. The PDL reached its peak in October 2016 at EUR 138.72 million and has been decreasing since then, resulting in the Class A Notes no longer being undercollateralized since April 2018. In the past 12 months alone, the PDL has decreased by EUR 24.2 million. The transaction has benefited from unexpected receipt of recoveries from previously defaulted collateral in addition to standard recoveries. In July 2019, for example, the transaction reported EUR 14.1 million additional available funds.

Deleveraging and PDL reduction has led to the increase in the credit enhancement available for the Class A Notes to 16.5% as a percentage of the performing pool balance, from 0.49% as of the last rating action. The credit enhancement of Class A Notes has increased by 9.8% since October 2018.

Since July 2018, when the Class A pro rata trigger was cured, cash for Notes amortization has been continuously applied 75.0% to Class A3 Notes and 25.0% to Class A2 Notes. The trigger level as of the last payment date in October 2019 stands at 1.18 compared to the trigger condition of 1. We expect the rate of pool amortization observed in the recent payment periods to continue, limiting the exposure of the Class A3 Notes to long term pool performance.

Revision of Key Collateral Assumptions:

As part of the rating action, Moody's reassessed its lifetime loss expectation for the portfolio reflecting its collateral performances to date. The expected loss assumption as a percentage of original pool balance was lowered to 15.1% from 15.38%. The pool factor as of October 2019 is 16.8%.

Moody's also assessed loan-by-loan information as part of its detailed transaction review to determine the credit support consistent with target rating levels and the volatility of future losses. The MILAN credit enhancement assumption was reduced to 22.5% from 25.3%.

The principal methodology used in these ratings was "Moody's Approach to Rating RMBS Using the MILAN Framework" published in July 2019. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

The analysis undertaken by Moody's at the initial assignment of ratings for RMBS securities may focus on aspects that become less relevant or typically remain unchanged during the surveillance stage. Please see "Moody's Approach to Rating RMBS Using the MILAN Framework" for further information on Moody's analysis at the initial rating assignment and the on-going surveillance in RMBS.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors or circumstances that could lead to an upgrade of the ratings include: (1) a decrease in sovereign risk; (2) performance of the underlying collateral that is better than Moody's expected; (3) an increase in available credit enhancement; and (4) improvements in the credit quality of the transaction counterparties.

Factors or circumstances that could lead to a downgrade of the ratings include: (1) an increase in sovereign risk; (2) performance of the underlying collateral that is worse than Moody's expected; (3) deterioration in available credit enhancement; and (4) deterioration in the credit quality of the transaction counterparties.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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