

## **FITCH ASSIGNS VALENCIA HIPOTECARIO 5, FONDO DE TITULIZACION DE ACTIVOS FINAL RATINGS**

Fitch Ratings-London/Madrid-10 February 2012: Fitch Ratings has assigned Valencia Hipotecario 5, Fondo de Titulizacion de Activos' mortgage-backed floating-rate notes due in February 2047 a final rating, as follows:

EUR379,306,184.40 Class A notes (ISIN ES0382718007) 'Asf'; Outlook Stable

The final rating is based on the quality of the collateral, the underwriting and servicing of the mortgage loans, and the available credit enhancement (CE). The rating also takes into account the integrity of the transaction's legal and financial structure and Europea de Titulizacion, S.G.F.T, S.A.'s administrative capabilities, whose sole function is to manage asset-backed notes on behalf of the fund. The rating addresses the timely payment of interest on the notes, according to the terms and conditions of the documentation, as well as the repayment of principal by the final maturity date.

The transaction is a cash flow securitisation of a EUR500m static pool of Spanish mortgage loans originated and serviced by Banco de Valencia ('BB-/Stable/'B') that originally closed in December 2008, with a pool factor of 0.82 as of November 2011. Upon the assignment of the final ratings by Fitch, the reserve fund increased to EUR24.9m (equivalent to 6.05% of the current overall portfolio balance) from the initial EUR18.5m and current EUR7.9m and the transaction documents were amended to reflect Fitch's applicable criteria.

Banco de Valencia is the collateral servicer of this transaction. Fitch has analysed the payment interruption risk that this transaction could suffer in case of servicing disruptions. Considering that Banco de Valencia has funded a dedicated cash reserve fund which should cover senior costs, net payment of the swap and six months interest due amounts on the class A notes, Fitch believes the servicing disruption risk is sufficiently mitigated. Moreover, the servicer transfers loan receipts on a daily basis to the special purpose vehicle treasury account held at Banco Santander ('AA-/Rating Watch Negative/'F1+').

At closing, the fund entered into two swap agreements to mitigate basis risk. As of 2 December 2011, JP Morgan Securities Ltd (NR) replaced JP Morgan Chase NA, London branch (not rated) as swap provider. JP Morgan Securities Ltd is a subsidiary of JP Morgan Chase NA ('AA-/Stable/'F1+') which has instrumented an irrevocable guarantee in favour of its subsidiary's role as swap provider.

As of 16 January 2011, the static pool comprised 3,373 residential mortgage loans granted to individuals backed by properties on first (90.69%) and second homes (9.31%) in Spain. The pool is concentrated in the Valencia region (65.40%), reflecting Banco de Valencia's natural home market. Fitch has identified the presence of diverse risk attributes such as loans with high loan-to-value ratios (LTV), which currently account for 21.04% of the pool. Additionally, 16.63% of the collateral has been originated through non-traditional branch network channels and 13.97% of the loans were granted to non-Spanish borrowers. The risk attributes of the collateral have been captured in line with Fitch's RMBS criteria Spanish Addendum and are reflected by the assigned rating.

The securitisation vehicle has issued floating-rate notes, which pay sequentially on a quarterly basis. According to the transaction documents, interest payments on the unrated class B and C notes could be deferred upon the occurrence of a deferral trigger linked to cumulative defaults, increasing the senior notes' protection. Upon the assignment of the final ratings by Fitch, total structural CE for the series A notes, equivalent to 13.83%, is provided by the subordination of the unrated series B notes (1.22%) and series C notes (6.56%), plus the reserve fund of 6.05%.

In Fitch's view, all of the loans' characteristics in this transaction have been taken into account when calculating the weighted average foreclosure frequency (WAFF) and weighted average recovery rate (WARR). The agency also believes that the notes' available CE is sufficient to withstand Fitch's 'A' rating stresses. Fitch modelled different default and prepayment vectors and different interest rate environments (rising/stable/decreasing). Assumptions used under individual scenarios were in accordance with Fitch's cash flow analysis criteria for RMBS.

The securitisation fund is regulated by Spanish Securitisation Law 19/1992 and Royal Decree 926/1998. Its sole purpose is to transform into fixed-income securities a portfolio of mortgage certificates ("certificados de transmision hipotecaria", CTHs) acquired from the seller. The CTHs were subscribed by Europea de Titulizacion S.G.F.T, S.A. on behalf of the fund.

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Additional information is available on [www.fitchratings.com](http://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.

The information used to assess the ratings was provided by Banco de Valencia and Europea de Titulizacion S.G.F.T., SA.

Applicable criteria, "EMEA Residential Mortgages Loss Criteria", dated 16 August 2011, and "EMEA Criteria Addendum - Spain", dated 11 August 2011, "Counterparty Criteria for Structured Finance Transactions", dated 14 March 2011, are available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

EMEA Residential Mortgage Loss Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=649450](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](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647295)

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