STANDARD & POOR'S
RATINGS SERVICES

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Various Rating Actions Taken In Spanish RMBS Transactions Bancaja 10 And Bancaja 11 Following Review

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OVERVIEW

- Since our last review in March 2012, we have observed a gradual but continued deterioration in the performance of the collateral pools backing Bancaja 10 and Bancaja 11.
- Following our credit and cash flow analysis of the transactions, using the most recent information we have received for these transactions, and the application of our current counterparty criteria and nonsovereign ratings criteria, we have taken various rating actions in these transactions.
- Bankia originated and currently services the loans backing these Spanish RMBS transactions. Bancaja 10 closed in January 2007 and Bancaja 11 closed in July 2007.

MADRID (Standard & Poor's) July 5, 2013--Standard & Poor's Ratings Services today took various credit rating actions in Bancaja 10, Fondo de Titulizacion de Activos and Bancaja 11, Fondo de Titulizacion de Activos.

Specifically, we have:
- Lowered our ratings on Bancaja 10's class B, C, and D notes, Bancaja 11's class A2 to C notes; and
- Affirmed our ratings on Bancaja 10's class A2, A3, and E notes, and Bancaja 11's class D and E notes.

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Today's rating actions follow our credit and cash flow analysis of the transactions, using the most recent transaction information that we have received from the trustee, and the application of our current counterparty and nonsovereign ratings criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013 and "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published on April 8, 2011).

Our credit analysis of the reported data shows further deterioration in the credit quality of the underlying collateral portfolios backing these transactions. In addition, the levels of severe delinquencies (defined as loans in arrears for more than three months in these transactions) and defaults (defined as 18 months in arrears in these transactions) in these two transactions are still higher than in many similar rated transactions in the market, and other series from the same originator. The balance of loans in severe arrears, but not yet considered as defaulted, has increased during the past 12 months. As of the May 2013 investor report, arrears represented 5.03% and 5.82%, respectively, of the current pool balance for Bancaja 10 and Bancaja 11. Similarly, defaulted loans have increased to 6.38% and 7.03% over the original portfolio balance securitized at closing, representing a year-on-year increase of 18.4% and 19.0%, in Bancaja 10 and Bancaja 11 respectively. We expect a persistent deterioration given the rollover of current delinquent loans into defaults.

Both transactions benefit from reserve funds, funded at closing by the proceeds of the class E notes. The current reserve funds represent less than their respective required levels. At Bancaja 10 and Bancaja 11's latest payment dates on May 22, 2013, and April 27, 2013, respectively, the reserve funds represented 38.03% and 0.00% of their required levels. In Bancaja 11, the reserve fund has been fully depleted since the April 2010 payment date, and has not been replenished since.

Both transactions also feature an excess spread trapping mechanism, based on cumulative default levels, which protects the more senior classes of notes from defaults. The trustee informed us that, as of the end of May 2013, these cumulative default levels were 6.38% in Bancaja 10 and 7.03% Bancaja 11. Today's rating actions on the class C notes in both transactions reflect the proximity of the interest-deferral triggers and our rating definitions of these affected classes. Bancaja 10's class D notes had already breached the trigger on the February 2013 payment date, and had paid the last interest payments with the available amount in the reserve fund.

Our ratings on the senior classes of notes in Bancaja 10 are constrained by our 'A+' long-term issuer credit rating (ICR) on JP Morgan Chase Bank N.A., as the swap counterparty. We do not consider the replacement language in the swap agreement to be in line with our current counterparty criteria, although it does feature a replacement framework that we give some credit to in our analysis (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). Under our criteria, our ratings are capped to our long-term ICR on the swap counterparty, plus one notch. Our ratings on the notes in Bancaja 10 are therefore capped at 'AA-'. For Bancaja 11, where HSBC Bank PLC acts as swap counterparty, our ratings are capped at 'AA', which does not affect the current ratings. For Bancaja 10, we have therefore analyzed the transaction without giving benefit to the swap agreement. As a result, we have concluded that any 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- (sf)' rating without giving credit to the swap agreement.

Our cash flow analysis indicates that lower ratings are commensurate with the available credit enhancement for Bancaja 10's class B, C, and D notes, and Bancaja 11's class A2, A3, B, and C notes. As a consequence of all of the abovementioned factors derived from our credit analysis and review of the transactions' structural features, we have lowered our ratings on these classes of notes.

In accordance with the results of our updated cash flow analysis, which show that the available credit enhancement commensurate with the levels required to maintain those ratings, we have affirmed our ratings on Bancaja 10's class A2 and A3 notes. At the same time we have affirmed our 'D (sf)' rating on Bancaja 10's class E and Bancaja 11's class D and E notes as they had breached the interest-deferral trigger.

Bancaja 10 and Bancaja 11 are Spanish residential mortgage-backed securities (RMBS) transactions backed by pools of first-ranking mortgages secured over owner-occupied residential properties in Spain. Bankia originated the mortgage loans.

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

Related Criteria

- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- 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

Related Research

- Various Rating Actions Taken On 116 Tranches In 87 Spanish Securitizations Following Sovereign Downgrade, Oct. 11, 2012
- Various Rating Actions Taken On Bancaja 10 And Bancaja 11's Spanish RMBS Notes Following Review, March 15, 2012
- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011

RATINGS LIST

Class	Rating	
	To	From

Ratings Lowered

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

B	B+ (sf)	BBB- (sf)
C	CCC (sf)	B+ (sf)
D	CCC- (sf)	CCC (sf)

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

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

Ratings Affirmed

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

A2	AA- (sf)
A3	AA- (sf)
E	D (sf)

Bancaja 11, Fondo de Titulizacion de Activos

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€2.023 Billion Mortgage-Backed Floating-Rate Notes

D            D (sf)
E            D (sf)
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