Hecho Relevante de BANCAJA 5 FONDO DE TITULIZACIÓN DE ACTIVOS

En virtud de lo establecido en el Folleto Informativo de **BANCAJA 5 FONDO DE TITULIZACION DE ACTIVOS** (el "**Fondo**") se comunica a la COMISIÓN NACIONAL DEL MERCADO DE VALORES el presente hecho relevante:

- La Agencia de Calificación **Standard & Poor's Ratings Services** ("**S&P**"), con fecha 21 de diciembre de 2017, comunica que ha elevado la calificación asignada a la siguiente Serie de Bonos emitidos por el Fondo:

    - **Serie A:** **AA (sf)** (anterior **AA- (sf)**)

Asimismo, S&P ha bajado la calificación asignada a las restantes Series de Bonos:

- **Serie B**: **BB+ (sf)** (anterior **A+ (sf)**)
- **Serie C**: **B- (sf)** (anterior **BB+ (sf)**)

Se adjunta la comunicación emitida por S&P.

Madrid, 21 de diciembre de 2017.

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Ratings On Bancaja 5's Class B And C Spanish RMBS Notes Lowered Following Review; Rating On Class A Notes Raised

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OVERVIEW

- We have reviewed Bancaja 5 by conducting our credit and cash flow analysis under our European residential loans criteria, our structured finance ratings above the sovereign criteria, and our current counterparty criteria.
- Following our review, we have lowered our ratings on the class B and C notes.
- At the same time, we have raised our rating on the class A notes.
- Bancaja 5 is a Spanish RMBS transaction that closed in April 2003 and securitizes first-ranking mortgage loans, originated between 1999 and 2002. Caja de Ahorros de Valencia Castellón y Alicante (now Bankia) originated the underlying collateral, mainly in the Valencia region.

MADRID (S&P Global Ratings) Dec. 21, 2017--S&P Global Ratings today lowered its credit ratings on Bancaja 5 Fondo de Titulizacion de Activos' class B and C notes. At the same time, we raised our rating on the class A notes (see list below).

Today's rating actions follow our credit and cash flow analysis of the most recent transaction information that we have received and the October 2017 investor report. Our analysis reflects the application of our European residential loans criteria, our structured finance ratings above the sovereign (RAS) criteria, and our current counterparty criteria (see "Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Aug. 4, 2017, "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016, and "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

Available credit enhancement for the class A, B, and C notes has increased since our previous review (see "Various Rating Actions Taken In Spanish RMBS Transactions Bancaja 5-7, And 10 After Sovereign And Counterparty Actions," published on Dec. 1, 2015). This is mainly due to the class A amortization and the reserve fund being at its floor level of €5 million. The cash reserve can only be used to pay interest, except for the last payment date, on which it can also be used to pay principal.

Class	Available credit enhancement, excluding defaulted loans (%)
A	13.54
B	10.28
C	4.97

Mortgage loans in arrears for more than 18 months are classified as defaulted in this transaction, and, consequently, provisioned for with available interest and principal collections in the transaction. The outstanding balance of defaulted assets (excluding assets that have been through the recovery process) is significantly lower than in other Spanish residential mortgage-backed securities (RMBS) transactions that we rate, at 1.75%.

About 49% of the collateral pool is concentrated in the Valencia region, which was the home region of the originator. As per our European residential loans criteria, we have factored this in our credit analysis by applying adjustment factors to the foreclosure frequency.

After applying our European residential loans criteria to this transaction, our credit analysis results show a decrease in the weighted-average foreclosure frequency (WAFF) and a decrease in the weighted-average loss severity (WALS) for all rating levels.

The WAFF decreased compared with our previous review mainly because it benefitted from the pool's high seasoning and the lower arrears level. The WALS did not change, as the transaction's current indexed loan-to-value ratio is very low.

Rating level	WAFF (%)	WALS (%)
AAA	12.30	2.00
AA	9.10	2.00

A	7.41	2.00
BBB	5.41	2.00
BB	3.42	2.00
B	2.84	2.00

As the pool's attributes indicate better credit quality than the archetype, we increased the projected loss that we modeled to meet the minimum floor under our European residential loans criteria.

Citibank Europe PLC (Madrid branch) is the transaction account provider. Therefore, in accordance with our bank branch criteria, we rely on the rating on the parent company, Citibank Europe PLC (A+/Stable/A-1) and the sovereign rating on the Kingdom of Spain to derive our rating on the counterparty (see " Methodology Applied To Bank Branch-Supported Transactions," published on Oct. 14, 2013). The downgrade language in the transaction account agreement is in line with our current counterparty criteria. Therefore, this counterparty does not cap our ratings on the notes.

The collection account is held with Bankia S.A. in the name of the servicer, which is also Bankia. The documents reflect that no later than two days after the receipt of the collections, the available funds are transferred to the transaction account in the name of the fund. Consequently, the transaction is exposed to commingling risk. We have therefore stressed commingling risk as a loss of one month of interest and principal collections on day one.

Credit Suisse International (A/Stable/A-1) is the swap counterparty. We do not consider the replacement language in the swap agreement to be in line with our current counterparty criteria, although it does feature a replacement framework that we give some credit to in our analysis. Under our current counterparty criteria, if we give credit to support from the swap in our analysis, our ratings are capped at our long-term issuer credit rating (ICR) on the corresponding swap counterparty, plus one notch ('A+' for this transaction). We have therefore analyzed the transaction without giving benefit to the swap agreement. Our ratings on all of the notes are delinked from the long-term ICR on the swap counterparty.

Our credit and cash flow analysis indicates that the class A notes pass our stresses at the 'AA+' rating level, excluding the support from the swap. Our RAS criteria designate the country risk sensitivity for RMBS as moderate and therefore cap our rating on the class A notes at five notches above our 'BBB+' foreign currency long-term sovereign rating on Spain. We have therefore raised to 'AA (sf)' from 'AA- (sf)' our rating on the class A notes.

The transaction structure features an interest deferral trigger for the class B and C notes based on the outstanding balance of 90+ day arrears plus defaults over the outstanding collateral balance, rather than the closing collateral balance, which is a unique feature in the Spanish RMBS market. The risk of a triggers breach given current performance is most likely to manifest itself at the end of the transaction's life when the collateral balance is low. If triggered, the interest payments are subordinated below principal and cash reserve replenishment in the priority of payments, which would lead to a deferral of interest on the respective class of notes. These triggers are at 8.00% and 5.00% for the class B and C notes, respectively. At the October 2017 interest payment date the trigger level was 2.26%. However, the class B trigger can only be breached if the class A notes are still outstanding. Similarly, the class C trigger can only be breached if the class A and B notes are still outstanding.

In our previous reviews, we considered these triggers as remote given the historical pool performance, and our expectations of continued improvements in collateral performance (see "Various Rating Actions Taken In Spanish RMBS Transaction Bancaja 5 Following Review," published on May 14, 2014). However, given the amortization of the collateral since our previous review and stable as opposed to improving collateral performance, a potential breach of the triggers is now a more near-term risk, in our view. Although the transaction's performance is stable, if the balance of 90+ day arrears including defaults increases or remains constant, the likelihood of the interest deferral triggers for the class B and C notes being breached under our current ratings stress scenarios is a nearer term risk, compared to our previous review.

However, in our opinion, the class B and C notes are unlikely to default over a three-year horizon based on the current constant prepayment rate (CPR) levels and pool performance. Whether, and at what point in time, the triggers are ultimately reached, will depend on how a number of factors develop, including CPR levels, the level of 90+ day arrears plus defaults, recovery timings, and which classes of notes are then outstanding. We will closely monitor the evolution of these factors.

Considering the aforementioned factors, we have lowered to 'BB+ (sf)' from 'A+ (sf)' our ratings on the class B notes.

In our opinion, the class C notes are currently not vulnerable to nonpayment. Our opinion is based on the current credit enhancement level of 4.97% stemming from the fully funded cash reserve, compared with only 2.26% of 90+ day arrears (including defaults). Considering the positive macroeconomic conditions for the Spanish economy and the high seasoning of the assets, we do not expect the underlying collateral's performance to deteriorate. Therefore, in line with our criteria for assigning 'CCC' category ratings, we have lowered to 'B- (sf)' from 'BB+ (sf)' our rating on the class C notes (see " Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," published on Oct. 1, 2012).

In our opinion, the outlook for the Spanish residential mortgage and real estate market is not benign, and we have therefore increased our expected 'B' foreclosure frequency assumption to 3.33% from 2.00%, when we apply our European residential loans criteria, to reflect this view (see "Outlook Assumptions For the Spanish Residential Mortgage Market," published on June 24, 2016). We base these assumptions on our expectation of modest economic growth, continuing high unemployment, and house price stabilization during 2017.

Bancaja 5 is a Spanish RMBS transaction that closed in April 2003 and securitizes first-ranking mortgage loans, originated between 1999 and 2002. Caja de Ahorros de Valencia Castellón y Alicante (now Bankia) originated the underlying collateral, mainly in the Valencia region.

RELATED CRITERIA

- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Aug. 4, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- Economic Research: Eurozone Growth Momentum Stays Solid, Nov. 30, 2017
- Spanish RMBS Index Report Q3 2017, Nov. 22, 2017
- As The Political Fog Shifts To The U.K., Prospects Are Improving In The Rest Of EMEA , Oct. 3, 2017
- Kingdom Of Spain 'BBB+/A-2' Ratings Affirmed; Outlook Positive, Sept. 29, 2017
- Low Lending Rates Continue To Fuel Europe's Housing Market Recovery, Aug. 1, 2017
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Outlook Assumptions For the Spanish Residential Mortgage Market, June 24, 2016
- Various Rating Actions Taken In Spanish RMBS Transactions Bancaja 5-7, And 10 After Sovereign And Counterparty Actions, Dec. 1, 2015
- Various Rating Actions Taken In Spanish RMBS Transaction Bancaja 5 Following Review, May 14, 2014

RATINGS LIST

Class	Rating	
	To	From
Bancaja 5, Fondo de Titulizacion de Activos		
€1 Billion Mortgage-Backed Floating-Rate Notes		
Rating Raised		
A	AA (sf)	AA- (sf)
Ratings Lowered		
B	BB+ (sf)	A+ (sf)
C	B- (sf)	BB+ (sf)

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