

**Hecho Relevante de VALENCIA HIPOTECARIO 2 FONDO DE TITULIZACION HIPOTECARIA**

En virtud de lo establecido en el Folleto Informativo de **VALENCIA HIPOTECARIO 2 FONDO DE TITULIZACION HIPOTECARIA** (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 A:** **AAAsf**, perspectiva estable
  - **Serie B:** **A+sf**, perspectiva estable
  - **Serie C:** **A+sf**, perspectiva negativa
  - **Serie D:** **CCCs**

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

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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

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**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 \(pub. 27 Jun 2019\)](#)

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