

RatingsDirect®

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

Surveillance Credit Analyst:

Rocio Romero, Madrid (34) 91-389-6968; rocio.romero@standardandpoors.com

Secondary Contact:

Ignacio T Estruga, Buenos Aires (54) 114-891-2106; ignacio.estruga@standardandpoors.com

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.

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

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

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	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

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

€2.023 Billion Mortgage-Backed Floating-Rate Notes

D D (sf)
E D (sf)

Additional Contact:

Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

Copyright © 2013 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.