

Hecho Relevante de

BANCAJA 11 FONDO DE TITULIZACIÓN DE ACTIVOS

En virtud de lo establecido en el Folleto Informativo de **BANCAJA 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 **Standard & Poor’s Ratings Services** (“S&P”), con fecha 23 de marzo de 2017, comunica que ha elevado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:

- **Serie A2: AA+ (sf)** (anterior **A- (sf)**)
- **Serie A3: AA- (sf)** (anterior **A- (sf)**)

Asimismo, S&P ha confirmado las calificaciones asignadas a las restantes Series de Bonos:

- **Serie B: D (sf)**
- **Serie C: D (sf)**
- **Serie D: D (sf)**
- **Serie E: D (sf)**

Se adjunta la comunicación emitida por S&P.

Madrid, 24 de marzo de 2017.

José Luis Casillas González
Apoderado

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Ratings Raised On Bancaja 11's Class A Spanish RMBS Notes Following Review; Class B, C, D, And E Notes Affirmed

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OVERVIEW

- We have reviewed Bancaja 11 by conducting our credit and cash flow analysis and by applying our relevant criteria.
- Following our review, we have raised to 'AA+ (sf)' and 'AA- (sf)' from 'A- (sf)' our ratings on the class A2 and A3 notes, respectively.
- At the same time, we have affirmed our 'D (sf)' ratings on the class B, C, D, and E notes.
- Bancaja 11 is a Spanish RMBS transaction, which closed in July 2007 and securitizes mortgage loans. Caja de Ahorros de Valencia Castellón y Alicante (Bancaja; now Bankia) originated the pool, which is mainly located in the Valencia region.

MADRID (S&P Global Ratings) March 23, 2017--S&P Global Ratings today raised to 'AA+ (sf)' and 'AA- (sf)' from 'A- (sf)' its credit ratings on Bancaja 11, Fondo de Titulizacion de Activos' class A2 and A3 notes, respectively. At the same time, we have affirmed our 'D (sf)' ratings on the class B, C, D, and E notes (see list below).

Today's rating actions follow our credit and cash flow analysis of the most recent transaction information that we have received as of the December 2016 investor report. Our analysis reflects the application of our European residential loans criteria, our structured finance ratings above the sovereign

(RAS) criteria, and our current counterparty criteria (see "Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Dec. 23, 2016, "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016, and "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

The class B, C, and D notes feature interest deferral triggers of 10.90%, 7.40%, and 5.62%, based on cumulative defaults as a percentage of the closing portfolio balance, respectively. The current cumulative defaults represent 11.60%. As a consequence, all the interest deferral triggers have been breached and these subordinated classes of notes consequently defaulted. Therefore, we previously lowered our ratings on these classes of notes to '(sf)'.

Credit enhancement, considering performing collateral only, for the class A notes has increased to 8.32% from 7.53% at our previous review, due to the sequential amortization (see "Ratings Raised On Bancaja 11's Class A Spanish RMBS Notes Following Sovereign Upgrade; Class B Rating Lowered," published on Dec. 30, 2015). Over the same period, credit enhancement for the subordinated notes has decreased due to increasing defaults in the portfolio. At the same time, our projected losses at the 'AA' rating category have decreased to 4.20% from 9.57% at our previous review. This improvement is due to the increase in the weighted-average seasoning, the current loan-to-value ratios, and repossession market value declines, as well as the decrease in the arrears levels. The class B, C, and D notes are currently undercollateralized and the reserve fund is fully depleted. The class E notes were never collateralized as they were issued to fund the cash reserve at closing.

| Class | Available credit enhancement, excluding defaulted loans (%) |
|-------|---|
| A | 8.32 |
| B | 1.48 |
| C | (1.12) |
| D | (3.29) |
| E | (5.78) |

Severe delinquencies of more than 90 days have decreased to 1.53% from 4.67% at our last review and are currently lower for this transaction than our Spanish residential mortgage-backed securities (RMBS) index (see "Spanish RMBS Index Report Q3 2016," published on Dec. 13, 2016). However, severe delinquencies have rolled into defaults. Defaults are defined as mortgage loans in arrears for more than 18 months in this transaction. Cumulative defaults, at 11.6%, are higher than in other Spanish RMBS transactions that we rate. Consequently, the reserve fund is fully depleted due to being used to provision for defaults. Prepayment levels remain low and the transaction is unlikely to pay down significantly in the near term, in our opinion.

Our rating actions also reflect our analysis of the most recent transaction information that we have received for the January 2017 interest payment date (IPD). We have applied our European residential loans criteria, our current counterparty criteria, and our RAS criteria.

Under our RAS criteria, we applied a hypothetical sovereign default stress test to determine whether a tranche has sufficient credit and structural support to withstand a sovereign default and so repay timely interest and principal by legal final maturity.

Under our current counterparty criteria, HSBC Bank PLC, as the swap provider, cannot support a rating on the notes that is higher than 'AA', which is our long-term issuer credit rating on HSBC Bank plus one notch. We have therefore performed our credit and cash flow analysis without giving benefit to the swap provider, to determine if the class A2 and A3 notes could achieve a higher rating when giving no benefit to the swap provider.

The class A2 and A3 notes benefit from flows diverted from the subordinated notes following the interest deferral trigger breaches and from increased credit enhancement. Our credit and cash flow analysis indicates that the class A2 and A3 notes now have sufficient credit enhancement to withstand our stresses at the 'AAA' rating level. However, our RAS criteria cap our ratings in this transaction at six notches above our 'BBB+' foreign currency long-term sovereign rating on the Kingdom of Spain for the class A2 notes and at four notches above our rating on Spain for the class A3 notes. We have therefore raised to 'AA+ (sf)' and 'AA- (sf)' from 'A- (sf)' our ratings on the class A2 and A3 notes, respectively. Our ratings on both the class A2 and A3 notes are de-linked from our rating on the swap provider.

We have affirmed our 'D (sf)' rating on the class B, C, D, and E notes as they continue to miss interest payments.

In our opinion, the outlook for the Spanish residential mortgage and real estate market is not benign and we have therefore increased our expected 'B' foreclosure frequency assumption to 3.33% from 2.00%, when we apply our European residential loans criteria, to reflect this view (see "Outlook Assumptions For the Spanish Residential Mortgage Market," published on June 24, 2016). We base these assumptions on our expectation of modest economic growth, continuing high unemployment, and house prices stabilization during 2017.

Bancaja 11 is a Spanish RMBS transaction backed by a pool of first-ranking mortgages secured over owner-occupied residential properties in Spain, which closed in July 2007. Caja de Ahorros de Valencia Castellón y Alicante (Bancaja; now Bankia S.A.) originated the underlying collateral.

RELATED CRITERIA

- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Dec. 23, 2016
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 08, 2016
- Criteria - Structured Finance - General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 02, 2015
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 09, 2014
- General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Legal Criteria: Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 03, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- European Economic Snapshots: Resilience Despite Political Risk, Feb. 28, 2017
- A Stronger Eurozone Economy, Despite Higher Volatility On Bond Markets, Feb. 20, 2017
- Europe's Housing Markets Continue To Recover Amid Extended QE, Feb. 15, 2017
- QE In The Eurozone: Lower For Longer Means Lower For Longer, Jan. 23, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Spanish RMBS Index Report Q3 2016, Dec. 13, 2016
- 2017: Europe's Year Of Wait And See, Dec. 1, 2016
- Outlook Assumptions For the Spanish Residential Mortgage Market, June 24, 2016
- Ratings Raised On Bancaja 11's Class A Spanish RMBS Notes Following Sovereign Upgrade; Class B Rating Lowered, Dec. 30, 2015
- 2015 EMEA Structured Credit Scenario And Sensitivity Analysis, Aug. 6, 2015

RATINGS LIST

*Ratings Raised On Bancaja 11's Class A Spanish RMBS Notes Following Review; Class B, C, D, And E Notes
Affirmed*

| Class | Rating |
|-------|--------|
| To | From |

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

Ratings Raised

| | | |
|----|----------|---------|
| A2 | AA+ (sf) | A- (sf) |
| A3 | AA- (sf) | A- (sf) |

Ratings Affirmed

| | |
|---|--------|
| B | D (sf) |
| C | D (sf) |
| D | D (sf) |
| E | D (sf) |

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