

Rating Action: Moody's Investors Service downgrades Spanish RMBS notes issued VALENCIA HIPOTECARIO 5 FTA.

Global Credit Research - 30 Jun 2011

Approximately C425.0 Million of Debt Securities Affected.

Madrid, June 30, 2011 -- Moody's Investors Service announced today that it has downgraded all ratings of all the notes issued by Valencia Hipotecario 5 FTA. A detailed list of the rating actions is provided at the end of this press release.

The ratings of the notes were placed on review for possible downgrade in February 2011 due to the worse than expected performance of the collateral.

RATINGS RATIONALE

Today's rating action concludes the review and takes into consideration the worse-than-expected performance of the collateral. It also reflects Moody's negative sector outlook for Spanish RMBS and the weakening of the macro-economic environment in Spain, including high unemployment rates.

The ratings of the notes take into account the credit quality of the underlying mortgage loan pools, from which Moody's determined the MILAN Aaa Credit Enhancement (MILAN Aaa CE) and the lifetime losses (expected loss), as well as the transaction structure and any legal considerations as assessed in Moody's cash flow analysis. The expected loss and the Milan Aaa CE are the two key parameters used by Moody's to calibrate its loss distribution curve, used in the cash flow model to rate European RMBS transactions.

Portfolio Expected Loss:

Moody's has reassessed its lifetime loss expectation taking into account the collateral performance to date, as well as the current macroeconomic environment in Spain. In May 2011, cumulative write-offs rose to 1.96% of the original pool balance. The share of 90+ day arrears stood at 2.20% of current pool balance. Moody's expects the portfolio credit performance to be under stress, as Spanish unemployment remains elevated. The rating agency believes that the anticipated tightening of Spanish fiscal policies is likely to weigh on the recovery in the Spanish labour market and constrain future Spanish households finances. Moody's also has concerns over the timing and degree of future recoveries in a weaker Spanish housing market. On the basis of Moody's negative sector outlook for Spanish RMBS, the rating agency has updated the portfolio expected loss assumption to 4.45% of original pool balance up from 2.75%.

MILAN Aaa CE:

Moody's has assessed the loan-by-loan information to determine the MILAN Aaa CE. Moody's has increased its MILAN Aaa CE assumptions for 17.0%, up from 8.60% at closing. The increase in the MILAN Aaa CE reflects the exposure to broker origination, non Spanish nationals (15%) and the concentration in coastal areas and second homes (11%). In addition 7.35% of the portfolio corresponds to commercial properties. Credit enhancement under the Class A (including subordination and reserve fund) is 10.35%.

Operational Risk:

The rating of Banco de Valencia (Ba1/NP) is on review for possible downgrade. Banco de Valencia is the servicer in this transaction. Moody's notes that operational risk in this transactions is not mitigated as there is no back-up servicer. The operational risk is not a driver of today's rating action on the notes. Moody's notes that the reserve fund is not at target level and that no other sources of liquidity are available in the transaction. A severe downgrade of the servicer and additional draw-downs on the reserve fund will impact further the ratings of the senior notes. The absence of liquidity in the transactions could impair the ability of the Issuer to make timely payment of interest on the notes, particularly in case of a servicing transfer.

The rating addresses the expected loss posed to investors by the legal final maturity of the notes. In Moody's opinion, the structure allows for timely payment of interest and principal with respect of the notes by the legal final maturity. Moody's ratings only address the credit risk associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

TRANSACTION FEATURES

Valencia Hipotecario 5 closed in December 2008. The transaction is backed by a portfolio of first-ranking mortgage loans originated by Bancaja secured on residential properties located in Spain, for an overall balance at closing of EUR 500 million. The securitized mortgage portfolio benefits from a relatively low weighted average LTV, currently about 65.92%. The pool is fairly exposed to the Mediterranean coast. 7.35% of the portfolio corresponds to commercial properties.

Reserve fund: The reserve fund is almost at its target level (60%). It represents 2.61% of the current outstanding amount of the A, B, C and D notes.

Commingling: All of the payments under the loans in this pool are collected by the servicer under a direct debit scheme into the collection accounts held at Banco de Valencia (Ba1/NP under review for possible downgrade) and then are transferred to the treasury account held at Banco Popular Español (A2 /P-1) every two days. Then transfer to Banco Cooperativo (A1/P-1) every three months. The commingling risk has been taken into account in the review of the transaction.

Swap: According to the swap agreement entered into between the Fondo and JP Morgan Chase (Aa3 / P-1), on each payment date:

- The swap counterparty will pay the index reference rate of the notes.

- The Fondo will pay a weighted average of the 12-month Euribor over the past months for each of the groups, whereby the weights are fixed for each month on the closing date.

This payment is aimed at replicating the amount of interest corresponding to the index reference rates that the Fondo receives for each of the groups between payment dates. The notional will be the outstanding amount of the loans included in each of the two groups excluding all loans with arrears of more than 18 months.

For details on the deal structure, please refer to the Valencia Hipotecario 5 FTA, new issue reports. The report is available on www.moody.com.

RATING METHODOLOGIES

The principal methodology used in this transaction is Moody's Approach to Rating RMBS in Europe, Middle East, and Africa published in October 2009. Other methodologies used in rating this action were Moody's Updated Methodology for Rating Spanish RMBS published in July 2008, Cash Flow Analysis in EMEA RMBS: Testing Structural Features with the MARCO Model (Moody's Analyser of Residential Cash Flows) published in January 2006 and Revising Default/Loss Assumptions Over the Life of an ABS/RMBS Transaction published in December 2008.

Moody's also took into account its Rating Implementation Guidance "Global Structured Finance Operational Risk Guidelines: Moody's Approach to Analyzing Performance Disruption Risk" published in April 2011.

Moody's Investors Service did not receive or take into account a third party due diligence report on the underlying assets or financial instruments related to the monitoring of this transaction in the past six months.

LIST OF RATINGS ACTIONS

Issuer: VALENCIA HIPOTECARIO 5 FONDO DE TITULIZACIÓN DE ACTIVOS

...EUR468MA Certificate, Downgraded to A2 (sf); previously on Feb 8, 2011 Aaa (sf) Placed Under Review for Possible Downgrade

...EUR5MB Certificate, Downgraded to Ba1 (sf); previously on Feb 8, 2011 Aa1 (sf) Placed Under Review for Possible Downgrade

...EUR27M C Certificate, Downgraded to Caa2 (sf); previously on Feb 8, 2011 Ba3 (sf) Placed Under Review for Possible Downgrade

REGULATORY DISCLOSURES

The ratings have been disclosed to the rated entity or its designated agents and issued with no amendment resulting from that disclosure.

Information sources used to prepare the credit ratings 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 Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of maintaining a credit rating.

Moody's Investors Service may have provided Ancillary or Other Permissible Service(s) to the rated entity or its related third parties within the three years preceding the Credit Rating Action. Please see the ratings disclosure page www.moody.com/disclosures on our website for further information.

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.

Please see ratings tab on the issuer/entity page on Moody.com for the last rating action and the rating history.

The date on which some Credit Ratings were first released goes back to a time before Moody's Investors Service's Credit Ratings were fully digitized and accurate data may not be available. Consequently, Moody's Investors Service provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moody.com for further information.

Please see the Credit Policy page on Moody.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

Madrid
Alberto Barbachano
Vice President - Senior Analyst
Structured Finance Group
Moody's Investors Service Espana, S.A.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

London
Barbara Rismondo
VP - Senior Credit Officer
Structured Finance Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Moody's Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta

Madrid 28002
Spain
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454



© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS 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 ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

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. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. 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.moody's.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. 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.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.