

**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 8 de octubre de 2019, comunica que confirma las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:
  - **Serie A2:** **AA+sf**, perspectiva estable
  - **Serie B:** **A+sf**, perspectiva estable
  - **Serie C:** **A-sf**, perspectiva estable
  - **Serie D:** **CCCsf**

Se adjunta la comunicación emitida por Fitch.

Madrid, 8 de octubre de 2019.

08 Oct 2019 | Rating Watch

## Fitch Places Valencia Hipotecario 2 Class C on RWN; Affirms Valencia Hipotecario 3

---

Fitch Ratings-Madrid-08 October 2019:

Fitch Ratings has placed Valencia Hipotecario 2, FTA's class C notes on Rating Watch Negative (RWN) reflecting counterparty dependency, and affirmed three other tranches. Fitch has also affirmed Valencia Hipotecario 3, FTA. A full list of rating actions is below.

### Transaction Summary

The transactions comprise Spanish residential mortgages serviced by Caixabank, S.A. (BBB+/F2/Stable).

### KEY RATING DRIVERS

#### Credit Enhancement (CE) Trends

Current and projected CE for the notes is sufficient to mitigate the credit and cash flow stresses under their rating scenario, as reflected by the affirmations. For both transactions, we expect CE ratios to remain broadly stable or gradually increase given the pro-rata amortisation of the notes and the reserve funds being at their absolute floors. The prevailing pro-rata amortisation of the notes will switch to sequential when the outstanding portfolio balance represents less than 10% of their original amount (currently between 15.0% and 22.8%) or sooner if certain performance triggers are breached.

#### Rating Cap Due to Counterparty Risk

Valencia Hipotecario 2's class C notes' rating is capped at the issuer account bank provider's rating (Barclays Bank plc; A+/RWN/F1), as the only source of structural CE for this class is the reserve fund at the account bank. The rating cap reflects the excessive counterparty dependency on the SPV account bank holding the cash reserves, as the sudden loss of these funds would imply a downgrade of 10 or more notches of the notes in accordance with Fitch's criteria. As Barclays Bank plc is currently on RWN, Fitch has placed Valencia Hipotecario 2's class C notes on RWN. Resolution of the RWN is directly linked to the resolution of the RWN on Barclays Bank plc, which may take

longer than six months.

#### High Seasoning and Stable Asset Performance

The rating actions reflect Fitch's expectation of stable credit trends given the significant seasoning of the securitised portfolios of more than 14 years, the prevailing low interest rate environment and the Spanish macroeconomic outlook. Three-month plus arrears (excluding defaults) as a percentage of the current pool balance remains below 0.7% in both cases as of the latest reporting date, and cumulative gross defaults range between 3.4% for Valencia Hipotecario 2 and 3.9% for Valencia Hipotecario 3 relative to portfolio initial balances.

The securitised portfolios are exposed to geographical concentration in the Valencia region, where approximately 69% and 73% of the borrowers are located for Valencia Hipotecario 2 and Valencia Hipotecario 3, respectively. In line with Fitch's European RMBS rating criteria, higher rating multiples are applied to the base foreclosure frequency assumption to the portion of the portfolio that exceeds two and a half times the population within this region.

#### Payment Interruption Risk Mitigated

Fitch views the transactions as sufficiently protected against payment interruption risk in the event of servicer disruption, as liquidity sources are sufficient to cover at least three months of senior fees, net swap payments and interest payment obligations on the senior notes, until an alternative servicing arrangement is implemented.

#### RATING SENSITIVITIES

A worsening of the Spanish macroeconomic environment, especially employment conditions or an abrupt shift of interest rates could jeopardise the underlying borrowers' affordability. This could have negative rating implications, especially for junior tranches that are less protected by structural CE. As Valencia Hipotecario 2 class C notes' rating is capped at the SPV account bank's Long-Term Issuer Default Rating, a change to this rating could trigger a corresponding change to the class C notes' rating.

#### USE OF THIRD PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G -10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action

## DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pools and the transactions. There were no findings that affected the rating analysis. Fitch has not reviewed the results of any third party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Fitch did not undertake a review of the information provided about the underlying asset pools ahead of the transactions' initial closing. The subsequent performance of the transactions over the years is consistent with the agency's expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable.

Overall, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

## SOURCES OF INFORMATION

The information below was used in the analysis.

- Loan-by-loan data sourced from the European Data Warehouse as at June 2019 for Valencia Hipotecario 2, FTH and May 2019 for Valencia Hipotecario 3, FTA.

- Issuer and servicer reports provided by Europea de Titulización S.G.F.T. as at July 2019 for Valencia Hipotecario 2, FTH, and as at August 2019 for Valencia Hipotecario 3, FTA .

## MODELS

[ResiGlobal.](#)

[EMEA Cash Flow Model.](#)

Valencia Hipotecario 2, FTH

----Series A ES0382745000; Long Term Rating; Affirmed; AAAsf; RO:Sta

----Series B ES0382745018; Long Term Rating; Affirmed; A+sf; RO:Sta

----Series C ES0382745026; Long Term Rating; Rating Watch On; A+sf; RW: Neg

----Series D ES0382745034; Long Term Rating; Affirmed; CCCsf  
Valencia Hipotecario 3, FTA  
----Class A2 ES0382746016; Long Term Rating; Affirmed; AA+sf; RO:Sta  
----Class B ES0382746024; Long Term Rating; Affirmed; A+sf; RO:Sta  
----Class C ES0382746032; Long Term Rating; Affirmed; A-sf; RO:Sta  
----Class D ES0382746040; Long Term Rating; Affirmed; CCCsf

Contacts:

Surveillance Rating Analyst

Paula Nafria, FRM

Analyst

+34 91 076 1985

Fitch Ratings Spain - Madrid

Paseo de la Castellana 31 9ºB

Madrid 28046

Committee Chairperson

Juan Garcia,

Senior Director

+34 91 702 5774

Media Relations: Athos Larkou, London, Tel: +44 20 3530 1549, Email:  
athos.larkou@thefitchgroup.com

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

**Applicable Criteria**

[European RMBS Rating Criteria \(pub. 16 Aug 2019\)](#)

[Fitch Ratings Interest Rate Stress Assumptions for Structured Finance and Covered Bonds \(pub. 08 Mar 2019\)](#)

[Global Structured Finance Rating Criteria \(pub. 02 May 2019\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub. 18 Apr 2019\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub. 18 Apr 2019\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub. 23 Oct 2018\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub. 27 Jun 2019\)](#)

**Additional Disclosures**

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://www.fitchratings.com). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2019 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the

accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit

ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

---

**ENDORSEMENT POLICY** - Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the [EU Regulatory Disclosures](#) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.