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Madrid

## **COMUNICACIÓN DE OTRA INFORMACIÓN 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 la siguiente Información Relevante:

I. Respecto al fondo de referencia, adjuntamos nota de prensa publicada por Fitch Ratings, con fecha 27 de marzo de 2023, donde se llevan a cabo las siguientes actuaciones:

- Bono A3, afirmado como **A+ (sf)**; **perspectiva estable**.
- Bono B, subida a **A+ (sf)** desde **A (sf)**; **perspectiva estable**.
- Bono C, subida a **BB+ (sf)** desde **BB (sf)**; **perspectiva estable**.
- Bono D, subida a **B (sf)** desde **B- (sf)**; **perspectiva estable**.
- Bono E, afirmado como **CC (sf)**.

En Madrid a 29 de marzo de 2023









Ramón Pérez Hernández  
Consejero Delegado

27 MAR 2023

## Fitch Upgrades 8 Tranches of Madrid RMBS

Fitch Ratings - Madrid - 27 Mar 2023: Fitch Ratings has upgraded three tranches of Madrid RMBS I, FTA, three tranches of Madrid RMBS II, FTA and two tranches of Madrid RMBS III, FTA and affirmed the other tranches. Fitch has also removed three tranches of Madrid II and one tranche of Madrid III from Under Criteria Observation (UCO). A full list of rating actions is below.

### Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Madrid RMBS II, FTA			
• Class A3 LT ES0359092022	A+sf 	Affirmed	A+sf 
• Class B LT ES0359092030	A+sf 	Upgrade	Asf 
• Class C LT ES0359092048	BB+sf 	Upgrade	BBsf 
• Class D LT ES0359092055	Bsf 	Upgrade	B-sf 

ENTITY/DEBT	RATING		RECOVERY	PRIOR
<ul style="list-style-type: none"> <li>Class E LT ES0359092063</li> </ul>		CCsf	Affirmed	CCsf
<hr/> Madrid RMBS III, FTA				
<ul style="list-style-type: none"> <li>Class A2 LT ES0359093012</li> </ul>		A+sf ●	Affirmed	A+sf ●
<ul style="list-style-type: none"> <li>Class A3 LT ES0359093020</li> </ul>		A+sf ●	Affirmed	A+sf ●
<ul style="list-style-type: none"> <li>Class B LT ES0359093038</li> </ul>		BB+sf ●	Affirmed	BB+sf ●
<ul style="list-style-type: none"> <li>Class C LT ES0359093046</li> </ul>		BB+sf ●	Upgrade	BB-sf ●
<ul style="list-style-type: none"> <li>Class D LT ES0359093053</li> </ul>		CCCsf ●	Upgrade	CCsf
<ul style="list-style-type: none"> <li>Class E LT</li> </ul>		Csf	Affirmed	Csf

ENTITY/DEBT	RATING	RECOVERY	PRIOR
ES0359093061			
Madrid RMBS I, FTA			
• Class A2 LT ES0359091016	A+sf	Affirmed	A+sf
• Class B LT ES0359091024	A+sf	Upgrade	A-sf
• Class C LT ES0359091032	BBsf	Upgrade	BB-sf
• Class D LT ES0359091040	B-sf	Upgrade	CCCsf
• Class E LT ES0359091057	CCsf	Affirmed	CCsf

**RATINGS KEY OUTLOOK WATCH**

<b>POSITIVE</b>		
<b>NEGATIVE</b>		
<b>EVOLVING</b>		

## RATINGS KEY OUTLOOK WATCH

STABLE



### Transaction Summary

The transactions comprise residential mortgages serviced by Caixabank S.A (BBB+/Stable/F2).

### KEY RATING DRIVERS

**Iberian Recovery Rate Assumptions Updated:** In the update of its European RMBS Rating Criteria on 16 December 2022, Fitch updated its recovery rate assumptions for Spain to reflect smaller house price declines and foreclosure sales adjustment, which have had a positive impact on recovery rates and consequently Fitch's expected loss in Spanish RMBS transactions. This is reflected in the upgrades of Madrid RMBS II's class B, C and D notes, and Madrid RMBS III's class C notes.

**Mild Weakening in Asset Performance:** The rating actions reflect our expectation of mild deterioration of asset performance, consistent with a weaker macroeconomic outlook linked to inflationary pressures that negatively affect real household wages and disposable income. The transactions have a low share of loans in arrears over 90 days (less than 0.5% as of February 2023) and are protected by substantial seasoning of the portfolios (more than 17 years). We view current and projected credit enhancement (CE) ratios on the rated notes as strong to mitigate the credit and cash flow stresses commensurate with the corresponding ratings.

**PiR Caps Senior Ratings:** The maximum achievable rating for the three transactions remains capped at 'A+sf' because of unmitigated payment interruption risk (PiR). The cash reserve funds are not expected to provide long-term coverage against PiR and could be depleted by losses. The reserve funds are underfunded in all cases, standing at around 12%, 14% and 0% of target balances for Madrid I, II and III, respectively.

As cash collections are transferred to the transaction account bank within two days and the collection account bank is an operational continuity bank, the notes' maximum achievable ratings are commensurate with the 'Asf' category, in line with Fitch's Structured Finance and Covered Bonds Counterparty Rating Criteria.

**Deferrals Cap Ratings at Non-IG:** Madrid RMBS III's class B to E interest payments are subordinated by a non-reversible trigger breach relative to gross cumulative defaults. Due to this subordination, interest payments are expected to be deferred for a long period and paid only after full redemption of the senior class A notes at their current ratings. Due to the length of the interest deferral period, Fitch does not view these notes as compatible with investment-grade ratings.

**Portfolio Risky Features:** The portfolios are highly exposed to the region of Madrid, each with exposure greater than 60%. To address regional concentration risk, Fitch applies higher rating multiples to the base foreclosure frequency (FF) assumption to the portion of the portfolios that exceeds 2.5x the population within this region relative to the national total, in line with its European

RMBS Rating Criteria.

Additionally, more than 40% of the portfolios were originated via third-party brokers, a feature that carries a FF adjustment of 150% within the agency's credit analysis.

Madrid I, II and III have Environmental, Social and Governance (ESG) Relevance Scores of '5' for Transaction & Collateral Structure due to unmitigated PiR, which results in the ratings being at least one category lower than they would be otherwise.

## **RATING SENSITIVITIES**

### **Factors that could, individually or collectively, lead to negative rating action/downgrade:**

Long-term asset performance deterioration such as increased delinquencies or larger defaults, which could be driven by changes to macroeconomic conditions, interest rate increases or borrower behaviour.

### **Factors that could, individually or collectively, lead to positive rating action/upgrade:**

Improved liquidity protection against a servicer disruption event. This is because the ratings are capped at 'A+sf', driven by unmitigated PiR.

For Madrid III's class B to E notes, improved protection to limit the length of interest deferrals

CE ratios increasing as the transactions deleverage, able to fully compensate the credit losses and cash flow stresses commensurate with higher rating scenarios, all else being equal.

## **Best/Worst Case Rating Scenario**

International scale credit ratings of Structured Finance transactions have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of seven notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of seven notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAAsf' to 'Dsf'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

## **USE OF THIRD PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G -10**

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

## **DATA ADEQUACY**

Madrid RMBS I, FTA, Madrid RMBS II, FTA, Madrid RMBS III, FTA

Fitch has checked the consistency and plausibility of the information it has received about the

performance of the asset pool[s] and the transaction[s]. 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 pool[s] ahead of the transaction's [Madrid RMBS I, FTA, Madrid RMBS II, FTA, Madrid RMBS III, FTA] initial closing. The subsequent performance of the transaction[s] 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 any assumptions referred to above, 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.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

### **ESG Considerations**

Madrid RMBS I, II and III have ESG Relevance Scores of '5' for Transaction & Collateral Structure due to PiR not being sufficiently mitigated, which has a negative impact on the credit profile, and is highly relevant to the rating, resulting in a lower rating.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

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## Applicable Criteria

[European RMBS Rating Criteria - Amended \(pub.17 Feb 2023\) \(including rating assumption sensitivity\)](#)

[Global Structured Finance Rating Criteria \(pub.01 Mar 2023\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub.14 Mar 2023\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub.01 Aug 2022\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub.10 Feb 2023\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub.28 Dec 2022\)](#)

## Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Multi-Asset Cash Flow Model, v2.13.0 [\(1\)](#)

ResiGlobal Model: Europe, v1.8.6 [\(1\)](#)

## Additional Disclosures

[Solicitation Status](#)

## Endorsement Status

Madrid RMBS I, FTA      EU Issued, UK Endorsed



Madrid RMBS II, FTA EU Issued, UK Endorsed

Madrid RMBS III, FTA EU Issued, UK Endorsed

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