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Madrid

COMUNICACIÓN DE HECHO RELEVANTE

MADRID RMBS III, FONDO DE TITULIZACIÓN DE ACTIVOS Actuaciones sobre las calificaciones de los bonos por parte de Fitch Ratings.

Titulización de Activos, Sociedad Gestora de Fondos de Titulización, S.A. comunica el siguiente Hecho Relevante:

I. Respecto al fondo de referencia, adjuntamos nota de prensa publicada por Fitch Ratings, con fecha 29 de noviembre de 2018, donde se llevan a cabo las siguientes actuaciones:

- Bono A2, subida a **BBB(sf)** desde **BB-(sf)**; **perspectiva estable.**
- Bono A3, subida a **BBB(sf)** desde **BB-(sf)**; **perspectiva estable.**
- Bono B, subida a **BB+(sf)** desde **B(sf)**; **perspectiva estable.**
- Bono C, subida a **B-(sf)** desde **CCC(sf)**; **perspectiva estable.**
- Bono D, afirmado como **CC (sf)**; **recuperación estimada revisada al 40%** desde el **0%**.
- Bono E, afirmado como **C (sf)**; **recuperación estimada del 0%**.

En Madrid a 30 de noviembre de 2018

Ramón Pérez Hernández
Consejero Delegado



Fitch Upgrades 19 tranches of 9 Spanish RMBS; Downgrades 2; Affirms 24

Fitch Ratings-Madrid/London-29 November 2018: Fitch Ratings has upgraded 19, downgraded two and affirmed 24 tranches of nine Spanish RMBS transactions. Four Outlooks are Positive and the rest are Stable. A full list of rating actions is at the end of this rating action commentary.

The transactions comprise Spanish mortgages serviced by Kutxabank S.A. (BBB+/Stable/F2) for AyT CGH Caja Vital 1 (Vital 1), Banco de Sabadell S.A. (unrated) for Caixa Penedes 1 (Penedes 1), Banco Bilbao Vizcaya Argentaria S.A. (A-/Stable/F2) for BBVA RMBS 1-3, Bankia S.A. (BBB-/Positive/F3) for Madrid RMBS 1-3, and Banco Santander S.A. (A-/Stable/F2) for Santander Hipotecario 3 (Santander 3).

KEY RATING DRIVERS

High Seasoning and Asset Performance

The rating actions reflect Fitch's expectation of stable credit trends given the significant seasoning of the securitised portfolios of more than 12 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 1% in all cases as of the latest reporting date.

Credit Enhancement (CE) Trends

Fitch expects CE ratios to remain stable for Penedes 1 as the pro rata amortisation of the notes will most likely continue. This will switch to sequential when the outstanding portfolio balance represents less than 10% of its original amount (currently 23%) or sooner if certain performance triggers are breached.

The CE ratios of the senior notes for the remaining eight transactions should continue to increase, driven by their sequential amortisation, which we expect to continue.

Payment Interruption Risk Caps Ratings

The 'A+sf' rating on the class A notes of Vital 1, BBVA RMBS 1 and BBVA RMBS 2 reflects the exposure of these transactions to payment interruption risk, as Fitch assesses the available cash reserves are insufficient to cover swap costs, net of the swap payments and interest on swap to date, in the event of a payment interruption. Details of the swap payments and interest on swap to date are in the event of a payment interruption. To agree to our use of cookies click Accept.

High Cumulative Defaults (BBVA RMBS, Madrid RMBS and Santander 3)

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Cumulative gross defaults for these seven transactions are high but show signs of continuous flattening, ranging between 6.1% for BBVA RMBS 1 and 22.6% for Madrid RMBS 3 relative to the initial portfolio balances as of the latest reporting periods. Defaults are defined as loans in arrears for more than six, 12 and 18 months for Madrid RMBS, BBVA RMBS and Santander 3, respectively.

These high levels of cumulative defaults are above the average 5.8% for other Spanish RMBS rated by Fitch. This is partly explained by the high original loan-to-value ratios of these portfolios. The large volume of defaults has caused various tranches to carry negative CE ratios, by which Santander 3's junior notes are the most affected, and interest payments on junior tranches of BBVA RMBS 3, Madrid RMBS 3 and Santander 3 have moved to a subordinate position within the waterfall of payments.

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.

For Vital I, BBVA RMBS 1 and BBVA RMBS 2, as long as payment interruption risk is not fully mitigated, the maximum achievable rating of these transactions will remain capped at 'A+sf' in accordance with Fitch's Structured Finance and Covered Bonds Counterparty Rating Criteria.

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 sourced from the European Data Warehouse as at:

June 2018 for Panedes 1
 July 2018 for BBVA RMBS 3 and Santander 3
 August 2018 for BBVA RMBS 1-2 and Madrid RMBS 1-3
 September 2018 for Vital 1

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Issuer and servicer reports provided by Europea de Titulizacion SGFT, S.A. as at:
 September 2018 for BBVA RMBS 1 and BBVA RMBS 2
 August 2018 for BBVA RMBS 3

Issuer and servicer reports provided by Haya Titulizacion SGFT, S.A. as at:
 May 2018 for Vital

Issuer and servicer reports provided by Titulizacion de Activos SGFT, S.A. as at:
 July 2018 for Penedes 1
 August 2018 for Madrid RMBS 1-3

Issuer and servicer reports provided by Santander de Titulizacion, S.A. as at:
 July 2018 for Santander 3

MODELS

ResiGlobal. (<https://www.fitchratings.com/site/structuredfinance/rmbs/resiglobal>)

EMEA Cash Flow Model. (<https://www.fitchratings.com/site/structuredfinance/emeacfm>)

Fitch has taken the following rating actions:

BBVA RMBS 1:

Class A2 (ISIN ES0314147010): upgraded to 'A+sf' from 'BBB+sf'; Outlook Stable

Class A3 (ISIN ES0314147028): upgraded to 'A+sf' from 'BBB+sf'; Outlook Stable

Class B (ISIN ES0314147036): upgraded to 'BBBsf' from 'B+sf'; Outlook Positive

Class C (ISIN ES0314147044): upgraded to 'Bsf' from 'CCCs'; Outlook Positive

BBVA RMBS 2:

Class A2 (ISIN ES0314148018): upgraded to 'A+sf' from 'BBBsf'; Outlook Stable

Class A3 (ISIN ES0314148026): upgraded to 'A+sf' from 'BBBsf'; Outlook Stable

Class A4 (ISIN ES0314148034): upgraded to 'A+sf' from 'BBBsf'; Outlook Stable

Class B (ISIN ES0314148042): upgraded to 'BBBsf' from 'BB-sf'; Outlook Positive

Class C (ISIN ES0314148059): upgraded to 'Bsf' from 'CCsf'; Outlook Positive

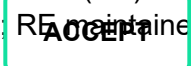
BBVA RMBS 3:

Class A1 (ISIN ES0314149008): upgraded to 'Bsf' from 'CCCs'; Outlook Stable

Class A2 (ISIN ES0314149016): upgraded to 'Bsf' from 'CCCs'; Outlook Stable

Class B (ISIN ES0314149032): affirmed at 'CCsf'; Recovery Estimate (RE) revised to 30% from 0%

Class C (ISIN ES0314149040): downgraded to 'Csf' from 'CCsf'; RE maintained at 0%



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Madrid RMBS 1:

Class A2 (ES0359091016) affirmed at 'A-sf'; Outlook Stable
 Class B (ES0359091024) affirmed at 'BBB-sf'; Outlook Stable
 Class C (ES0359091032) upgraded to 'Bs' from 'CCCsf'; Outlook Stable
 Class D (ES0359091040) affirmed at 'CCCsf'; RE revised to 90% from 0%
 Class E (ES0359091057) affirmed at 'CCsf'; RE maintained at 0%

Madrid RMBS 2:

Class A2 (ES0359092014) affirmed at 'A-sf'; Outlook Stable
 Class A3 (ES0359092022) affirmed at 'A-sf'; Outlook Stable
 Class B (ES0359092030) affirmed at 'BBB-sf'; Outlook Stable
 Class C (ES0359092048) upgraded to 'B+sf' from 'CCCsf'; Outlook Stable
 Class D (ES0359092055) affirmed at 'CCCsf'; RE revised to 90% from 0%
 Class E (ES0359092063) affirmed at 'CCsf'; RE revised to 50% from 0%

Madrid RMBS 3:

Class A2 (ES0359093012) upgraded to 'BBBsf' from 'BB-sf'; Outlook Stable
 Class A3 (ES0359093020) upgraded to 'BBBsf' from 'BB-sf'; Outlook Stable
 Class B (ES0359093038) upgraded to 'BB+sf' from 'Bs'; Outlook Stable
 Class C (ES0359093046) upgraded to 'B-sf' from 'CCCsf'; Outlook Stable
 Class D (ES0359093053) affirmed at 'CCsf'; RE revised to 40% from 0%
 Class E (ES0359093061) affirmed at 'Csf'; RE maintained at 0%

Penedes 1:

Class A (ISIN ES0313252001): affirmed at 'A+sf'; Outlook Stable
 Class B (ISIN ES0313252019): affirmed at 'BBBsf'; Outlook Stable
 Class C (ISIN ES0313252027) affirmed at 'BBsf'; Outlook Stable

Santander 3:

Class A1 (ISIN ES0338093000) affirmed at 'CCCsf'; RE maintained at 90%
 Class A2 (ISIN ES0338093018) affirmed at 'CCCsf'; RE maintained at 90%
 Class A3 (ISIN ES0338093026) affirmed at 'CCCsf'; RE maintained at 90%
 Class B (ISIN ES0338093034) affirmed at 'CCsf'; RE revised to 70% from 0%
 Class C (ISIN ES0338093042) downgraded to 'Csf' from 'CCsf'; RE maintained at 0%
 Class D (ISIN ES0338093059) affirmed at 'Csf'; RE maintained at 0%
 Class E (ISIN ES0338093067) affirmed at 'Csf'; RE maintained at 0%
 Class F (ISIN ES0338093075) affirmed at 'Csf'; RE maintained at 0%

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Vital 1:

Class A notes (ISIN ES0312273081): affirmed at 'A+sf', Outlook Stable

Class B notes (ISIN ES0312273099): upgraded to 'A+sf' from 'A-sf'; Outlook Stable

Class C notes (ISIN ES0312273107): upgraded to 'BB+sf' from 'BBsf'; Outlook Stable

Class D notes (ISIN ES0312273115): affirmed at 'CCCs'; RE maintained at 50%

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Additional information is available on www.fitchratings.com

Applicable Criteria

European RMBS Rating Criteria (pub. 05 Oct 2018) (<https://www.fitchratings.com/site/re/10047011>)

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>)

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Global Structured Finance Rating Criteria (pub. 15 May 2018) (<https://www.fitchratings.com/site/re/10029600>)

Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 01 Aug 2018) (<https://www.fitchratings.com/site/re/10039504>)

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Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (pub. 01 Aug 2018)

(<https://www.fitchratings.com/site/re/10039505>)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 02 Feb 2018)

(<https://www.fitchratings.com/site/re/10018549>)

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