C.N.M.V
Dirección General de Mercados e Inversores
C/ Miguel Ángel 11
Madrid

COMUNICACIÓN DE HECHO RELEVANTE

FONDO DE TITULIZACIÓN DEL DÉFICIT DEL SISTEMA ELÉCTRICO, F.T.A. Bajada de calificación de los Bonos de las Series 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 y 12 por parte de Standard & Poors .

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 Standard & Poors con fecha 16 de octubre de 2012, por la cual rebaja la calificación de las siguientes series:

- Serie 1, bajada de calificación de BBB+ a BBB- / downgrade from BBB+ to BBB-.
- Serie 2, bajada de calificación de BBB+ a BBB- / downgrade from BBB+ to BBB-.
- Serie 3, bajada de calificación de BBB+ a BBB- / downgrade from BBB+ to BBB-.
- Serie 4, bajada de calificación de BBB+ a BBB- / downgrade from BBB+ to BBB-.
- Serie 5, bajada de calificación de BBB+ a BBB- / downgrade from BBB+ to BBB-.
- Serie 6, bajada de calificación de BBB+ a BBB- / downgrade from BBB+ to BBB-.
- Serie 7, bajada de calificación de BBB+ a BBB- / downgrade from BBB+ to BBB-.
- Serie 8, bajada de calificación de BBB+ a BBB- / downgrade from BBB+ to BBB-.
- Serie 9, bajada de calificación de BBB+ a BBB- / downgrade from BBB+ to BBB-.

- Serie 10, bajada de calificación de BBB+ a BBB- / downgrade from BBB+ to BBB-.

- Serie 11, bajada de calificación de BBB+ a BBB- / downgrade from BBB+ to BBB-.

- Serie 12, bajada de calificación de BBB+ a BBB- / downgrade from BBB+ to BBB-.

En Madrid a 16 de Octubre de 2012

Ramón Pérez Hernández
Director General

Spain Ratings Lowered To 'BBB-/A-3' On Mounting Economic And Political Risks; Outlook Negative

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(**Editor's Note:** We republished this article on Oct. 16 to include the ratings on Fondo de Amortizacion del Deficit Electrico and Fondo de Reestructuracion Ordenada Bancaria (FROB) in the ratings list.)

- The deepening economic recession is limiting the Spanish government's policy options.
- Rising unemployment and spending constraints are likely to intensify social discontent and contribute to friction between Spain's central and regional governments.
- Doubts over some eurozone governments' commitment to mutualizing the costs of Spain's bank recapitalization are, in our view, a destabilizing factor for the country's credit outlook.
- We are therefore lowering our long- and short-term sovereign credit ratings on Spain to 'BBB-/A-3' from 'BBB+/A-2'.
- The negative outlook on the long-term rating reflects our view of the significant risks to Spain's economic growth and budgetary performance, and the lack of a clear direction in eurozone policy.

NEW YORK (Standard & Poor's) Oct. 10, 2012--Standard & Poor's Ratings Services today said it lowered its long-term sovereign credit rating on the Kingdom of Spain to 'BBB-' from 'BBB+'. At the same time, we lowered the short-term sovereign credit rating to 'A-3' from 'A-2'. The outlook on the long-term rating is negative.

The downgrade reflects our view of mounting risks to Spain's public finances, due to rising economic and political pressures. The central government's policy responses are likely to be constrained by:

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- A severe and deepening economic recession that could lead to increasing social discontent and rising tensions between Spain's central and regional governments;
- A policy setting framework among the eurozone governments that in our opinion still lacks predictability. Our understanding from recent statements is that the Eurogroup's commitment to break the vicious circle between banks and sovereigns, as announced at a summit on June 29, does not extend to enabling the European Stability Mechanism to recapitalize large ongoing European banks. Our previous assumption (which was a key factor in our decision to affirm our ratings on Spain on Aug. 1, 2012) was that official loans to distressed Spanish financial institutions would eventually be mutualized among eurozone governments and thus Spanish net general government debt would remain below 80% of GDP beyond 2015.

In our view, the capacity of Spain's political institutions (both domestic and multilateral) to deal with the severe challenges posed by the current economic and financial crisis is declining, and therefore, in accordance with our rating methodology (see "Sovereign Government Rating Methodology And Assumptions," published June 30, 2011), we have lowered the rating by two notches.

With local elections approaching and many regional governments facing significant financial difficulties, tensions between the central and regional governments are rising, leading to substantially diluted policy outcomes. These rising domestic constraints are, in our view, likely to limit the central government's policy options.

At the same time, Spain is enduring a severe and, in our view, deepening economic recession as reflected in our real GDP forecast of -1.8% in 2012 and -1.4% in 2013 (see "The Eurozone's New Recession--Confirmed," published Sept. 25, 2012). The pace of private sector deleveraging, together with the government's budgetary consolidation measures, is likely to lead to an even deeper contraction of investment and consumption in both the public and private sectors. While exports have expanded significantly (in July, Spain recorded its first monthly current account surplus since August 1998), we do not think their contribution to incomes and employment will offset the impact of depressed demand on the Spanish labor market and, via reduced tax revenues, the government's fiscal performance.

Moreover, since 2008 the policy responses from Europe's monetary and political authorities have not, in our opinion, been effective in permanently reversing the tight financing conditions faced by large parts of the Spanish private sector. While lending rates have declined in recent months for blue chip corporate borrowers, small and medium sized enterprises (which employ 76% of the national workforce) are paying average interest rates of 6.6% as of August (TEDR, Tipo effective definicion restringida) on borrowings up to five years, versus 4.8% in 2009.

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In our view, the shortage of credit is an even greater problem than its cost. According to data published by the Banco de Espana, loans to nonfinancial domestic enterprises have declined by €161 billion from the end of 2008 through August 2012 (though this decline also reflects write-offs, repossessions, and reclassifications). We estimate this to equal about 15% of GDP. While this weakness may be as much a function of demand as it is of supply, its effect on the real economy has been debilitating, with no visible reversal, as banks shrink their loan books in order to meet strict capital requirements.

In our opinion, the 2013 state budget is based on overly optimistic growth assumptions (government real GDP forecast of -0.5%). Fiscal targets are likely to be undermined by a continuous decline in employment, as well as the government's proposal to possibly index pensions before year-end 2012, and to raise them in 2013. In our view, meeting the government's deficit targets in 2012 and 2013 will require additional budgetary consolidation measures, which in turn could amplify the economic recession, particularly if a more determined eurozone policy response is unable to materially improve the financing conditions in the economy and stabilize domestic demand.

Although we think the recently passed National Reform Program will ultimately help to strengthen the economic fundamentals and resilience of the Spanish economy, these benefits may only be felt over the long term. In fact, the current deterioration in economic and financial conditions could raise fiscal risks in the near-to-medium term before the growth enhancing structural reforms take root. Therefore, we view the Spanish government's hesitation to agree to a formal assistance program that would likely significantly lower the sovereign's commercial financing costs via purchases by the European Stability Mechanism and ECB as potentially raising the downside risks to Spain's rating (see "A Request For A Full Bailout Would Not Affect Spain's Sovereign Ratings, published Aug. 22, 2012).

Overall, against the backdrop of a deepening economic recession, we believe that the government's resolve will be repeatedly tested by domestic constituencies that are being adversely affected by its policies. Accordingly, we think the government's room to maneuver to contain the crisis has diminished.

The uncertain trajectory and timing of eurozone policy making is affecting business and consumer confidence--and hence the capacity of the Spanish economy to grow. A key outcome for Spain will be whether eurozone policies can contribute to stabilization in its domestic financial system in a timely manner, in particular by reversing the net outflow of funds in the economy experienced during 2011 and 2012. Following the audit of the banking sector, we believe that an improvement in financial conditions hinges in part on the resolve of policymakers to make progress on the integration of the eurozone, starting with the implementation of agreements reached at the summit on June 29. We believe implementing these agreements could help to stabilize the eurozone and contribute to arresting any further weakening in the creditworthiness of sovereigns in the so-called periphery.

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We continue to view the governments, including Spain, that are receiving official assistance as vulnerable to delays or setbacks in the eurozone's plans for a support framework. This includes pooling sufficient common resources to support sovereign lending facilities and the creation of a banking union with a single regulator and a common resolution framework. In this light, our current net general government debt projections reflect our assumption that official loans to distressed Spanish financial institutions will eventually fall on the government balance sheet and project Spanish net general government debt will reach about 83% of GDP in 2013.

The negative outlook reflects our view of the external and domestic risks to Spain's financial position, and the impact we believe this may have on the sovereign's creditworthiness.

We could lower the ratings if, all other things being equal, we observed that:

- Political support for the current reform agenda was waning, for example due to an even steeper than anticipated GDP contraction, accompanied by further increases in unemployment that undermined the government's willingness to implement additional reforms;
- Eurozone support was failing to engender sufficient confidence to keep government borrowing costs at sustainable levels and to stem capital outflows;
- Net general government debt was likely to rise above 100% of GDP during 2012-2014 due to deviations from the government's fiscal targets, weakening growth, one-off debt increasing items, or if interest payments rose above 10% of general government revenues during this period.

We could revise the outlook on the rating to stable if we saw that the government's budgetary and structural reform measures, coupled with a successful eurozone support program, stabilize Spain's credit metrics.

RATINGS LIST

Downgraded

	To	From
Spain (Kingdom of)		
Sovereign Credit Rating	BBB-/Negative/A-3	BBB+/Negative/A-2
Senior Unsecured	BBB-	BBB+
Short-Term Debt	A-3	A-2
Fondo de Amortizacion del Deficit Electrico		
Senior Unsecured*	BBB-	BBB+
Fondo de Reestructuracion Ordenada Bancaria (FROB)		
Senior Unsecured*	BBB-	BBB+

*Guaranteed by the Kingdom of Spain.

Ratings Affirmed

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Spain (Kingdom of)
Transfer & Convertibility Assessment AAA

RELATED CRITERIA AND RESEARCH

- Sovereign Government Rating Methodology And Assumptions, June 30, 2011
- Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

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