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Dirección General de Mercados e Inversores
C/ Edison 4
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 26 de febrero de 2015, donde se llevan a cabo las siguientes actuaciones:

- Bono A2, bajada a **BB- (sf)** desde **BB (sf)**; **perspectiva negativa**
- Bono A3, bajada a **BB- (sf)** desde **BB (sf)**; **perspectiva negativa**
- Bono B, bajada a **B+ (sf)** desde **BB- (sf)**; **perspectiva negativa**
- Bono C, confirmado como **CCC (sf)**; **recuperación estimada 0%**
- Bono D, confirmado como **CC (sf)**; **recuperación estimada 0%**
- Bono E, confirmado como **C (sf)**; **recuperación estimada 0%**

En Madrid, a 27 de febrero de 2015

Ramón Pérez Hernández
Director General



Fitch Downgrades 10 Tranches of Madrid RMBS Series; Affirms 7 Others

Ratings Endorsement Policy
26 Feb 2015 12:04 PM (EST)

Fitch Ratings-London-26 February 2015: Fitch Ratings has downgraded 10 tranches of three Madrid RMBS transactions, a series of Spanish prime RMBS comprising loans originated by Caja Madrid and serviced by Bankia S.A. (BBB-/Negative/F3). The agency has also affirmed a further seven tranches from the three transactions.

A full list of rating actions is available at the end of this commentary.

KEY RATING DRIVERS

Recalibrated Adjustments to Foreclosure Frequency

While the underlying performance of the portfolios has improved since 2009, borrowers with certain characteristics continue to underperform. Borrowers with loans originated through brokers, who are foreigners, self-employed and/or have an original mortgage tenor of more than 30 years, make up a higher proportion of arrears cases. For such loans, Fitch has standard criteria assumptions to account for their higher likelihood of default.

Loan-by-loan level data for the three Madrid RMBS portfolios, provided by the European Data Warehouse, suggests that the propensity of such borrowers to default is not as high as specified in Fitch's mortgage loss assumptions for Spain. As a result, in its analysis of the pools the agency reduced the adjustments to the 'Bsf' foreclosure frequency for foreign, self-employed borrowers, broker-originated loans as well as for loans with mortgage tenor beyond 30 years.

High Period Defaults

The transactions' structures allow for the full provisioning of defaulted loans, defined as loans in arrears by more than six months. The current average annualised constant default rate (CDR) across the three transactions is 1.9%. This is above Fitch's CDR index for Spanish RMBS of 1.2%.

Over the past 12 months, gross excess spread (on average 0.4% across the three deals) and recoveries from the sale of properties taken into possession have been insufficient to fully provision for period defaults. With reserve funds depleted for more than two years, the pipeline of un-provisioned defaults has increased on average by 1% of the current note balance. This is reflected in today's one-notch downgrades of the senior and mezzanine notes in all three deals.

Limited Recoveries on Properties in Possession

Based on our analysis of 448 properties taken into possession and sold for the three transactions, Fitch does not expect future recoveries to significantly reduce the current level of un-provisioned loans. The average quick sale adjustment on a sold property is 53%, which is noticeably higher than the 45% assumed by our criteria. As a result, the agency revised upward its standard market value decline assumptions to account for this difference and this has been reflected in our recovery assumptions derived for the transactions.

Given a lengthy enforcement process and large property overhang in Spain, Fitch expects the flow of recoveries to remain slow for these transactions. The volume of outstanding defaults across the pools and the high reliance of the structures on the future inflow of recoveries mean that credit enhancement levels will be under pressure. For this reason the agency is maintaining the Negative Outlook on all the tranches.

RATING SENSITIVITIES

Deterioration in asset performance may result from economic factors, in particular the increasing effects of unemployment. An increase in new defaults and associated pressure on excess spread levels and reserve funds beyond Fitch's expectations could result in downgrades.

The rating actions are as follows:

Madrid RMBS I, FTA

Class A2 (ES0359091016) downgraded to 'BBB-sf' from 'BBBsf'; Outlook Negative

Class B (ES0359091024) downgraded to 'BB-sf' from 'BBsf'; Outlook Negative

Class C (ES0359091032) downgraded to 'B-sf' from 'Bsf'; Outlook Negative

Class D (ES0359091040) affirmed at 'CCCsf'; Recovery estimate 0%

Class E (ES0359091057) affirmed at 'CCsf'; Recovery estimate 0%

Madrid RMBS II, FTA

Class A2 (ES0359092014) downgraded to 'BBB-sf' from 'BBBsf'; Outlook Negative

Class A3 (ES0359092022) downgraded to 'BBB-sf' from 'BBBsf'; Outlook Negative

Class B (ES0359092030) downgraded to 'BB-sf' from 'BBsf'; Outlook Negative

Class C (ES0359092048) downgraded to 'B-sf' from 'Bsf'; Outlook Negative

Class D (ES0359092055) affirmed at 'CCCsf'; Recovery estimate 0%

Class E (ES0359092063) affirmed at 'CCsf'; Recovery estimate 0%

Madrid RMBS III, FTA

Class A2 (ES0359093012) downgraded to 'BB-sf' from 'BBsf'; Outlook Negative

Class A3 (ES0359093020) downgraded to 'BB-sf' from 'BBsf'; Outlook Negative

Class B (ES0359093038) downgraded to 'B+sf' from 'BB-sf'; Outlook Negative

Class C (ES0359093046) affirmed at 'CCCsf'; Recovery estimate 0%

Class D (ES0359093053) affirmed at 'CCsf'; Recovery estimate 0%

Class E (ES0359093061) affirmed at 'Csf'; Recovery estimate 0%

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Additional information is available at www.fitchratings.com.

Sources of information - Investor and Servicer reports and loan-by-loan data provided by Titulizacion de Activos SGFT, S.A. and European Data Warehouse.

Applicable criteria: 'Global Structured Finance Rating Criteria', dated 20 May 2014; 'EMEA RMBS Master Rating Criteria' dated 28 May 2014; 'EMEA Residential Mortgage Loss Criteria', dated 28 May 2014; 'EMEA RMBS Cash Flow Analysis Criteria' dated 28 May 2014; 'Criteria Addendum: Spain- Residential Mortgage Loss and Cash Flow Assumptions Criteria Addendum', dated 4 June 2014; 'Counterparty Criteria for Structured Finance Structured Finance and Covered Bonds' and 'Counterparty Criteria for Structured Finance Structured Finance and Covered Bonds: Derivative Addendum', dated 13 May 2014; and 'Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds', dated 11 April 2014 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

EMEA RMBS Cash Flow Analysis Criteria
Criteria Addendum: Spain - Residential Mortgage Loss and Cash Flow Assumptions
Counterparty Criteria for Structured Finance and Covered Bonds
Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum
Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds
Global Structured Finance Rating Criteria
EMEA RMBS Master Rating Criteria
EMEA Residential Mortgage Loss Criteria

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