Europea de Titulización
Sociedad Gestora de Fondos de Titulización

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 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 10 de abril de 2018, comunica que ha elevado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:

  - **Serie A2**: **AAsf**, perspectiva estable (anterior **AA-sf,** perspectiva en evolución)
  - **Serie B**: **A-sf**, perspectiva estable (anterior **BBBsf,** perspectiva en evolución)
  - **Serie C**: **BBBsf**, perspectiva estable (anterior **BB+sf,** perspectiva en evolución)

  Asimismo, Fitch ha confirmado la calificación asignada a la restante Serie de Bonos:

  - **Serie D**: **CCCsf**, recuperación estimada 90%

  Se adjunta la comunicación emitida por Fitch.

Madrid, 10 de abril de 2018.

José Luis Casillas González
Apoderado

Paula Torres Esperante
Apoderada

FitchRatings

Fitch Upgrades 6 Tranches of Valencia Hipotecario Spanish RMBS, Affirms Others

Fitch Ratings-London-10 April 2018: Fitch Ratings has upgraded six tranches of three Valencia Hipotecario Spanish RMBS transactions, revised the Rating Watch on one and affirmed the others, as follows:

Valencia Hipotecario 1, Fondo de Titulizacion de Activos (VH1):
Class A (ISIN ES0382744003): upgraded to 'AAAsf' from 'AA+sf'; off Rating Watch Evolving (RWE); Outlook Stable
Class B (ISIN ES0382744011): upgraded to 'AAAsf' from 'AA+sf' ; off RWE; Outlook Stable
Class C (ISIN ES0382744029): 'Asf' Rating Watch revised to Positive from Evolving

Valencia Hipotecario 2, Fondo de Titulizacion de Hipotecaria (VH2):
Class A (ISIN ES0382745000): upgraded to 'AAAsf' from 'AA+sf'; off RWE; Outlook Stable
Class B (ISIN ES0382745018): affirmed at 'A+sf'; off RWE; Outlook Stable
Class C (ISIN ES0382745026): affirmed at 'BBBsf'; off RWE; Outlook Stable
Class D (ISIN ES0382745034): affirmed at 'CCCsf'; off RWE; Recovery Estimate 90%

Valencia Hipotecario 3, Fondo de Titulizacion de Activos (VH3):
Class A2 (ISIN ES0382746016): upgraded to 'AAsf' from 'AA-sf'; off RWE; Outlook Stable
Class B (ISIN ES0382746024): upgraded to 'A-sf' from 'BBBsf'; off RWE; Outlook Stable
Class C (ISIN ES0382746032): upgraded to 'BBBsf' from 'BB+sf'; off RWE; Outlook Stable
Class D (ISIN ES0382746040): affirmed at 'CCCsf'; off RWE; Recovery Estimate 90%

The transactions comprise residential mortgage loans serviced by CaixaBank, S.A. (BBB/Positive/F2) in Spain.

KEY RATING DRIVERS
European RMBS Rating Criteria and Recent Sovereign Upgrade

The upgrades and removal from RWE follow the implementation of Fitch's new European RMBS Rating criteria, published on 27 October 2017. The upgrades to 'AAAsf' also follow the recent upgrade of Spain's Issuer Default Rating to 'A-' (see Fitch Upgrades Spain to 'A-'; Outlook Stable).

High Seasoning, Sound Asset Performance

Three-month plus arrears (excluding defaults) have remained low since the last review, ranging between 0.5% (VH1 - November 2017) and 0.9% (VH2 - January 2018) of the portfolio outstanding balance at the relative portfolio dates. Cumulative gross defaults (defined as loans in arrears for more than 18 months) ranged between 0.5% and 3.7% of the initial portfolio balance for VH1 and VH3, respectively.

All three portfolios have built substantial seasoning, currently ranging between 13 and 16 years. As a result, the weighted average unindexed current loan-to-value (LTV) ratios have dropped to between 25.1% and 38.7%, compared with the weighted average original LTVs of around 70%. For this reason, Fitch expects performance to remain stable over the short to medium term.

Credit Enhancement (CE) Trends

All three transactions include amortisation mechanisms that allow the notes to be paid down pro-rata rather than sequentially as long as performance and tranche thickness (tranche size relative to total outstanding) triggers are fulfilled. Fitch views the available and projected CE across the series sufficient to withstand the associated rating stresses, which is reflected in the upgrades and affirmations.

Fitch expects CE to continue building up substantially for VH1's senior notes because the pro-rata amortisation of the class A to C notes will shortly switch to sequential when the outstanding portfolio balance represents less than 10% of its original amount (currently at 10.9%).

VH2's cash RF has amortised close to its floor of EUR5 million. This will allow CE available to all tranches, including the class C notes, to build up at a higher pace as the conditions for pro-rata amortisation are not expected to be breached in the short to medium term under Fitch's base case scenario.

VH3's class B and C notes started to amortise when the respective pro-rata conditions were satisfied (December 2016 and December2017, respectively) and have currently amortised to about 40% of their original balances, causing a material increase in CE. The upgrade of the junior notes reflects the resulting improved resilience to Fitch's stresses.

Exposure to Transaction Account Bank Default Risk

VH1's class C notes' rating is capped at the issuer account bank provider's rating (Barclays Bank plc; A/RWP) due to excessive counterparty risk. The cash reserve, held at the account bank, represents a very material component of the junior notes' CE. According to Fitch's criteria, a sudden loss of these reserves would cause a downgrade of the class D notes' rating by more than 10 notches. As such, the class D notes' maximum achievable rating is linked to the SPV account bank provider.

Geographic Concentration Risk

The securitised portfolio is exposed to geographical concentration in Comunidad Valenciana and Murcia. As per its criteria, Fitch has applied a higher set of rating multiples to the base foreclosure frequency assumption to the portion of the portfolio that exceeds two and a half times the population within these regions.

RATING SENSITIVITIES

The rating of VH1's class C notes is sensitive to changes in the SPV account bank's rating (Barclays Bank), as the transaction's cash reserves are kept at this bank account and represent the only source of CE for this tranche.

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.

USE OF THIRD-PARTY DUE DILIGENCE PURSUANT TO 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 provided by European Data Warehouse at 20 November 2017, 18 January 2018 and 18 December 2017 for Valencia Hipotecario 1, 2 and 3 respectively.
- Transaction reporting provided by European de Titulacionas as at 31 January 2018

MODELS
ResiEMEA. (https://www.fitchratings.com/site/structuredfinance/rmbs/resiemea)
EMEA Cash Flow Model.
(https://www.fitchratings.com/site/structuredfinance/emeacfm)

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Additional information is available on www.fitchratings.com

Applicable Criteria
European RMBS Rating Criteria (pub. 02 Feb 2018)
(https://www.fitchratings.com/site/re/10018676)
Fitch's Interest Rate Stress Assumptions for Structured Finance and Covered Bonds - Excel File (pub. 02 Feb 2018)
(https://www.fitchratings.com/site/re/10018863)
Global Structured Finance Rating Criteria (pub. 03 May 2017)
(https://www.fitchratings.com/site/re/897411)
Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 23 May

2017) (https://www.fitchratings.com/site/re/898537)
Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (pub. 23 May 2017) (https://www.fitchratings.com/site/re/898538)
Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 02 Feb 2018) (https://www.fitchratings.com/site/re/10018549)

Additional Disclosures
Dodd-Frank Rating Information Disclosure Form (https://www.fitchratings.com/site/dodd-frank-disclosure/10026521)
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