

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 20 de agosto de 2013, comunica que ha confirmado las calificaciones asignadas a las Series de Bonos emitidos por el Fondo:
 - **Serie A:** **AA-sf**, perspectiva negativa
 - **Serie B:** **BBB+sf**, perspectiva negativa
 - **Serie C:** **BB+sf**, perspectiva negativa
 - **Serie D:** **CCCs**

Se adjunta la comunicación emitida por Fitch.

Madrid, 21 de agosto de 2013.

Enrique Pescador Abad
Director de Organización y Control

FITCH AFFIRMS VALENICA HIPOTECARIO SERIES

Fitch Ratings-London/Madrid-20 August 2013: Fitch Ratings has affirmed 12 tranches of the Valencia Hipotecario (Valencia) 1-3 and 5 Spanish RMBS as follows:

Valencia Hipotecario 1, Fondo de Titulizacion de Activos:

Class A (ISIN ES0382744003): affirmed at 'AA-sf'; Outlook Negative

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

Class C (ISIN ES0382744029): affirmed at 'BBB+sf'; Outlook Negative

Valencia Hipotecario 2, Fondo de Titulizacion de Hipotecaria:

Class A (ISIN ES0382745000): affirmed at 'AA-sf'; Outlook Negative

Class B (ISIN ES0382745018): affirmed at 'BBB+sf'; Outlook Negative

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

Class D (ISIN ES0382745034): affirmed at 'CCCsf'; Recovery Estimate of 45%

Valencia Hipotecario 3, Fondo de Titulizacion de Activos:

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

Class B (ISIN ES0382746024): affirmed at 'BBBsf'; Outlook Negative;

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

Class D (ISIN ES0382746040): affirmed at 'CCCsf'; Recovery Estimate of 5%

Valencia Hipotecario 5, Fondo de Titulizacion de Activos:

Class A (ISIN ES0382718007): affirmed at 'Asf'; Outlook Negative;

KEY RATING DRIVERS

- Sufficient Credit Enhancement

The affirmation reflects the sufficient credit enhancement available for the rated notes, despite the recent sharp rise in the constant default rate (CDR), defined as period defaults (loans in arrears by more than 12 months) as a percentage of current balance.

In the past six months, the CDR has reached up to 3% in Valencia 5 compared to 1.1% 12 months ago. The pipeline of potential defaults, as evidenced by the level of three months plus arrears (excluding defaults) as a percentage of current balance has remained stable at between 0.7% (Valencia 1) and 4.4% (Valencia 5).

Recent reserve fund draws have been triggered by the high CDR, exceeding the gross excess spread levels generated by the structures. With the level of arrears stable, Fitch expects the high CDR rates to continue in the short term and for further reserve fund draws. The agency's analysis shows that the level of credit enhancement available to the transactions is sufficient to withstand longer periods of high CDR.

Portfolio Deleveraging

Given the seasoning of the assets in the underlying portfolios, the loans in the pools have seen significant deleveraging, leading to lower than average current loan to value ratios (between 31% (Valencia 1) and 60% (Valencia 5)). The agency performed additional analysis to test the resilience of the pool to further house price declines. The analysis showed that house price declines would exceed the standard 'AA-sf' scenario in order to result in losses to rated tranches, leading the agency to affirm the notes' current ratings.

RATING SENSITIVITIES

The Negative Outlooks on all tranches reflect the uncertainty associated with changes to the

Spanish mortgage enforcement framework. The eventual effects of framework changes on borrower payment behaviour, recovery timing and amounts are currently unclear and will be factored into Fitch's analysis as they emerge.

Home price declines beyond Fitch's expectations could have a negative effect on the ratings as these would limit expected recoveries, causing additional stress on portfolio cashflows.

A further sharper increase in the CDR may cause Fitch to revise its probability of default assumptions and may cause downgrades to the rated notes.

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Additional information is available on www.fitchratings.com.

In addition to those mentioned in the applicable criteria, the sources of information used to assess these ratings were investor reports and pool tapes.

Applicable criteria: 'Global Structured Finance Rating Criteria', dated 24 May 2013, 'EMEA RMBS Residential Mortgage Loss Criteria', dated 6 June 2013, and 'EMEA Criteria Addendum - Spain - Mortgage and Cashflow Assumptions', dated 20 March 2013, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708661

EMEA Residential Mortgage Loss Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=709915

EMEA Criteria Addendum - Spain - Amended

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=701809

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