

Rating Action: Moody's upgrades 1 note in AyT Hipotecario III, FTH and takes various rating actions in 3 Bancaja Spanish RMBS transactions

Global Credit Research - 22 Sep 2014

London, 22 September 2014 -- Moody's Investors Service has today upgraded the ratings of 3 notes, downgraded the ratings of 4 notes, confirmed the ratings of 3 notes and affirmed the ratings of 7 notes in 4 Spanish residential mortgage-backed securities (RMBS) transactions: AyT Hipotecario III, FTH, Bancaja 10, FTA, Bancaja 11, FTA and Bancaja 13, FTA.

Today's rating action concludes the review of 8 notes placed on review on 17 March 2014, following the upgrade of the Spanish sovereign rating to Baa2 from Baa3 and the resulting increase of the local-currency country ceiling to A1 from A3 (http://www.moodys.com/viewresearchdoc.aspx?docid=PR_292078). The sovereign rating upgrade reflected improvements in institutional strength and reduced susceptibility to event risk associated with lower government liquidity and banking sector risks.

Please refer to the end of the Ratings Rationale section for a list of affected ratings.

RATINGS RATIONALE

Today's upgrade reflects (1) the increase in the Spanish local-currency country ceiling to A1 and (2) sufficiency of credit enhancement in the affected transactions; for the revised rating levels.

Today's downgrades reflect a worse than expected performance in Bancaja 10, FTA and Bancaja 11, FTA and the related decrease in credit enhancement.

Today's confirmations and affirmations reflect the fact that despite the deterioration in the collateral performance, the credit enhancement is still sufficient to maintain the current ratings.

-- Pro-rata versus sequential amortisation of class A notes

Today's rating action takes into account the sequential to pro-rata amortisation trigger of the class A2 and A3 notes in both Bancaja 10, FTA and Bancaja 11, FTA. The performance triggers in the two transactions will switch the amortisation and loss allocation within the class A2 and A3 notes from currently sequential to pro-rata once the sum of the outstanding class A2 and A3 notes is higher than the performing portfolio balance (including loans up to 90+days in arrears). The likelihood of this trigger being hit has been modelled and its impact has been incorporated in the revised ratings of the two transactions.

-- Reduced Sovereign Risk

The Spanish sovereign rating was upgraded to Baa2 in February 2014, which resulted in an increase in the local-currency country ceiling to A1. The Spanish country ceiling, and therefore the maximum rating that Moody's will assign to a domestic Spanish issuer including structured finance transactions backed by Spanish receivables, is A1 (sf).

-- Key collateral assumptions

Moody's has reassessed its lifetime loss expectation taking into account the collateral performance of the transactions to date. The portfolios in Bancaja 10, FTA, Bancaja 11, FTA and Bancaja 13, FTA show deteriorating growth rate in defaults (defined as loans more than 18 months in arrears). Cumulative defaults have increased to 8.6% in Bancaja 10, FTA, 9.5% in Bancaja 11, FTA and 4.9% in Bancaja 13, FTA, as of original balance, from 6%, 6.6% and 1.4% respectively, compared to the data available in April 2013.

As a result, Moody's increased its expected loss assumption to 7.6% in Bancaja 10, FTA, 8.8% in Bancaja 11, FTA and 6.8% in Bancaja 13, FTA up from 6.6%, 7.4% and 5.5% of the original pool balance respectively.

In addition the reserve fund in April 2013 was at 51.3% of its target level in Bancaja 10, FTA, it was fully drawn in Bancaja 11, FTA, and was practically fully funded in Bancaja 13, FTA. Currently the reserve fund in both Bancaja

10, FTA and Bancaja 11, FTA are fully drawn, with PDL of EUR 21 Million and EUR 33 Million respectively, and the reserve fund in Bancaja 13, FTA stands at 65% of its target level.

Moody's has kept the current expected loss assumption for AyT Hipotecario III, FTH, whose performance is in line with Moody's expectations.

Moody's has not revised the MILAN CE assumption for any of these four transactions, which are at 10% for AyT Hipotecario III, FTH and 20% for Bancaja 10, FTA, Bancaja 11, FTA and Bancaja 13, FTA.

-- Exposure to Counterparties

Moody's rating analysis also took into consideration the exposure to key transaction counterparties including the roles of servicer, account bank and swap provider.

Today's rating action takes into account servicer commingling exposure to Bankia, S.A (B1/NP) for Bancaja 10, FTA and Bancaja 11, FTA and to Caixabank (Baa3/P-3) and Caja Rurales Unidas (NR) for AyT Hipotecario III, FTH.

Moody's rating analysts also took into consideration the exposure of Bancaja 13, FTA to Banco Santander S.A. (Spain) (Baa1/P-2) acting as issuer account bank and entity in which sits the commingling reserve.

Moody's also assessed when revising ratings the exposure to JPMorgan Chase Bank, NA (Aa3/P-1) acting as swap counterparty of Bancaja 10, FTA and Bancaja 13, FTA and of HSBC Bank plc (Aa3/P-1) as swap counterparty of Bancaja 11, FTA.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was "Moody's Approach to Rating RMBS Using the MILAN Framework" published in March 2014. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the rating:

Factors or circumstances that could lead to an upgrade of the ratings include (1) further reduction in sovereign risk, (2) performance of the underlying collateral that is better than Moody's expected, (3) deleveraging of the capital structure and (4) improvements in the credit quality of the transaction counterparties.

Factors or circumstances that could lead to a downgrade of the ratings include (1) an increase in sovereign risk, (2) performance of the underlying collateral that is worse than Moody's expects, (3) deterioration in the notes' available credit enhancement and (4) deterioration in the credit quality of the transaction counterparties.

List of Affected Ratings:

Issuer: AYT HIPOTECARIO III

...EUR316.8M Class A Notes, Affirmed A1 (sf); previously on Mar 17, 2014 Upgraded to A1 (sf)

...EUR13.2M Class B Notes, Upgraded to Baa2 (sf); previously on Mar 17, 2014 Ba1 (sf) Placed Under Review for Possible Upgrade

Issuer: BANCAJA 10 FONDO DE TITULIZACION DE ACTIVOS

...EUR1537M Class A2 Notes, Confirmed at Baa3 (sf); previously on Mar 17, 2014 Baa3 (sf) Placed Under Review for Possible Upgrade

...EUR500M Class A3 Notes, Confirmed at Baa3 (sf); previously on Mar 17, 2014 Baa3 (sf) Placed Under Review for Possible Upgrade

...EUR65M Class B Notes, Downgraded to Caa2 (sf); previously on Apr 2, 2013 Downgraded to Caa1 (sf)

...EUR52M Class C Notes, Affirmed Ca (sf); previously on Apr 2, 2013 Downgraded to Ca (sf)

...EUR26M Class D Notes, Affirmed C (sf); previously on Feb 12, 2010 Downgraded to C (sf)

...EUR31M Class E Notes, Affirmed C (sf); previously on Feb 18, 2009 Downgraded to C (sf)

Issuer: BANCAJA 11, FONDO DE TITULIZACION DE ACTIVOS

...EUR1193M Class A2 Notes, Downgraded to Ba3 (sf); previously on Mar 17, 2014 Ba2 (sf) Placed Under Review for Possible Upgrade

...EUR440M Class A3 Notes, Downgraded to Ba3 (sf); previously on Mar 17, 2014 Ba2 (sf) Placed Under Review for Possible Upgrade

...EUR63M Class B Notes, Affirmed Ca (sf); previously on Apr 2, 2013 Downgraded to Ca (sf)

...EUR24M Class C Notes, Downgraded to C (sf); previously on Feb 12, 2010 Downgraded to Ca (sf)

...EUR20M Class D Notes, Affirmed C (sf); previously on Feb 12, 2010 Downgraded to C (sf)

...EUR22.9M Class E Notes, Affirmed C (sf); previously on Jul 17, 2007 Definitive Rating Assigned C (sf)

Issuer: BANCAJA 13 FONDO DE TITULIZACION DE ACTIVOS

...EUR2583.7M Class A Notes, Upgraded to A2 (sf); previously on Mar 17, 2014 Baa1 (sf) Placed Under Review for Possible Upgrade

...EUR152M Class B Notes, Upgraded to Ba1 (sf); previously on Mar 17, 2014 Ba2 (sf) Placed Under Review for Possible Upgrade

...EUR159.3M Class C Notes, Confirmed at B3 (sf); previously on Mar 17, 2014 B3 (sf) Placed Under Review for Possible Upgrade

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

Moody's did not receive or take into account a third-party assessment on the due diligence performed regarding the underlying assets or financial instruments related to the monitoring of these transactions in the past six months.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

As the section on loss and cash flow analysis describes, Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to

jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Maria Divid
Analyst
Structured Finance Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Christophe de Noaillet
MD - Structured Finance
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Cristina Quintana
Associate Analyst
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

MOODY'S
INVESTORS SERVICE

© 2014 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATION") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN

ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.