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COMUNICACIÓN DE HECHO RELEVANTE

MADRID RMBS II, FONDO DE TITULIZACIÓN DE ACTIVOS
Descenso y confirmación de 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:

Respecto al fondo de referencia, adjuntamos nota de prensa publicada por Fitch Ratings con fecha 28 de julio de 2011, donde se establece el descenso y confirmación de las calificaciones asignadas al fondo.

- Serie A2, de **AA- (sf) /Outlook Stable** a **A (sf)**
- Serie A3, **AA- (sf) /Outlook Stable** a **A (sf)**
- Serie B, **A- (sf) /Outlook Stable** a **BBB (sf)**
- Serie C, **BB (sf) /Outlook Negative**
- Serie D, **CCC (sf)**
- Serie E, **CC (sf)**

En Madrid a 3 de agosto de 2011

Ramón Pérez Hernández
Director General

Fitch Downgrades Madrid RMBS Series Ratings

28 Jul 2011 12:17 PM (EDT) Fitch Ratings-London/Madrid-28 July 2011: Fitch Ratings has downgraded eight and affirmed nine tranches of the Madrid RMBS series, three Spanish RMBS transactions which contain loans originated by Bankia ('A-'/Stable/'F2', formerly Caja de Ahorros y Monte de Piedad de Madrid). The Outlooks on five tranches remain Negative, while five tranches' Outlooks have been revised to Stable from Negative. A full list of rating actions is at the end of this commentary.

The three pools comprise loans originated during a booming mortgage market (end of 2005 and throughout 2006), with original loan-to-value (LTV) ratios exceeding 90%. Based on the information available and the official house price index provided by the Ministry of Housing of Spain, Fitch has re-calculated the property values of the outstanding borrowers in the pool. As a result, Fitch believes that all three transactions have high portions of loans with indexed current LTV ratios exceeding 100%, which in the agency's view, have a higher probability of default, and are likely to result in lower recoveries, especially with an expected peak-to-trough house price decline of 30%. Across the three transactions, such loans ranged between 37% and 41% of the current portfolios. In Fitch's view, the current levels of credit support available to the class A and B notes in all transactions, is not sufficient to withstand the default and recovery stresses in their current rating scenarios, which is why the ratings on these notes were downgraded.

Fitch recognises that the performance of the three deals has improved, as is reflected in the significant decline in arrears and default levels compared to levels seen in early 2009. Arrears dropped from their peak levels of approximately 7% of the current pool in February 2009 collection period, to a maximum of 1% as of end of May 2011. Meanwhile cumulative net defaults, as a ratio of the current asset balance for the same period dropped from an average of 13% to around 10%. Fitch believes that the improvement in performance can be attributed to the improved borrower affordability in the current low interest rate environment and the roll-through to default of loans in higher arrears buckets during 2008 and 2009. Fitch-calculated average the roll-through rate of loans in arrears by more than four months to default (defined as six month+ arrears) ranged between 70% and 85% in the period leading up to end of 2009. The conservative provisioning mechanism, whereby loans in arrears by more than six months are provisioned for 100% using gross excess spread, led to a tightening in available revenue and the depletion of the reserve funds in all three transactions. As of the May 2011 interest payment date (IPD) Madrid RMBS III's reserve fund remains fully utilised.

Fitch believes that the improved performance of loans in arrears was also driven by originator support. Fitch understands that refinancing opportunities have been offered to distressed borrowers (both those recognised as defaulted and those that were less than six months in arrears) during the same timeline, which also explains the decline in arrears levels from their peak in February 2009.

Despite the deteriorating housing market in Spain and the underlying loans' high LTVs, the issuers have reported a high volume of recoveries, which are most likely linked to the refinancing opportunities provided by the originator. Recoveries have ranged from between 61% of the cumulative gross default amounts for Madrid RMBS III to nearly 70% for Madrid RMBS I and II. In Fitch's view, the tightened liquidity market in Spain may allow only limited, if any, refinancing opportunities for the underlying borrowers. The deals will instead have to rely more heavily on timely borrower payments and recoveries from defaulted loans, which may take three years to materialise.

Recoveries reported to date have enabled the issuers to clear outstanding principal deficiency ledgers, and, in the case of Madrid I and II, partially replenish their reserve funds. As of the May 2011 IPD the reserve funds of Madrid I and II stood at 37% and 33% of their target amounts, EUR71m and EUR62.4m, respectively. As a result, the two deals' class C notes' credit enhancement levels has improved, compared to levels seen 12 months ago, which has led Fitch to affirm these notes' ratings.

As of May 2011, cumulative gross defaults, against the original pool balances, were calculated as 13.8% for Madrid RMBS I, 15.5% for Madrid RMBS II and 15.9% for Madrid RMBS III. Although all three transactions have seen a deferral in the priority-of-payments ranking of mezzanine and junior note interest payments, the high period defaults compared to gross excess spread has meant that the noteholders of class C, D and E notes of Madrid III have not received any interest payments since the May 2010 IPD for class C and November 2009 IPD for class D and E notes. As of the February 2011 payment date, the cumulative deferred interest on these notes amounted to EUR6.6m. The transaction generated sufficient revenue to repay 100% of the unpaid interest on the class C notes in the May 2011 IPD, leaving EUR5.9m outstanding for the class D and E notes. In the near term, the agency does not expect the remaining interest on the class D and E notes, as well as the reserve fund, to start replenishing.

Since the January 2011 collection period arrear rates have trended upwards again. As nearly 100% of the loans in the underlying pools are linked to floating rates, Fitch believes that their performance remains susceptible to interest rate movements. The upward trend in arrears, combined with the high roll through to default ratios seen in the past and the conservative provisioning definition, would result in further pressure on the transactions' ability to generate sufficient revenue. These factors have led Fitch to maintain Negative Outlooks on the class B to C notes of all three transactions.

According to the latest loan-by-loan level data, approximately 67% of the mortgages are increasing-instalment loans, i.e. the instalment due increases during the lifetime of the loan. Fitch believes that such loans have a higher probability of default, especially in an increasing interest rate environment. In its analysis, Fitch has applied additional default assumptions for such loans, as described in its 'EMEA Residential Mortgage Loss Criteria Addendum - Spain', dated 23 February 2010 on www.fitchratings.com.

As part of the restructuring of Spain's savings banks, as of December 2010 Caja Madrid became part of the Banco Financiero y de Ahorros Group and its Long- and Short-term Issuer Default Ratings were downgraded to 'A-'/Stable/'F2' from 'A'/'F1', becoming ineligible to perform the swap provider and the account bank roles in the three Madrid RMBS transactions (see "Fitch Rates Banco Financiero y de Ahorros Group 'A-'; Downgrades Banco de Valencia to 'BBB-'", dated 04 February 2011 and available on www.fitchratings.com).

Fitch has been informed that the bank accounts and the paying agent in the first two transactions of the series have been transferred to Banco Santander ('AA'/Stable/'F1+') and to Bankinter (ratings withdrawn) in Madrid RMBS III. The sweep of collections in all three series has been modified to every two days from weekly as it was at origination, while the swap counterparty role has been transferred to Banco Bilbao Vizcaya Argentaria (BBVA; 'AA-'/Stable/'F1+') in all three series.

As of 20 July 2011 Caja Madrid is part of the newly created bank Bankia and its Long and Short-term ratings were withdrawn.

Fitch understands that Madrid RMBS III is in the process of changing the account bank from Bankinter, following the downgrade and withdrawal of the entity's ratings (see "Fitch Downgrades Bankinter to 'BBB+'; Outlook Stable; Withdraws Ratings", dated 06 July 2011 at www.fitchratings.com). As the issuer is still within the cure period of 30 days, Fitch's rating actions are based on the assumption that the new account bank is eligible under the agency's criteria. Should this not be the case, Fitch may take further rating actions as deemed necessary (see "Fitch Assessing Spanish Structured Finance Counterparty Exposure to Bankinter", dated 19 July 2011 at www.fitchratings.com).

The rating actions are as follows:

Madrid RMBS I
Class A2 (ISIN ES0359091016): downgraded to 'Asf' from 'AAsf'; Outlook Stable,
Class B (ISIN ES0359091024): downgraded to 'BBBsf' from 'A+sf'; Outlook Negative;'
Class C (ISIN ES0359091032): affirmed at 'BB+sf'; Outlook Negative;
Class D (ISIN ES0359091040): affirmed at 'CCCsf '; Recovery Rating of 'RR3'
Class E (ISIN ES0359091057): affirmed at 'CCsf '; Recovery Rating revised of 'RR6'
Madrid RMBS II
Class A2 (ISIN ES0359092014): downgraded to 'Asf' from 'AA-sf '; Outlook Stable;
Class A3 (ISIN ES0359092022): downgraded to 'Asf' from 'AA-sf '; Outlook Stable;
Class B (ISIN ES0359092030): downgraded to 'BBBsf ' from 'A-sf '; Outlook Negative;
Class C (ISIN ES0359092048): affirmed at 'BBsf '; Outlook Negative;
Class D (ISIN ES0359092055): affirmed at 'CCCsf '; Recovery Rating of 'RR4'
Class E (ISIN ES0359092063) affirmed at 'CCsf '; Recovery Rating of 'RR6'
Madrid RMBS III
Class A2 (ISIN ES0359093012): downgraded to 'BBBsf ' from 'A+sf '; Outlook Stable;
Class A3 (ISIN ES0359093020): downgraded to 'BBBsf ' from 'A+sf '; Outlook Stable;
Class B (ISIN ES0359093038): downgraded to 'BBB-sf ' from 'BBBsf '; Outlook Negative;
Class C (ISIN ES0359093046): affirmed at 'Bsf '; Outlook Negative;
Class D (ISIN ES0359093053): affirmed at 'CCCsf '; Recovery Rating of 'RR5'
Class E (ISIN ES0 ES0359093061) affirmed at 'CCsf '; Recovery Rating of 'RR6'

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Additional information is available on www.fitchratings.com

Additional information is available on www.fitchratings.com. The ratings above have been initiated by Fitch as a service to investors.

Sources of information - in addition to those mentioned in the applicable criteria, the sources of information used to assess the ratings were Investor Reports.
Applicable criteria, 'EMEA Residential Mortgage Loss Criteria', dated 07 June 2011 and 'EMEA Residential Mortgage Loss Criteria Addendum - Spain', dated 23 February 2010; 'Counterparty Criteria for Structure Finance Transactions' and 'Counterparty Criteria for Structured Finance Transactions: Derivative Addendum', both dated 14 March 2011; 'Servicing Continuity Risk Criteria for Structured Finance Transactions', dated 17 March 2010 are available at www.fitchratings.com.

Applicable Criteria and Related Research:
EMEA Residential Mortgage Loss Criteria
EMEA Residential Mortgage Loss Criteria Addendum - Spain
Counterparty Criteria for Structured Finance Transactions
Counterparty Criteria for Structured Finance Transactions: Derivative Addendum
Servicing Continuity Risk Criteria for Structured Finance Transactions

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