

## Various Rating Actions Taken On Bancaja 10 And Bancaja 11's Spanish RMBS Notes Following Review

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### OVERVIEW

- Since our last review, we have observed a gradual but continued deterioration in the performance of the collateral pools backing Bancaja 10 and 11, and certain weaknesses in some of the transactions' structural features.
- Additionally, on Nov. 29, 2011, we lowered our rating on JPMorgan Chase Bank, the swap counterparty in Bancaja 10.
- Following our credit and cash flow analysis of the most recent information we hold on these transaction, and taking into account our counterparty criteria, we have lowered and affirmed various ratings in these transactions.
- Bancaja originated and currently services the loans backing these Spanish RMBS transactions, which closed in January 2007 and July 2007, respectively.

MADRID (Standard & Poor's) March 15, 2012--Standard & Poor's Ratings Services today took various credit rating actions in Bancaja 10, Fondo de Titulización de Activos and Bancaja 11, Fondo de Titulización de Activos.

Specifically, we have:

- In Bancaja 10, lowered our ratings on the class A3, C, and D notes, and affirmed our ratings on the class A2, B, and E notes; and
- In Bancaja 11, lowered our ratings on the class A2, A3, B, C, and D notes, and affirmed our rating on the class E notes.

Today's rating actions follow our credit and cash flow analysis of the most

recent transaction information that we have received from the trustee, and the application of our 2010 counterparty criteria (see "Counterparty And Supporting Obligations Methodology And Assumptions," published on Dec. 6, 2010). We have taken these rating actions based on the performance of the underlying mortgage pools, the structural features in these transactions, the continuing Spanish house price index decline, our outlook for the Spanish residential mortgage-backed securities (RMBS) sector, and our Nov. 29, 2011 downgrade of JPMorgan Chase Bank N.A. (A+/Stable/A-1), which is the swap counterparty in Bancaja 10 (see "Standard & Poor's Applies Its Revised Bank Criteria To 37 Of The Largest Rated Banks And Certain Subsidiaries").

Bancaja 10 and 11 are Spanish RMBS transactions backed by pools of first-ranking mortgages secured over owner-occupied residential properties in Spain. Bancaja (Caja de Ahorros de Valencia, Castellon y Alicante) originated the mortgage loans.

Although the credit quality deterioration observed is slower for both pools than in previous years, we have observed slow but persistent weakening in the credit quality of the underlying portfolios backing Bancaja 10 and 11. The balance of loans in arrears for 90 days, but not yet considered as defaulted (defined as 18 months in arrears in these transactions), did not show a significant deterioration during the past 12 months. As of the latest investor report as of February 2012, they represented 3.36% and 3.48%, respectively, of the current pool balance for Bancaja 10 and 11. However, the levels of defaulted loans have increased, to 5.15% and 5.62% on a cumulative basis, over the original portfolio balance securitized at closing, representing a year-on-year increase of 14.19% and 14.23%, respectively.

In line with the decline of the Spanish economy, residential houses prices have suffered a deterioration of 7.11% year-on-year, according to the data we published in our Q4 2011 Spanish house price index. The performance indicators and our outlook for the Spanish RMBS sector suggest to us that delinquencies and defaults are likely to increase in the coming quarters. We believe that the current outlook for the Spanish RMBS sector could foster this process. In addition, the levels of severe delinquencies and defaults in these two transactions are still higher than in many similar rated transactions in the market, and other series from the same originator.

Both transactions feature a structural mechanism that traps excess spread to provide protection from defaults to more senior classes of notes. When the balance of cumulative defaulted loans reaches a certain percentage of the initial collateral balance, these structural mechanisms alter the priority of payments, so as to shut off interest payments to the class of notes related to that trigger. The trustee informed us that, as of the end of February 2012, these ratios were 5.15% and 5.62% in Bancaja 10 and 11, versus trigger levels of 5.70% and 5.62% for the class D notes. Today's rating actions on the class D notes in both transactions reflect the proximity of the interest-deferral triggers and our rating definition of these affected classes. We expect to lower our rating on the class D notes in Bancaja 11 to 'D (sf)' on the April 2012 payment date, as it is already at the threshold level.

Both transactions also benefit from reserve funds, funded at issuance with the proceeds of the class E notes. The current reserve funds represent less than their respective required levels. As of Bancaja 10 and 11's latest payment dates on Feb. 22, 2012, and Jan. 27, 2012, respectively, the reserve funds represented 0.59% of the outstanding balance of Bancaja 10 notes--which translates to 29.19% of their required levels--and in Bancaja 11, the reserve fund has been fully depleted since the April 2010 payment date, and has not been replenished since.

All of today's downgrades are based on our assessment of the increased likelihood of interest shortfalls for the respective classes of notes, taking into account the timely payment of interest and ultimate payment of principal addressed by the ratings in these two transactions. They also reflect the definition of each rating in accordance with "Standard & Poor's Ratings Definitions," published on Feb. 24, 2012, in light of the effects of current and projected portfolio performance on the transactions' available credit enhancement levels. In addition, for Bancaja 10's class A3 notes, the downgrade reflects the counterparty downgrade of JPMorgan Chase Bank acting as swap provider, and the impact of that counterparty downgrade on the ratings on the notes, in accordance with our current counterparty criteria.

For Bancaja 10, our ratings on the senior classes of notes are constrained by our long-term rating on JP Morgan Chase Bank as the swap counterparty, as per our 2010 counterparty criteria. We do not consider the replacement language in the swap agreement to be in line with our 2010 counterparty criteria, although it does feature a replacement framework that we give some credit in our analysis. The ratings floor for transactions such as this is our long-term issuer credit rating on the swap counterparty, plus one notch. Our ratings on the notes in this transaction are therefore capped at 'AA-', following our downgrade of the above-mentioned counterparty. For Bancaja 11, where HSBC Bank PLC acts as swap counterparty, the ratings floor is 'AA', which does not affect the current ratings.

For Bancaja 10, as per our 2010 counterparty criteria, we have therefore performed our analysis on the transaction without giving credit to the swap agreement. As a result, we have affirmed our rating on the class A2 notes. We have also concluded that any future adverse rating action relating to the swap counterparty, if it occurs, may result in us lowering our rating on the class A3 notes, as from a cash flow perspective, we could not affirm the 'AA-' rating without giving credit to the swap agreement.

Today's affirmations of our ratings are based on our assessment that current and projected levels of credit enhancements are commensurate with the levels required to maintain those ratings.

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 Reports included in this credit rating report are available at <http://standardandpoorsdisclosure-17g7.com>.

#### RELATED CRITERIA AND RESEARCH

- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Spanish RMBS Index Report Q4 2011: Prepayment Rates Sink To New Lows In Depressed Housing Market, Feb. 16, 2012
- Ratings On 15 Spanish Financial Institutions Lowered Following Sovereign Downgrade And BICRA Revision, Feb. 13, 2012
- Standard & Poor's Applies Its Revised Bank Criteria To 37 Of The Largest Rated Banks And Certain Subsidiaries, Nov. 29, 2011
- JPMorgan Chase & Co. Downgraded To 'A' From 'A+'; Subsidiary Downgraded To 'A+' From 'AA-', Nov. 29, 2011
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Counterparty And Supporting Obligations Update, Jan. 13, 2011
- Counterparty And Supporting Obligations Methodology And Assumptions, Dec. 6, 2010
- Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Methodology And Assumptions: Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities, Jan. 6, 2009
- Cash Flow Criteria for European RMBS Transactions, Nov. 20, 2003
- Criteria for Rating Spanish Residential Mortgage-Backed Securities, March 1, 2002

#### RATINGS LIST

Class	Rating
To	From

Bancaja 10, Fondo de Titulizacion de Activos  
€2.631 Billion Mortgage-Backed Floating-Rate Notes

#### Ratings Lowered

A3	AA- (sf)	AA (sf)
C	B+ (sf)	BB- (sf)
D	CCC (sf)	B- (sf)

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Ratings Affirmed

A2	AA (sf)
B	BBB- (sf)
E	D (sf)

Bancaja 11, Fondo de Titulizacion de Activos  
€2.023 Billion Mortgage-Backed Floating-Rate Notes

Ratings Lowered

A2	A (sf)	AA (sf)
A3	A (sf)	AA (sf)
B	BB (sf)	BBB (sf)
C	B (sf)	BB- (sf)
D	CCC (sf)	B (sf)

Rating Affirmed

E	D (sf)
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**Additional Contact:**

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