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Madrid

<u>COMUNICACIÓN DE HECHO RELEVANTE</u>

MADRID RMBS I, FONDO DE TITULIZACIÓN DE ACTIVOS
Actuaciones sobre las calificaciones de las series de 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 18 de abril de 2012, donde se llevan a cabo las siguientes actuaciones:

- Serie **A2**, afirma **A(sf) / Perspectiva estable**
- Serie **B**, afirma **BBB(sf) / Perspectiva negativa**
- Serie **C**, de **BB+(sf) / Perspectiva negativa** a **BB-(sf)**
- Serie **D**, afirma **CCC(sf)**
- Serie **E**, afirma **CC(sf)**

En Madrid a 19 de abril de 2012

Ramón Pérez Hernández
Director General

Tagging Info

Fitch Affirms 15 Tranches of Madrid RMBS 1-3; Downgrades 2

Ratings Endorsement Policy

18 Apr 2012 12:29 PM (EDT)

Fitch Ratings-London/Madrid-18 April 2012: Fitch Ratings has affirmed 15 and downgraded two tranches of Madrid RMBS 1-3 (Madrid), a series of Spanish RMBS transactions. The downgrades of the mezzanine class C notes in Madrid 1 and 2 are mainly due to the level of defaults seen to date, as well as the agency's outlook on the Spanish mortgage market. A full list of rating actions is at the end of this commentary.

The Madrid RMBS series comprises loans originated and serviced by Bankia, S.A. formerly Caja de Ahorros y Monte de Piedad de Madrid ('BBB+'/Stable/'F2'). The pools are characterised by high original loan-to-value (LTV) loans with a high regional concentration in the Madrid area.

The transactions are structured with a provisioning mechanism whereby the outstanding balance of defaulted loans is fully provisioned for using available gross excess spread. The definition of defaults (loans in arrears by more than six months) across the Madrid series is more conservative than that for other Spanish RMBS deals (typically 12 to 18 months arrears). Although this provides more rapid protection to the senior noteholders, it has put pressure on the gross excess spread generated by the structures and has subsequently led to repeated reserve fund draws. As of February 2012, the reserve fund of Madrid 1 had reduced to 20.4% of its target amount, whilst the reserve fund of Madrid 2 was reported at 14.3% of its target amount.

In both Madrid 1 and 2, there has been a gradual increase in the level of arrears as a percentage of current collateral balance. The portion of borrowers with more than three months of missed payments in February 2012 was 1.2% and 1.3% for Madrid 1 and 2, respectively, compared to 0.5% and 0.8% in February 2011.

Fitch had access to the loan-by-loan information of the deals and found that most of the arrears and defaulted assets within these transactions are associated with negative equity loans with an indexed current LTV in excess of 100%. Currently in Madrid 1, 51.4% of these negative equity loans represent the arrears portion of the portfolio and 65.6% represent the defaulted portion of the portfolio. Similarly, for Madrid 2 46.2% of these loans represent the arrears portfolio and 58.7% represent the defaulted portfolio.

With the arrear levels in both deals trending upwards and recent macro economic statistics suggesting a negative outlook for the Spanish housing market, Fitch believes that further reserve fund draws are likely, thus weakening the credit enhancement available to the mezzanine notes. These concerns are reflected in the downgrade of the class C notes in both transactions.

The performance of Madrid 3 has been significantly weaker than that of Madrid 1 and 2, with a higher arrears level (1.5% of the current pool as of February 2012 compared to 0.5% last year) and cumulative defaults reaching 16.9% of the initial balance. The higher provisioning requirements have put pressure on the credit enhancement levels available to the notes, as excess spread generated to date has been insufficient to clear period defaults, leading to a fully depleted reserve fund since February 2009.

The continued high level of defaults, in combination with insufficient excess spread generated and the absence of a reserve fund has now led to a build-up of un-provisioned defaulted loans (EUR9.9m as of February 2012). Fitch believes that given the lengthy foreclosure process in Spain and the build-up of un-provisioned defaults, the subsequent negative carry effects may add further pressure to this transaction. This is reflected by the Negative Outlook on the class B and C notes.

The agency believes that future proceeds from the sale of the underlying repossessed properties will be slow, and therefore in its analysis assumed recoveries on the current stock of defaulted loans.

Given the low volumes of sales on repossessions in these Madrid transactions, the agency assumed loss severities that have been observed across other Spanish RMBS rated by Fitch ranging from 40%-50%. For more details about Spanish loss severities see "Repossession Analysis in Spanish RMBS" dated 15 December 2011 at www.fitchratings.com.

The rating actions are as follows:

Madrid RMBS I
Class A2 (ISIN ES0359091016): affirmed at 'Asf'; Outlook Stable
Class B (ISIN ES0359091024): affirmed at 'BBBsf'; Outlook Negative
Class C (ISIN ES0359091032): downgraded to 'BB-sf' from 'BB+sf'; Outlook Negative
Class D (ISIN ES0359091040): affirmed at 'CCCsf '; Recovery Estimate of 70%
Class E (ISIN ES0359091057): affirmed at 'CCsf '; Recovery Estimate of 0%

Madrid RMBS II
Class A2 (ISIN ES0359092014): affirmed at 'Asf''; Outlook Stable
Class A3 (ISIN ES0359092022): affirmed at 'Asf'; Outlook Stable
Class B (ISIN ES0359092030): affirmed at 'BBBsf'; Outlook Negative
Class C (ISIN ES0359092048): downgraded to 'BB-sf' from 'BBsf'; Outlook Negative
Class D (ISIN ES0359092055): affirmed at 'CCCsf'; Recovery Estimate of 50%
Class E (ISIN ES0359092063) affirmed at 'CCsf'; Recovery Rating of 0%

Madrid RMBS III
Class A2 (ISIN ES0359093012): affirmed at 'BBBsf'; Outlook Stable
Class A3 (ISIN ES0359093020): affirmed at 'BBBsf'; Outlook Stable
Class B (ISIN ES0359093038): affirmed at 'BBB-sf'; Outlook Negative
Class C (ISIN ES0359093046): affirmed at 'Bsf'; Outlook Negative
Class D (ISIN ES0359093053): affirmed at 'CCCsf'; Recovery Rating of 0%
Class E (ISIN ES0 ES0359093061) affirmed at 'CCsf'; Recovery Rating of 0%

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Additional information is available on www.fitchratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Sources of information- in addition to those mentioned in the applicable criteria, the sources of information used to assess these ratings were Investor Reports.

Applicable criteria, 'Global Structured Finance Rating Criteria' dated 04 August 2011' EMEA Residential Mortgage Loss Criteria' dated 7 June 2011, and 'EMEA Residential Mortgage Loss Criteria Addendum - Spain' dated 11 August 2011 'Counterparty Criteria for Structured Finance Transactions' and 'Counterparty Criteria for Structured Finance Transactions: Derivative Addendum', dated 14 March 2011 are available at www.fitchratings.com.

Applicable Criteria and Related Research:
Global Structured Finance Rating Criteria
EMEA Residential Mortgage Loss Criteria
EMEA Criteria Addendum - Spain - Mortgage Loss and Cash Flow Assumptions
Counterparty Criteria for Structured Finance Transactions
Counterparty Criteria for Structured Finance Transactions: Derivative Addendum

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