

Hecho Relevante de VALENCIA HIPOTECARIO 3 FONDO DE TITULIZACION DE ACTIVOS

En virtud de lo establecido en el Folleto Informativo de **VALENCIA HIPOTECARIO 3 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 **Fitch Ratings** (“Fitch”), con fecha 31 de julio de 2014, comunica que ha confirmado las calificaciones asignadas a las Series de Bonos emitidos por el Fondo:
 - **Serie A2:** **AA-sf**, perspectiva estable (anterior, **AA-sf** perspectiva negativa)
 - **Serie B:** **BBBsf**, perspectiva estable (anterior, **BBBsf** perspectiva negativa)
 - **Serie C:** **BB+sf**, perspectiva negativa
 - **Serie D:** **CCCsf**

Se adjunta la comunicación emitida por Fitch.

Madrid, 1 de agosto de 2014.

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FITCH TAKES RATING ACTIONS ON VALENCIA HIPOTECARIO

Fitch Ratings-London-31 July 2014: Fitch Ratings has upgraded four, affirmed seven and downgraded one tranche of the Valencia Hipotecario series, four Spanish RMBS transactions originated by Banco de Valencia (now CaixaBank; BBB/Positive/F2). A full list of rating actions is at the end of this commentary.

KEY RATING DRIVERS

Sufficient Credit Enhancement

Fitch placed the class A notes of VH1 on RWP in April 2014, following the revision of Spain's Country Ceiling to 'AA+', six notches above the sovereign Issuer Default Rating (IDR) of 'BBB+.

The agency has tested the transaction's ability to withstand higher rating stresses under the updated criteria assumptions for Spanish RMBS. The analysis has shown that the credit enhancement available to the notes, as well as that available to the class A notes of VH2 are sufficient to withstand a 'AA+sf' rating.

Divergent Asset Performance

Over the past 12 months the asset performance of Valencia Hipotecario 1, 2 and 3, the more seasoned transactions, was broadly stable. Cumulative gross defaults have remained limited and presently stand between 0.3% (VH1) and 2.5% (VH2 and VH3) of the initial pool, an increase of between 10bp (VH1) and 50bp (VH2 and VH3) compared with 12 months ago. Late stage arrears (mortgages with at least three months payments overdue) remained constant, between 0.8% (VH1) and 1.9% (VH2) of the current pool. These measures are currently below Fitch's Spanish RMBS index, where gross defaults and late stage arrears are 4.6% and 2.1%, respectively

Fitch believes that the better performance of these three transactions can be attributed to the high average seasoning (between 113 months (VH3) and 155 months (VH1)), and low loan-to-value (LTV) ratios of the underlying mortgages (between 33% (VH1) and 47% (VH3)). Combined with the strong levels of available credit enhancement, this good asset performance has led to the upgrade of the class A and C notes of VH1 and class A and B notes of VH2, as well as the affirmations across the rest of their structures, with Stable Outlooks.

In contrast, VH5's portfolio performance is weaker, with cumulative gross defaults at 5.8% of the initial pool. Late stage arrears are significantly higher than those reported for the three more seasoned transactions, at 3.7% of the current pool. Fitch considers the performance to be driven by the more adverse portfolio characteristics, as the underlying pool at closing included 10.5% and 14% of self-employed and foreign borrowers, respectively, in addition to 16.6% of broker-originated mortgages. The agency also notes a large part of mortgages in early stage arrears have left the pool over the past 12 months, which may have somewhat improved the performance of the portfolio. For these reasons, the performance is expected to remain volatile.

Reserve Fund Draws

The cash reserves of VH1, VH2 and VH3 stand between 99.2% (VH1) and 71.3% (VH3) of the respective target levels. The draws have been caused by provisions on defaulted loans. While the pipeline of future defaults remains limited, Fitch believes that their replenishment on the upcoming payment dates is likely. As the reversal of the reserve fund draws on VH3 is expected to take longer, the Outlook on its class C notes remains Negative.

In VH5 the combination of high defaults and limited excess spread generated from the underlying mortgages has implied more severe reserve draws to the point that the cash reserve is now at 55.5% of the target balance. Fitch expects this pattern to continue in the next payment dates, thus impacting the credit enhancement available to the class A notes, and leading to their downgrade to 'BBBsf'

Strong House Price Decline

Fitch has observed that the properties in the underlying portfolios, strongly concentrated in the Valencia area, have seen severe price declines over the past years, resulting in limited recoveries from the sale of properties taken into possession. This factor and the weak asset performance contributed to the downgrade of the senior tranche in VH5.

RATING SENSITIVITIES

A revision of the structured finance 'AA+sf' rating cap for Spain could result in rating changes to the 'AA+sf'-rated tranches.

A deterioration of the asset performance beyond Fitch's expectations would trigger negative rating actions.

The rating actions are as follows:

Valencia Hipotecario 1, Fondo de Titulizacion de Activos (VH1):

Class A (ISIN ES0382744003): upgraded to 'AA+sf' from 'AA-sf'; Outlook Stable; off RWP

Class B (ISIN ES0382744011): affirmed at 'AA-sf'; Outlook revised to Stable from Negative

Class C (ISIN ES0382744029): upgraded to 'Asf' from 'BBB+sf'; Outlook Stable

Valencia Hipotecario 2, Fondo de Titulizacion de Hipotecaria (VH2):

Class A (ISIN ES0382745000): upgraded to 'AA+sf' from 'AA-sf'; Outlook Stable

Class B (ISIN ES0382745018): upgraded to 'A-sf' from 'BBB+sf'; Outlook Stable

Class C (ISIN ES0382745026): affirmed at 'BB+sf'; Outlook revised to Stable from Negative

Class D (ISIN ES0382745034): affirmed at 'CCCsf'; Recovery Estimate of 30%

Valencia Hipotecario 3, Fondo de Titulizacion de Activos (VH3):

Class A2 (ISIN ES0382746016): affirmed at 'AA-sf'; Outlook revised to Stable from Negative

Class B (ISIN ES0382746024): affirmed at 'BBBsf' Outlook revised to Stable from Negative

Class C (ISIN ES0382746032) affirmed at 'BB+sf'; Outlook Negative;

Class D (ISIN ES0382746040): affirmed at 'CCCsf'; Recovery Estimate of 60%

Valencia Hipotecario 5, Fondo de Titulizacion de Activos (VH5):

Class A (ISIN ES0382718007): downgraded to 'BBBsf' from 'A-sf'; Outlook Negative

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Sources of information: Investor and Servicer reports and loan-by-loan data provided by the Europea de Titulizacion SGFT.

Applicable criteria, 'EMEA RMBS Master Rating Criteria', dated 28 May 2014; 'EMEA Residential Mortgage Loss Criteria', dated 28 May 2014; 'EMEA Criteria Addendum - Spain', dated 5 June 2014; 'Counterparty Criteria for Structured Finance and Covered Bonds' and 'Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum', dated 14 May 2014; 'Global Structured Finance Rating Criteria', dated 20 May 2014; 'Criteria for Servicing Continuity Risk in Structured Finance', dated 17 July 2014, 'Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds', dated 11 April 2014 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

EMEA RMBS Master Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=749271

EMEA Residential Mortgage Loss Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=749272

Criteria Addendum: Spain - Residential Mortgage Loss and Cash Flow Assumptions

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=736756

Counterparty Criteria for Structured Finance and Covered Bonds

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158

Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744175

Global Structured Finance Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=748821

Criteria for Servicing Continuity Risk in Structured Finance

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=752340

Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=741479

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