

**Fitch Affirms Bancaja 7** Ratings Endorsement Policy

31 Oct 2014 12:07 PM (EDT)

Fitch Ratings-London-31 October 2014: Fitch Ratings has affirmed Bancaja 7, FTA, a Spanish prime RMBS comprising loans originated and serviced by Bankia, S.A. (BBB-/Negative/F3). The class A2 and B notes have been removed from Rating Watch Evolving (RWE).

A full list of rating actions is at the end of this commentary.

KEY RATING DRIVERS**Payment Interruption Risk Adequately Mitigated**

The removal of the RWE on the class A2 and B notes follows the implementation of a dedicated cash reserve aimed at mitigating payment interruption risk in the event the servicer were to default. The cash deposit is sized to cover three months of stressed senior interest, net swap payments and senior expenses. The amount posted is sufficient to withstand Fitch's payment interruption risk stresses.

Stable Asset Performance

The affirmations reflect the transaction's solid performance and credit enhancement available to the rated tranches. As of the latest reporting period in September 2014, three-month plus arrears (excluding defaults) were at 1.3% of the current pool balance and cumulative gross defaults stood at 1.0% of the initial pool balance. Fitch's Spanish RMBS Index of three-month plus arrears and gross cumulative defaults are currently at 1.9% (of the current pool balance) and 4.5%, (of the initial pool balance), respectively. Fitch expects the robust performance to continue due to the gradual recovery of the Spanish economy.

The Positive Outlook on the class A2 notes reflects Fitch's expectation that in the next 12 to 18 months credit enhancement available to this tranche may be sufficient to withstand credit losses at higher rating levels.

RATING SENSITIVITIES

Deterioration in asset performance may result from economic factors, in particular the increasing effect of unemployment. A corresponding increase in new defaults and associated pressure on excess spread and reserve funds could result in negative rating action, particularly at the lower end of the capital structure.

The rating actions are as follows:

Class A2 (ISIN ES0312886015): affirmed at 'AA-sf'; off RWE, Outlook Positive

Class B (ISIN ES0312886023): affirmed at 'AA-sf'; off RWE, Outlook Stable

Class C (ISIN ES0312886031): affirmed at 'A-sf'; Outlook Stable

Class D (ISIN ES0312886049): affirmed at 'BBsf'; Outlook Negative

Contact:

Lead Surveillance Analyst

Michal Kiska

Analyst

+44 20 3530 1275

Fitch Ratings Limited

30 North Colonnade

London E14 5GN

Committee Chairperson

Lara Patrignani

Senior Director

+44 20 3530 1052

Media Relations: Athos Larkou, London, Tel: +44 203 530 1549, Email: athos.larkou@fitchratings.com.

Additional information is available at www.fitchratings.com.

Sources of information: In addition to those mentioned in the applicable criteria, the sources of information used to assess the ratings were investor and servicer reports and loan-by-loan data provided by Europea de Titulización SGFT.

Applicable criteria 'Global Structured Finance Rating Criteria', dated 20 May 2014; 'EMEA RMBS Master Rating Criteria' dated 28 May 2014; 'EMEA Residential Mortgage Loss Criteria', dated 28 May 2014; 'EMEA RMBS Cash Flow Analysis Criteria' dated 28 May 2014; 'Criteria Addendum: Spain- Residential Mortgage Loss and Cash Flow Assumptions Criteria Addendum', dated 4 June 2014; 'Counterparty Criteria for Structured Finance Structured Finance and Covered Bonds' and 'Counterparty Criteria for Structured Finance Structured Finance and Covered Bonds: Derivative Addendum', dated 13 May 2014; 'Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds', dated 11 April 2014 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria

EMEA RMBS Master Rating Criteria

EMEA Residential Mortgage Loss Criteria

EMEA RMBS Cash Flow Analysis Criteria

Criteria Addendum: Spain - Residential Mortgage Loss and Cash Flow Assumptions

Counterparty Criteria for Structured Finance and Covered Bonds

Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum

Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds

Additional Disclosure

Solicitation Status

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2014 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries.