

C. N. M. V.  
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 11 de julio de 2019, donde se llevan a cabo las siguientes actuaciones:

- Bono A2, subida a **A- (sf)** desde **BBB (sf)**; **perspectiva estable.**
- Bono A3, subida a **A- (sf)** desde **BBB (sf)**; **perspectiva estable.**
- Bono B, afirmado como **BB+ (sf)**; **perspectiva estable.**
- Bono C, subida a **B (sf)** desde **B- (sf)**; **perspectiva estable.**
- Bono D, afirmado como **CC (sf)**; **recuperación estimada revisada al 80%** desde el 40%.
- Bono E, afirmado como **C (sf)**; **recuperación estimada del 0%.**

En Madrid a 12 de julio de 2019

Ramón Pérez Hernández  
Consejero Delegado

10 Jul 2019 | Upgrade

## Fitch Upgrades 8 Tranches of 3 Madrid RMBS; Affirms Others

---

Fitch Ratings-Madrid-11 July 2019: Fitch Ratings has upgraded eight tranches and affirmed nine tranches of three Spanish Madrid RMBS transactions. The Outlooks are Stable. A full list of rating actions is at the end of this rating action commentary. The transactions comprise residential mortgages serviced by Bankia, S.A. (BBB/F3/Stable).

### KEY RATING DRIVERS

#### Improving Credit Enhancement (CE)

CE ratios for the rated notes within the three transactions are expected to continue increasing over the short-to medium-term due to the prevailing sequential amortisation mechanism of the notes, the reserve fund build-up trajectory of Madrid RMBS I and II, and the principal deficiency ledger reduction of Madrid RMBS III. Current and projected CE ratios are sufficient to mitigate the credit and cash flow stresses under the relevant rating scenarios, and consistent with the upgrades and affirmations of the notes.

#### High Seasoning; Stable Asset Performance

The rating actions reflect Fitch's expectation of stable credit trends given the significant seasoning of the securitised portfolios of more than 13 years, a prevailing low interest rate environment and a benign Spanish macroeconomic outlook. Three-month plus arrears (excluding defaults) as a percentage of the current pool balance remain below 0.5% across the three transactions as of the latest reporting date.

#### High but Stable Cumulative Defaults

Gross cumulative defaults range between 19.5% and 22.7% of the initial portfolio balances, well above the 6% average for other Spanish RMBS rated by Fitch. However, these ratios have remained fairly stable over the last few years and are linked to a default definition of more than six months in arrears, which differs from the more common definition of 12 or 18 months in arrears used by most Spanish RMBS transactions.

#### Portfolio's Higher-Risk Attributes

Over 40% of the outstanding portfolio balances were originated via brokers or third-party

channels, which are higher-risk than branch-originated loans, and are therefore subject to a foreclosure frequency (FF) adjustment of 150%, in line with Fitch's European RMBS Rating Criteria. Moreover, around 65% of the loans that feature increasing instalment amortisation mechanisms are also subject to a FF adjustment of 150%, and the securitised portfolios are exposed to geographical concentration in the Region of Madrid. In line with Fitch's criteria, higher rating multiples are applied to the base FF assumption to the portion of the portfolio that exceeds 2.5x the population within the region.

#### Excessive Interest Deferral

Madrid RMBS III class B notes' interest payments are deferred since May 2014 when the performance-based trigger linked to cumulative defaults was breached as defined by the transaction documentation. Fitch expects this deferral will last for a long period of time and curable only when the senior class A notes are fully redeemed. As a result its rating is not compatible with an investment-grade category in accordance with our Global Structured Finance Rating Criteria.

#### 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.

Senior note ratings could be upgraded to the 'AAsf' rating category if the payment interruption risk against a potential servicer disruption event is fully mitigated. The transactions do not have dedicated liquidity arrangements to mitigate this risk, and the general cash reserve funds are judged as insufficient.

#### 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 for each transaction.

- Loan-by-loan data sourced from European DataWarehouse as at April 2019
- Issuer and servicer reports provided by Titulizacion de Activos SGFT, S.A. as at June 2019
- Communications with the portfolio servicer dated June 2019

#### MODELS

[ResiGlobal.](#)

[EMEA Cash Flow Model.](#)

#### Madrid RMBS I, FTA

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

Class B (ES0359091024) upgraded to 'BBBsf' from 'BBB-sf'; Outlook Stable

Class C (ES0359091032) upgraded to 'B+sf' from 'Bsf'; Outlook Stable

Class D (ES0359091040) affirmed at 'CCCs'; Recovery Estimate (RE) revised to 100% from 90%

Class E (ES0359091057) affirmed at 'CCsf'; RE revised to 80% from 0%

#### Madrid RMBS II, FTA

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

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

Class B (ES0359092030) upgraded to 'BBBsf' from 'BBB-sf'; Outlook Stable

Class C (ES0359092048) upgraded to 'BB-sf' from 'B+sf'; Outlook Stable

Class D (ES0359092055) upgraded to 'B-sf' from 'CCCs'; Outlook Stable

Class E (ES0359092063) affirmed at 'CCsf'; RE revised to 90% from 50%

#### Madrid RMBS III, FTA

Class A2 (ES0359093012) upgraded to 'A-sf' from 'BBBsf'; Outlook Stable

Class A3 (ES0359093020) upgraded to 'A-sf' from 'BBBsf'; Outlook Stable

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

Class C (ES0359093046) upgraded to 'Bsf' from 'B-sf'; Outlook Stable

Class D (ES0359093053) affirmed at 'CCsf'; RE revised to 80% from 40%

Class E (ES0359093061) affirmed at 'Csf'; RE maintained at 0%

Contacts:

Lead Surveillance Analyst

Ricardo Garcia

Associate Director

+34 91 702 5772

Fitch Ratings Spain

Paseo de la Castellana 31 9B

28046 Madrid

Committee Chairperson

Juan David Garcia

Senior Director

+34 917 025 774

Media Relations: Athos Larkou, London, Tel: +44 20 3530 1549, Email:  
athos.larkou@thefitchgroup.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

**Applicable Criteria**

[European RMBS Rating Criteria \(pub. 05 Jul 2019\)](#)

[Global Structured Finance Rating Criteria \(pub. 02 May 2019\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub. 18 Apr 2019\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub. 18 Apr 2019\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub. 23 Oct 2018\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub. 27 Jun 2019\)](#)

**Additional Disclosures**

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S

PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://WWW.FITCHRATINGS.COM/SITE/REGULATORY). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2019 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO

personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

---

**ENDORSEMENT POLICY** - Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the [EU Regulatory Disclosures](#) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.