

C. N. M. V.
Dirección General de Mercados e Inversores
C/ Edison 4
Madrid

COMUNICACIÓN DE HECHO RELEVANTE

MADRID RMBS II, 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 21 de febrero de 2017, donde se llevan a cabo las siguientes actuaciones:

- Serie A2, afirmado como **BBB- (sf)**. Perspectiva estable.
- Serie A3, afirmado como **BBB- (sf)**. Perspectiva estable.
- Serie B, afirmado como **BB- (sf)**. Perspectiva estable.
- Serie C, afirmado como **B- (sf)**. Perspectiva estable.
- Serie D, afirmado como **CCC (sf)**. Recuperación estimada 0%.
- Serie E, afirmado como **CC (sf)**. Recuperación estimada 0%.

En Madrid, a 22 de febrero de 2017

Ramón Pérez Hernández
Consejero Delegado



Fitch Affirms Madrid RMBS Series; Outlook Stable

Fitch Ratings-London-21 February 2017: Fitch Ratings has affirmed 17 tranches of Madrid RMBS 1, FTA (M1), Madrid RMBS II, FTA (M2) and Madrid III RMBS, FTA (M3) as follows:

Madrid RMBS 1, FTA

Class A2 (ES0359091016) affirmed at 'BBB-sf'; Outlook Stable

Class B (ES0359091024) affirmed at 'BB-sf'; Outlook Stable

Class C (ES0359091032) affirmed at 'B-sf'; Outlook Stable

Class D (ES0359091040) affirmed at 'CCCsfc'; Recovery Estimate 0%

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

Madrid RMBS II, FTA

Class A2 (ES0359092014) affirmed at 'BBB-sf'; Outlook Stable

Class A3 (ES0359092022) affirmed at 'BBB-sf'; Outlook Stable

Class B (ES0359092030) affirmed at 'BB-sf'; Outlook Stable

Class C (ES0359092048) affirmed at 'B-sf'; Outlook Stable

Class D (ES0359092055) affirmed at 'CCCsfc'; Recovery Estimate 0%

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

Madrid RMBS III, FTA

Class A2 (ES0359093012) affirmed at 'BB-sf'; Outlook Stable

Class A3 (ES0359093020) affirmed at 'BB-sf'; Outlook Stable

Class B (ES0359093038) affirmed at 'B+sf'; Outlook Stable

Class C (ES0359093046) affirmed at 'CCCsfc'; Recovery Estimate 60%

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

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

These transactions comprise Spanish residential mortgage loans originated and serviced by Bankia S.A. (BBB-/Stable/F3).

KEY RATING DRIVERS

Stable Arrears Performance

The affirmations reflect stable asset performance, supported by a decreasing trend of arrears over the past 12 months. As of end- 2016, three-months plus arrears (excluding defaults) ranged from 0.19% (M1 and M2) to 0.28% (M3) of the current pool balances, down from 0.32% (M1), 0.48% (M2) and 0.43% (M3) as of end-2015. These levels remain below the Fitch Spanish RMBS index of 0.89%.

Cumulative gross defaults (defined as loans in arrears for more than six months) are high but show signs of continuous flattening, ranging between 19.1% (M1) and 22.3% (M3) of the initial portfolio balance as of end-2016. These levels are above the average 5.55% for other Spanish RMBS rated by Fitch. Slowing new defaults have allowed the principal deficiency ledgers of the transactions to continue decreasing to EUR12.3m, EUR10.6m and EUR61.1m for M1, M2 and M3 respectively as of end-2016 (from EUR14.9m, EUR14.2m, and EUR62.6m a year earlier).

Credit Enhancement Trends

Structural credit enhancement (CE) across all notes has remained broadly stable over the last 12 months, with gradual CE increases visible for the most senior class A tranches to 25.4%, 26% and 16.9% for M1, M2 and M3 respectively as of end-2016. Fitch views the existing and projected CE as sufficient to support the current ratings, as reflected in today's affirmations. Fitch expects the sequential amortisation of the notes to continue, as the cash reserves remain fully depleted and therefore pro-rata amortisation conditions are not expected to be met in the short-to-medium term.

Interest Deferrals

The interest payment due amounts on junior class E of M2 and class B to E of M3 have moved to a subordinate position within the waterfall of payments, as the deferability conditions linked to cumulative defaults have been met. This structural arrangement is providing credit protection to senior notes as their principal amortisation is senior to

junior interest 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.

Additionally, larger recovery rates on defaulted loans and faster recovery periods could support rating upside, all else being equal.

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. The findings were reflected in this analysis by assuming a loan default definition of arrears greater than six months to be consistent with figures reported in the transaction reporting. 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 and together with the assumptions referred to default definition, 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 Bankia S.A. as at 31 October 2016
- Transaction reporting provided by Titulizacion de Activos as at 31 October 2016 and 30 November 2016
- Asset and liability data provided by Bankia S.A. as at 20 February 2017
- Discussions / updates provided by Titulizacion de Activos and Bankia S.A. as at 20 February 2017

MODELS

EMEA RMBS Surveillance Model.

(https://www.fitchratings.com/web_content/pages/rmbs/emea-rmbs-surveillance-model.htm)

EMEA

Cash Flow Model. (https://www.fitchratings.com/web_content/pages/sf/emea-cash-flow-model.htm)

ResiEMEA. (<https://www.fitchratings.com/jsp/creditdesk/ToolsAndModels.faces?context=2&detail=135>)

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Applicable Criteria

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 01 Sep 2016)
(<https://www.fitchratings.com/site/re/886006>)

Counterparty Criteria for Structured Finance and Covered Bonds: Derivative
Addendum (pub. 18 Jul 2016) (<https://www.fitchratings.com/site/re/884964>)

Criteria Addendum: Spain Residential Mortgage Assumptions (pub. 02 Dec 2016)
(<https://www.fitchratings.com/site/re/891432>)

Criteria for Country Risk in Global Structured Finance and Covered Bonds (pub. 26
Sep 2016) (<https://www.fitchratings.com/site/re/881269>)

EMEA RMBS Rating Criteria (pub. 29 Nov 2016)
(<https://www.fitchratings.com/site/re/891276>)

Global Structured Finance Rating Criteria (pub. 27 Jun 2016)
(<https://www.fitchratings.com/site/re/883130>)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 17
Feb 2017) (<https://www.fitchratings.com/site/re/893890>)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

(https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=1019313&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJzZXNzaW9uS2V5IjoiSEtUQUdHOEwyREo0S0FHQ0dXVzRSVIZIUKNTRjNQT0VRS0NBWkU4VyIsImV4cCI6MTQ4ODI5ODc0MSwidXNlcklJjoxMjg4MjF9.KQcsjuFQqhiERuBt0VRQO302xbAljAtFPdxIEyWOjV8)

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