<u>**Hecho Relevante de**</u> <u>**VALENCIA HIPOTECARIO 4 FONDO DE TITULIZACIÓN DE ACTIVOS**</u>

En virtud de lo establecido en el apartado 4.1.4. del Módulo Adicional a la Nota de Valores del Folleto Informativo de **VALENCIA HIPOTECARIO 4 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 **Fitch Ratings** ("**Fitch**"), con fecha 6 de marzo de 2012, comunica que ha bajado las calificaciones de las siguientes Series de Bonos emitidos por el Fondo:
  - **Serie B**: **CCCsf** (anterior **Bsf**, perspectiva negativa)
  - **Serie C**: **CCsf** (anterior **CCCsf**)

  Asimismo, Fitch comunica que ha confirmado la calificación de las restantes Series de Bonos:
  - **Serie A**: **A-sf**, perspectiva negativa (anterior **A-sf**, pespectiva estable)
  - **Serie D**: **CCsf**

  Se adjunta la comunicación emitida por Fitch.

Madrid, 6 de marzo de 2012.

Mario Masiá Vicente
Director General

Lagasca, 120 (1º) -28006 MADRID- Telf.: (34) 91 411 84 67 – Fax: (34) 91 411 84 68 – www.edt-sg.com
Registro Mercantil de Madrid. Tomo 5461, Folio 49, Sección 8, Hoja M-89355, Inscripción 1ª Fecha 11/03/93 NIF A-80514466

FitchRatings

FITCH TAKES RATING ACTIONS ON VALENCIA HIPOTECARIO SPANISH RMBS

Fitch Ratings-London/Madrid-06 March 2012: Fitch Ratings has affirmed ten and downgraded five tranches of the Valencia Hipotecario (Valencia) series, a Spanish RMBS shelf. A full list of rating actions is at the end of this commentary.

The downgrades of Valencia 3 and 4 are due to performance related issues, while the downgrade of Valencia 2 reflects Fitch's concerns over counterparty exposure. The Valencia series comprises residential mortgage loans originated by Banco de Valencia ('BB-'/Stable/'B'), which was the main counterparty at the closing date of each transaction acting as the basis swap provider, treasury account bank (Valencia 3 & 4), collection account bank and servicer of the portfolios.

According to Fitch's counterparty criteria for structured finance (SF) transactions, Banco de Valencia became ineligible to perform direct support counterparty roles under these transactions last year, following its downgrade to below investment grade. In order to mitigate such counterparty exposures, the SPV management company (Europea de Titulizacion SGFT, SA), has implemented remedial actions resulting in the treasury account banks being moved to Banco Santander ('A'/Negative/'F1') and commingling reserves being established ranging between EUR8.05m (Valencia 4) and EUR2.5m (Valencia 1), which have been posted with Banco Santander. Additionally, the ineligible swap provider in Valencia 3 and 4 has been addressed by replacing Banco de Valencia with Banco Bilbao Vizcaya Argentaria (BBVA; 'A'/Negative/'F1') in July 2011.

However, Valencia 1 and 2 remain exposed to basis and reset risk on the collateral as Banco de Valencia is still the swap provider. Fitch has analysed these two transactions assuming no hedge agreements are in place. With regards to Valencia 1, the strong deleveraging of the portfolio and the subsequent built up of credit enhancement has meant that the SF notes are not affected by the absence of the swap, and for this reason Fitch has affirmed the ratings of the notes. On the other hand, the current credit support available to the mezzanine and junior tranches of Valencia 2 was insufficient to withstand the basis stress applied to the transaction, and as a result Fitch has downgraded the class C note and assigned a Negative Outlook to the class B notes.

The performance of Valencia 1 and 2 has historically been stronger than that of the other two transactions in the series. The pools comprise low original loan to value (OLTV) (69.8% and 68.2%, respectively) loans and highly seasoned assets (128 months and 98 months, respectively), with current three months plus arrears at 0.2% and 1.3%, respectively, of the outstanding portfolio. The level of defaults (defined as loans in arrears by more than 18 months) reported to date stand at 0.1% and 1.1%, respectively, of the original portfolio, all of which have been successfully provisioned for using gross excess spread generated by the structure. As a result, the reserve funds of the two transactions remain at their respective targeted amounts.

Valencia 3 continues to suffer small reserve fund draws as the gross excess spread generated by the transaction is insufficient to provision for defaulted loans. Fitch believes that the credit enhancement currently available to the junior and mezzanine notes in this transaction is insufficient to withstand the 'A+sf' and 'BBBsf' stresses, and has therefore downgraded both tranches.

Valencia 4 continues to be the worst performer in the series, with much higher arrears levels (3.9% of the current pool) and cumulative gross defaults reaching 6.4% of the initial balance. The high level of defaults has put pressure on the credit enhancement levels available to the notes, as the excess spread generated to date has been insufficient to clear period provisions, leading to a depleted reserve fund and a build up in the implicit principal deficiency ledger (PDL) on the class C (100% of the current balance) and class B notes (20.1%). In its analysis of the transaction, Fitch assumed recoveries on the current stock of defaulted loans to be approximately 68%. However, the agency believes that the future proceeds from the sale of repossessed properties will be insufficient to fully clear the outstanding PDL and has therefore downgraded the class B and C notes to 'CCCsf' and 'CCsf' from 'Bsf' and 'CCCsf', respectively. The Negative Outlook on the class A notes is also a reflection of the further deterioration in asset performance that Fitch expects in the upcoming months.

The rating actions are as follows:

Valencia Hipotecario 1, Fondo de Titulizacion de Activos:
Class A (ISIN ES0382744003): affirmed at 'AAAsf'; Outlook Negative
Class B (ISIN ES0382744011): affirmed at 'AA-sf' ; Outlook Stable
Class C (ISIN ES0382744029): affirmed at 'BBB+sf'; Outlook Stable

Valencia Hipotecario 2, Fondo de Titulizacion de Hipotecaria:
Class A (ISIN ES0382745000): affirmed at 'AAAsf'; Outlook Negative
Class B (ISIN ES0382745018): affirmed at 'A+sf'; Outlook revised to Negative from Stable
Class C (ISIN ES0382745026): downgraded to 'BB+sf' from 'BBB+sf'; Outlook Negative;
Class D (ISIN ES0382745034): affirmed at 'CCCsf'; Recovery Estimate of 15%

Valencia Hipotecario 3, Fondo de Titulizacion de Activos:
Class A2 (ISIN ES0382746016): affirmed at 'AAAsf'; Outlook Negative
Class B (ISIN ES0382746024): downgraded to 'Asf' from 'A+sf'; Outlook Negative
Class C (ISIN ES0382746032) downgraded to 'BB+sf' from 'BBBsf'; Outlook Negative;
Class D (ISIN ES0382746040): affirmed at 'CCCsf'; Recovery Estimate of 10%

Valencia Hipotecario 4, Fondo de Titulizacion de Activos:
Class A (ISIN ES0382717009): affirrmed at 'A-sf'; Outlook revised to Negative from Stable;
Class B (ISIN ES0382717017): downgraded to 'CCCsf' from 'Bsf'; Recovery Estimate of 50%
Class C (ISIN ES0382717025) downgraded to 'CCsf' from 'CCCsf'; Recovery Estimate of 0%
Class D (ISIN ES0382717033): affirmed at 'CCsf'; Recovery Estimate of 0%

Contact:

Lead Surveillance Analyst
Ibrahim Kamara
Analyst
+44 20 3530 1553
Fitch Ratings Limited
30 North Colonnade
London E14 5GN

Secondary Analyst
Sanja Paic
Director
+44 20 3530 1282

Committee Chairperson
Juan David Garcia
Senior Director
+34 91 7025 774

Media Relations: Mark Morley, London, Tel: +44 0203 530 1526, Email: mark.morley@fitchratings.com; Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com.

Additional information is available on www.fitchratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Sources of information- in addition to those mentioned in the applicable criteria, the sources of information used to assess these ratings were Investor Reports

Applicable criteria, 'Global Structured Finance Rating Criteria' dated 04 August 2011' EMEA Residential Mortgage Loss Criteria' dated 7 June 2011, and 'EMEA Residential Mortgage Loss Criteria Addendum - Spain' dated 11 August 2011 'Counterparty Criteria for Structured Finance Transactions' and 'Counterparty Criteria for Structured Finance Transactions: Derivative Addendum', dated 14 March 2011 are available at www.fitchratings.com.

Applicable Criteria and Related Research:
Global Structured Finance Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=646569
EMEA Residential Mortgage Loss Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649450
EMEA Criteria Addendum - Spain - Mortgage Loss and Cash Flow Assumptions
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647295
Counterparty Criteria for Structured Finance Transactions: Derivative Addendum
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=605427