

Hecho Relevante de VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS

En virtud de lo establecido en el apartado III.5.2.d del Capítulo III del Folleto Informativo de **VALENCIA HIPOTECARIO 1 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 **Moody’s Investors Service** (“**Moody’s**”), con fecha 16 de diciembre de 2011, comunica que ha bajado la calificación asignada a la siguiente Serie de Bonos emitidos por el Fondo:
 - **Serie A: A1 (sf)** (anterior **Aaa (sf)**, bajo revisión)

Las calificaciones asignadas a las restantes Series de Bonos permanecen sin cambios:

- **Serie B: A2 (sf)**
- **Serie C: Baa3 (sf)**

Se adjunta la comunicación emitida por Moody’s.

Madrid, 19 de diciembre de 2011.

Mario Masiá Vicente
Director General



Rating Action: Moody's downgrades three Spanish RMBS in consideration of exposure to Banco de Valencia

Global Credit Research - 16 Dec 2011

Madrid, December 16, 2011 -- Moody's Investor Service has reviewed all transactions exposed to Banco de Valencia and has today downgraded the ratings of three senior tranches in three Spanish residential mortgage-backed securities (RMBS) transactions. Today's rating action follows the downgrade of Banco de Valencia to Ba1 in March 2011 and to Ba2 in October 2011. The rating action concludes the review for downgrade of these three tranches initiated by Moody's on March 2011.

A detailed list of the rating actions appears at the end of this press release.

RATINGS RATIONALE

Today's rating action reflects: (i) the lack of back-up servicer (BUS) in the transactions serviced by Banco de Valencia in order to support payments on the rated tranches in the event of servicer disruption, (ii) the increased commingling risk in the structures where Banco de Valencia acts as collections account bank, (iii) the failure of Banco de Valencia to find a replacement swap counterparty in two of the transactions.

--SERVICER DISRUPTION RISK

Banco de Valencia services 6 RMBS transactions rated by Moody's, 5 as sole servicer and one (Bancaja-BVA VPO 1) as part of a multi-servicer deal, 86% of the pool currently administered by former Bancaja (now Bankia Baa2/P-2 on Review for Possible Downgrade) and 14% by Banco de Valencia. In none of these transaction there is a back-up servicer in place.

Moody's has concluded that for the 5 RMBS transactions solely serviced by Banco de Valencia, the maximum achievable rating is A1(sf). Moody's has not taken action on Valencia Hipotecario 4 and 5 in which senior tranche ratings are rated A3(sf) and A2(sf) respectively. No action was taken on the multi-servicer deal Bancaja-BVA VPO 1 either given limited exposure to Banco de Valencia and available liquidity.

The downgrade takes into account the current level of liquidity in the transactions. An additional mitigant to payment disruption risk is the role of Europea de Titulización, the management company, that will coordinate the appointment of a replacement servicer if Banco de Valencia is not able to perform its duties. The management company also acts as an independent cash manager and will be able to use available funds, including the reserve fund, to support timely payments on the notes in case of a temporary servicer disruption.

Uncertainty mainly stems from the lack of a back-up servicer in these transactions. Banco de Valencia was intervened by Bank of Spain as of 21 November 2011. Although this helps mitigate servicer disruption in the short term, there is high uncertainty as of the future of the entity. If the rating of Banco de Valencia is downgraded further while no back-up agreement is in place, the ratings would be negatively affected.

--COMMINGLING RISK

Collections are transferred daily from Banco de Valencia to the treasury account held by a P-1 entity in all the deals. Moody's has assessed commingling risk in the transactions and concluded that the increased commingling risk following the downgrade of Banco de Valencia did not affect the ratings of the notes. This is due to the current available credit enhancement in the case of Valencia Hipotecario 1, 2, 3 and 4.

In the case of Valencia Hipotecario 5 and Bancaja-BVA VPO 1 there are dedicated commingling reserves in place.

Uncertainty mainly stems from the exposure to Banco de Valencia as the collection account bank. If the rating of Banco de Valencia is downgraded further, in absence of other mitigants to commingling risk, the ratings of the transactions concerned would be negatively affected

--SWAP COUNTERPARTY EXPOSURE

Moody's has assessed swap counterparty risk for two transactions for which Banco de Valencia continues to act as swap counterparty (Valencia Hipotecario 1 and 2). According to the transaction documents Banco de Valencia should have been replaced as basis swap counterparty or its obligations guaranteed by an eligible party at loss of its A3/P-2 ratings. Collateral is being weekly posted to the fund but no replacement has taken place as of today. This exposure was not the driver of today's rating action given the limited credit support provided by the swap (basis swap) and the level of credit enhancement present in the structure.

Uncertainty mainly stems from the exposure to Banco de Valencia as swap provider. If the rating of Banco de Valencia is downgraded further, in absence of a replacement to take over the role of swap provider, the ratings in the five transactions would be negatively affected.

As noted in Moody's comment 'Rising Severity of Euro Area Sovereign Crisis Threatens Credit Standing of All EU Sovereigns' (28 November 2011), the risk of sovereign defaults or the exit of countries from the Euro area is rising. As a result, Moody's could lower the maximum achievable rating for structured finance transactions in some countries, which could result in rating downgrades.

The principal methodology used in these ratings was "Moody's Approach to Rating RMBS in Europe, Middle East, and Africa," published in October 2009. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

Other Factors used in this rating are described in "Global Structured Finance Operational Risk Guidelines: Moody's Approach to Analyzing Performance Disruption Risk" published in June 2011.

In rating these transactions, Moody's used ABSROM to model the cash flows and determine the loss for each tranche. The cash flow model evaluates all default scenarios that are then weighted considering the probabilities of the lognormal distribution assumed for the portfolio default rate. In each default scenario, the corresponding loss for each class of notes is calculated given the incoming cash flows from the assets and the outgoing payments to third parties and note holders. Therefore, the expected loss for each tranche is the sum product of (i) the probability of occurrence of each default scenario; and (ii) the loss derived from the cash flow model in each default scenario for each tranche.

As such, Moody's analysis encompasses the assessment of stressed scenarios.

List of affected ratings:

Issuer: Valencia Hipotecario 1, FTA

...EUR 140.13M A Notes, Downgraded to A1 (sf); previously on March 25, 2011 Aaa (sf) Placed Under Review for Possible Downgrade

Issuer: Valencia Hipotecario 2, FTH

...EUR 415M A Notes, Downgraded to A1 (sf); previously on March 25, 2011 Aa1 (sf) Placed Under Review for Possible Downgrade

Issuer: Valencia Hipotecario 3, FTA

....EUR 503.38M A2 Notes, Downgraded to A1 (sf); previously on March 25, 2011 Aa1 (sf) Placed Under Review for Possible Downgrade

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The ratings have been disclosed to the rated entities or their designated agent(s) and issued with no amendment resulting from that disclosure.

Information sources used to prepare each of the rating are the following: parties involved in the ratings, parties not involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

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.

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