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Various Rating Actions Taken In Spanish RMBS Transaction Bancaja 5 Following Review

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OVERVIEW

- We have reviewed Bancaja 5's performance by conducting our credit and cash flow analysis, analyzing the transaction's structural features and counterparty risk, and applying our relevant criteria.
- Following our review, we have taken various rating actions on the class A, B, and C notes.
- Bancaja 5 is a Spanish RMBS transaction that closed in April 2003. It securitizes a portfolio of residential Spanish mortgage loans, originated between 1994 and 2003.

MADRID (Standard & Poor's) May 14, 2014--Standard & Poor's Ratings Services has today taken various credit rating actions in Bancaja 5, Fondo de Titulizacion de Activos.

Specifically, we have:

- Affirmed our 'AA- (sf)' rating on the class A notes;
- Lowered to 'A+ (sf)' from 'AA- (sf)' our rating on the class B notes; and
- Raised to 'A+ (sf)' from 'A- (sf)' our rating on the class C notes (see list below).

Today's rating actions follow our review of the collateral's credit quality and our assessment of the counterparty risk that the transaction is exposed to. Our ratings on the notes also reflect our analysis of the transaction's structural features by applying our cash flow criteria for European residential mortgage-backed securities (RMBS) transactions (see "Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions," published on Jan. 6, 2009). We have used the latest available

portfolio and structural features information from the April 2014 trustee investor report.

Severe delinquencies (arrears of more than 90 days including defaults, which are defined in this transaction as loans delinquent for 18 months or longer), represent 1.84% of the outstanding pool balance. This compares with the 2.13% September 2013 peak. Severe delinquencies in this transaction are much lower than in our Spanish RMBS Index (see "Spanish RMBS Index Report Q4 2013: Severe Delinquencies Persist, Despite Signs Of Economic Recovery," published on Feb. 28, 2014).

The transaction has a trigger system so that in a stressful economic environment the more senior notes are amortized before the interest payment on the subordinated classes of notes. Interest deferral triggers are based on the ratio of severe delinquencies over the outstanding pool balance. Given the transaction's historical performance, we don't expect it to breach interest deferral triggers during its remaining life. As of April 2014, severe delinquencies represented 1.84% of the outstanding pool balance, compared with triggers of 8.00% and 5.00% for the class B and C notes, respectively.

The notes benefit from a cash reserve funded at closing with a subordinated loan equivalent to 0.9% of the notes' initial balance. The reserve fund covers potential interest shortfalls for the class A, B, and C notes. On the last payment date or fund liquidation date only, the reserve fund will also cover any principal shortfalls. Since closing, the reserve fund has been at its required level under the transaction documents.

In July 2009, the trustee entered into an interest swap agreement with Credit Suisse International (A/Negative/A-1). The swap provider pays to the issuer three-month Euro Interbank Offered Rate (EURIBOR), plus the weighted-average margin of the class A, B, and C notes, and a guaranteed margin of 55 basis points.

Under the transaction documents, if our short-term issuer credit rating (ICR) of the swap provider falls below 'A-1' (or if the long-term issuer credit rating falls below A+ if there is no short-term issuer credit rating), the transaction enters a 60-calendar day remedy period, in which the swap counterparty should replace itself with a eligible rated entity or find an eligible rated guarantor. In the meantime, and within 10 business days, the downgraded counterparty should, at its own cost, post collateral at an institution with a required rating under our criteria. Under our current counterparty criteria, the class A, B, and C notes cannot achieve a rating higher than our long-term ICR on the swap counterparty plus one notch--when relying on the support provided by the swap agreement (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). As a result, the maximum rating that the notes can achieve in that case is 'A+'.

We conducted our cash flow analysis assuming that the transaction does not benefit from any support from the interest rate swap provider. In this scenario, only the class A notes are able to achieve a higher rating than our

long-term ICR on Credit Suisse International plus one notch.

According to our analysis, the available credit enhancement for the class A notes is sufficient to withstand the stresses that we apply at a 'AA-' rating level in scenarios where we have not given credit to the support provided by the swap agreement.

Bancaja 5 is exposed to country risk as all of the securitized assets are in Spain. Based on our classification of underlying assets in this transaction as having low country risk exposure in accordance with our nonsovereign ratings criteria, the maximum rating differential between the long-term rating of the Kingdom of Spain (BBB-/Stable/A-3) and the transaction rating is up to six notches (see "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published on June 14, 2011). We have therefore affirmed our 'AA- (sf)' rating on the class A notes.

In our view, the Class B notes could not maintain their currently assigned rating without the benefit of the swap agreement. Therefore the class B notes are constrained by our long-term ICR plus one notch on the swap counterparty. We have therefore lowered to 'A+ (sf)' from 'AA- (sf)' our rating on the class B notes.

Available credit enhancement has considerably increased for the class C notes. It is currently 2.26% of the outstanding balance, from 0.90% at closing. We have therefore raised to 'A+ (sf)' from 'A- (sf)' our rating on the class C notes. According to our analysis, the class C notes are also constrained by our long-term ICR plus one notch on the swap counterparty.

The class A, B, and C notes amortized pro rata between January 2007 and April 2012. As of the April 2014 IPD, the class B and C notes have been amortizing pro rata again.

Bancaja 5 is a Spanish RMBS transaction that closed in April 2003. It securitizes a portfolio of residential mortgage loans, originated between 1994 and 2003. The loans are secured over Spanish properties, mainly in Valencia (52.83% of the balance of the outstanding pool). Bancaja (Caja de Ahorros de Valencia, Castellón, y Alicante) (now part of Bankia S.A.) originated the underlying loans. Bankia, which was formed in December 2010 as a result of the union of seven Spanish financial institutions, is now the transaction's servicer.

STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at <http://standardandpoorsdisclosure-17g7.com>

RELATED CRITERIA AND RESEARCH

Related Criteria

- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Methodology And Assumptions: Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities, Jan. 6, 2009
- Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Cash Flow Criteria for European RMBS Transactions, Nov. 20, 2003
- Criteria for Rating Spanish Residential Mortgage-Backed Securities, March 1, 2002

Related Research

- European Economic Outlook: Out Of Recession, Back In The Slow Lane, March 21, 2014
- Spanish RMBS Index Report Q4 2013: Severe Delinquencies Persist, Despite Signs Of Economic Recovery, Feb. 28, 2014
- Request for Comment: Italy And Spain RMBS Methodology And Assumptions, Oct. 28, 2013
- Request for Comment: Methodology And Assumptions For Ratings Above The Sovereign--Single Jurisdiction Structured Finance, Oct. 14, 2013
- Various Rating Actions Taken On 116 Tranches In 87 Spanish Securitizations Following Sovereign Downgrade, Oct. 11, 2012
- Various Rating Actions Taken On 98 Tranches In 85 Spanish Securitizations Following Sovereign Downgrade, May 8, 2012
- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011

RATINGS LIST

Class	To	Rating	From
Bancaja 5, Fondo de Titulizacion de Activos €1 Billion Mortgage-Backed Floating-Rate Notes			

Rating Affirmed

Various Rating Actions Taken In Spanish RMBS Transaction Bancaja 5 Following Review

A AA- (sf)

Rating Lowered

B A+ (sf) AA- (sf)

Rating Raised

C A+ (sf) A- (sf)

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