

**Otra Información 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 la presente información relevante:

- La Agencia de Calificación **Fitch Ratings** (“Fitch”), con fecha 7 de septiembre de 2020, comunica que afirma 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 D:**      **CCCs**

Asimismo, Fitch comunica que mantiene el Rating Watch de la siguiente Serie de Bonos emitidos por el fondo:

- **Serie C:**      **A+sf**, perspectiva negativa

Se adjunta la comunicación emitida por Fitch.

Madrid, 17 de septiembre de 2020.

07 Sep 2020 | Affirmation

## Fitch Takes Rating Actions on 2 Valencia Hipotecario RMBS

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Fitch Ratings-Madrid-07 September 2020:

Fitch Ratings has downgraded two tranches of Valencia Hipotecario 3, FTA (Valencia 3) and affirmed two tranches. Fitch has also affirmed three tranches of Valencia Hipotecario 2, FTH (Valencia 2) and maintained one tranche on Rating Watch Negative (RWN). The rating actions are as follows:

### Valencia Hipotecario 3, FTA

- Class A2 ES0382746016; Long Term Rating; Affirmed; AA+sf; RO:Sta
- Class B ES0382746024; Long Term Rating; Downgrade; A-sf; RO:Sta
- Class C ES0382746032; Long Term Rating; Downgrade; BBBsf; RO:Sta
- Class D ES0382746040; Long Term Rating; Affirmed; CCCsf

### 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 Maintained; A+sf; RW: Neg
- Series D ES0382745034; Long Term Rating; Affirmed; CCCsf

### Transaction Summary

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

### KEY RATING DRIVERS

#### COVID-19 Additional Stresses

In its analysis of the transactions, Fitch has applied additional stresses in conjunction with its European RMBS Rating Criteria in response to the coronavirus outbreak and the recent legislative developments in Catalonia. Fitch anticipates a generalised weakening of Spanish borrowers´

ability to keep up with mortgage payments due to a spike in unemployment and vulnerable self-employed borrowers.

Performance indicators such as the level of late stage arrears (in the range between 1.1% and 0.6% as of June 2020 for Valencia 2 and 3, respectively,) could deteriorate in the coming months and therefore Fitch has also incorporated a 10% increase to the weighted average foreclosure frequency (WAFF) of the portfolios (see EMEA RMBS: Criteria Assumptions Updated due to Impact of the Coronavirus Pandemic and Spain RMBS: Criteria Assumptions Updated Due to Decree Law in Catalonia at [www.fitchratings.com](http://www.fitchratings.com)).

As outlined in "Fitch Ratings Coronavirus Scenarios: Baseline and Downside Cases", we also consider a downside coronavirus scenario for sensitivity purposes whereby a more severe and prolonged period of stress is assumed. Under this scenario, Fitch's analysis accommodates a 15% increase to the portfolio WAFF and a 15% decrease to the WA recovery rates. See Ratings Sensitivities.

#### Credit Enhancement Trends

The affirmation of Valencia 2's class A and B notes, and Valencia 3's class A notes reflect our view that credit enhancement (CE) is sufficient to mitigate the risks associated with our base case coronavirus scenario. The Stable Outlook on these tranches reflects the ratings' resilience to the coronavirus downside sensitivity assessment, supported by CE. Additionally, the high portfolio seasoning of around 14 years and the large share of floating-rate loans with low interest rates are mitigating factors against macroeconomic uncertainty.

The downgrade of Valencia 3's class B and C notes ratings reflects insufficient CE to compensate for the larger projected losses under our base case coronavirus scenario. The sensitivity of the ratings to scenarios more severe than currently expected is in Rating Sensitivities.

#### Valencia 2 RWN Maintained

Valencia 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 held at the account bank. As Barclays Bank plc remains on RWN, Valencia Hipotecario 2's class C notes also remain 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. The rating cap reflects the excessive counterparty dependency on the SPV account bank holding the cash reserves, as the sudden loss of these amounts would imply a downgrade of 10 or more notches of the notes in accordance with Fitch's criteria.

## Low Take-up Rates on Payment Holidays

Fitch does not expect the COVID-19 emergency support measures introduced by the Spanish government for vulnerable borrowers to negatively impact the SPV's liquidity positions, given the low take-up rate of payment holidays in the transactions, which range between 5.6% and 6.5% of the outstanding portfolio balances as of June 2020 (versus the Spanish national average of around 9.0%).

## Regional Concentration Risk

The portfolios are exposed to geographic concentration risk, mainly to the region of Valencia, which represents approximately 65% and 71% of the portfolios for Valencia 2 and Valencia 3, respectively. Fitch has applied higher rating multiples to the base FF assumption to the portion of the portfolios that exceeds 2.5x the population within this region.

## RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- CE ratios increasing as the transactions deleverage, able to fully compensate the credit losses and cash flow stresses commensurate with higher rating scenarios, all else being equal.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- A longer-than-expected coronavirus crisis that deteriorates macroeconomic fundamentals and the mortgage market in Spain beyond Fitch's current base case. CE ratios that cannot fully compensate the credit losses and cash flow stresses associated with the current ratings scenarios, all else being equal. To approximate this scenario, Fitch conducted a rating sensitivity by increasing default rates by 15% and cutting recovery expectations by 15%, which would imply downgrades between one and two categories for most of the notes.

- For Valencia 2's class C notes, a downgrade of Barclays Bank plc's Long-Term Issuer Default Rating as the notes' rating is capped to the bank's rating due to excessive counterparty risk exposure.

## Best/Worst Case Rating Scenario

International scale credit ratings of Structured Finance transactions have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive

direction) of seven notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of seven notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAAsf' to 'Dsf'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

#### 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. 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.

#### REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

#### PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Valencia 2 class C notes' rating is capped at the issuer account bank provider's rating (Barclays Bank plc) because it is exposed to an excessive counterparty dependency.

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### **Applicable Criteria**

[European RMBS Rating Criteria \(pub. 22 May 2020\) \(including rating assumption sensitivity\)](#)

[Global Structured Finance Rating Criteria \(pub. 17 Jun 2020\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub. 29 Jan 2020\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub. 29 Jan 2020\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub. 06 Dec 2019\)](#)

### **Applicable Model**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Multi-Asset Cash Flow Model, v2.8.0 (1)

ResiGlobal Model: Europe, v1.6.3 (1)

### **Additional Disclosures**

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