

Otra Información 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 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:** **AA+sf**, perspectiva estable
 - **Serie D:** **CCCs**

Asimismo, Fitch comunica que desciende las calificaciones asignadas a las siguientes Series de Bonos emitidos por el fondo:

- **Serie B:** **A-sf**, perspectiva estable (anterior **A+sf**)
- **Serie C:** **BBBsf**, perspectiva estable (anterior **A-sf**)

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

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).

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.

Contacts:

Surveillance Rating Analyst
Isabela de Benito,
Analyst
+34 91 702 5777
Fitch Ratings Spain - Madrid
Paseo de la Castellana 31 9ºB
Madrid 28046

Committee Chairperson
Juan David 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

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

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

[Solicitation Status](#)

[Endorsement 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, THE FOLLOWING [HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT](https://www.fitchratings.com/rating-definitions-document) DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. 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 RATINGS WEBSITE.

Copyright © 2020 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.