Europea de Titulización
Sociedad Gestora de Fondos de Titulización

Hecho Relevante de BANCAJA 7 FONDO DE TITULIZACIÓN DE ACTIVOS

En virtud de lo establecido en el Folleto Informativo de **BANCAJA 7 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 **Standard & Poor's Ratings Services** ("**S&P**"), con fecha 16 de julio de 2014, comunica que ha rebajado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:
  - **Serie B**: **A+ (sf)** (anterior **AA- (sf)**)
  - **Serie C**: **BBB- (sf)** (anterior **BBB (sf)**)
  - **Serie D**: **B+ (sf)** (anterior **BB (sf)**)

  Asimismo, S&P ha confirmado la calificación asignada a la restante Serie de Bonos:
  - **Serie A2**: **AA (sf)**

  Se adjunta la comunicación emitida por S&P.

Madrid, 16 de julio de 2014.

Mario Masiá Vicente
Director General

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

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Ratings Lowered On Bancaja 7's Junior Spanish RMBS Notes Due To Weaker Credit Enhancement; Class A2 Rating Affirmed

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OVERVIEW

- Today's rating actions take into account Bancaja 7's recent performance, structural features, and counterparty and sovereign risk.
- Based on our review of the above factors, we have lowered our ratings on the class B, C, and D notes, and have affirmed our rating on the class A2 notes.
- Bancaja 7 is a Spanish RMBS transaction originated by Bancaja (now merged with Bankia) that closed in July 2004.

MADRID (Standard & Poor's) July 16, 2014--Standard & Poor's Ratings Services today lowered its credit ratings on Bancaja 7 Fondo de Titulizacion de Activos' class B, C, and D notes. At the same time, we have affirmed our 'AA (sf)' rating on the class A2 notes (see list below).

Today's rating actions follow our assessment of the collateral's credit quality, the transaction structure's robustness, and the counterparty and sovereign risk that the transaction is exposed to. We have used the latest available portfolio and structural features information from the May 2014 trustee investor report.

Arrears of more than 90 days have declined to 1.28% in May 2014 from 1.82% of the outstanding pool balance in May 2013. However, defaulted loans (defined in this transaction as loans that are delinquent for 18 months or longer) have increased to 1.70% in May 2014 from 0.82% of the outstanding pool balance in May 2013.

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This has resulted in the partial depletion of the reserve fund. At closing, the reserve was set at 0.85% of the issuance balance and it is currently at 72.1% of its required level--after the issuer started using it for the first time in May 2013. The reserve fund covers potential interest shortfalls and principal losses for the class A2, B, C, and D notes.

Because the transaction is highly seasoned (10 years), the use of the reserve fund, at this stage of its life, has eroded the available credit enhancement. Currently, if we take into account the cash available in the transaction, which includes the performing balance of the loans that are up to 90 days in arrears, the available credit enhancement would be 10.47%, 5.21%, 1.99%, and -0.18% for the class A2, B, C, and D notes, respectively. This compares with the amounts at closing of 4.92%, 2.82%, 1.57%, and 0.72% for the class A2, B, C, and D notes, respectively. Consequently, the subordinated notes are now more sensitive to the stresses that we apply in our analysis. As a result, we have lowered our ratings on the class B, C, and D notes.

The transaction has a trigger system based on the level of available funds so that in a stressful economic environment, the more senior notes are amortized before the interest payment on the subordinated classes of notes. Given the transaction's historical performance, we don't expect it to breach interest deferral triggers during its remaining life.

In December 2008, the trustee entered into an interest swap agreement with Credit Suisse International (A/Negative/A-1), which does not comply with our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). The swap provider pays to the issuer three-month Euro Interbank Offered Rate (EURIBOR), plus the weighted-average margin of the class A2, B, C, and D notes, and a guaranteed margin of 55 basis points.

Under our current counterparty criteria, the class A2, B, C, and D notes cannot achieve a rating higher than our long-term issuer credit rating (ICR) on the swap counterparty plus one notch--when relying on the support provided by the swap agreement. As a result, the maximum rating that the notes can achieve in that case is 'A+'.

We conducted our cash flow analysis assuming that the transaction does not benefit from any support from the interest rate swap provider to see if the ratings on the notes could be delinked from the ICR on the swap counterparty. In this scenario, only the class A2 and B notes are able to achieve a higher (class A2 notes) or the same (class B notes) rating than our long-term ICR on Credit Suisse International plus one notch.

Bancaja 7 is also exposed to country risk as all of the securitized assets are in Spain. Based on our classification of underlying assets in this transaction as having low country risk exposure in accordance with our nonsovereign ratings criteria, the maximum rating differential between the long-term rating on the Kingdom of Spain (BBB/Stable/A-2) and our ratings in this transaction is up to six notches (see "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published on June 14, 2011). We have therefore affirmed our 'AA (sf)' rating on the class A2 notes as, from a credit and cashflow point of view, it is commensurate with a 'AAA (sf)' rating, but our nonsovereign ratings criteria cap it at six notches above the sovereign.

Bancaja 7 is a Spanish residential mortgage-backed securities (RMBS) transaction that closed in July 2004. It securitizes a portfolio of residential mortgage loans, originated between 1997 and 2004. The loans are secured over Spanish properties, mainly in Valencia (43.92% of the balance of the outstanding pool). Bancaja (Caja de Ahorros de Valencia, Castellón, y Alicante) (now part of Bankia S.A.) originated the underlying loans. Bankia, which was formed in December 2010 as a result of the union of seven Spanish financial institutions, is now the transaction's servicer.

STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at http://standardandpoorsdisclosure-17g7.com
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RELATED CRITERIA AND RESEARCH

Related Criteria

- Europe Asset Isolation And Special-Purpose Entity Criteria, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Methodology And Assumptions: Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities, Jan. 6, 2009
- Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Cash Flow Criteria for European RMBS Transactions, Nov. 20, 2003
- Criteria for Rating Spanish Residential Mortgage-Backed Securities, March 1, 2002

Related Research

- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- Spanish RMBS Index Report Q1 2014: Collateral Performance Continues To Deteriorate Despite Signs Of Economic Recovery, June 6, 2014
- Ratings Raised On 62 Tranches In 48 Spanish Securitizations Following Sovereign Upgrade, June 5, 2014
- European Economic Outlook: Out Of Recession, Back In The Slow Lane, March 21, 2014
- Request for Comment: Italy And Spain RMBS Methodology And Assumptions, Oct. 28, 2013
- Request for Comment: Methodology And Assumptions For Ratings Above The Sovereign--Single Jurisdiction Structured Finance, Oct. 14, 2013

RATINGS LIST

Class	Rating To	Rating From

Bancaja 7 Fondo de Titulizacion de Activos
€1.9 Billion Mortgage-Backed Floating-Rate Notes

Rating Affirmed

A2	AA (sf)	

Ratings Lowered

B	A+ (sf)	AA- (sf)
C	BBB- (sf)	BBB (sf)
D	B+ (sf)	BB (sf)

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