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Madrid

COMUNICACIÓN DE OTRA INFORMACIÓN 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 la siguiente Información Relevante:

I. Respecto al fondo de referencia, adjuntamos nota de prensa publicada por Fitch Ratings, con fecha 11 de noviembre de 2020, donde se llevan a cabo las siguientes actuaciones:

- Bono A2, afirmado como **A- (sf); perspectiva estable.**
- Bono A3, afirmado como **A- (sf); perspectiva estable.**
- Bono B, afirmado como **BB+ (sf); perspectiva estable.**
- Bono C, afirmado como **B (sf); perspectiva estable.**
- Bono D, afirmado como **CC (sf).**
- Bono E, afirmado como **C (sf).**

En Madrid a 11 de noviembre de 2020

Ramón Pérez Hernández
Consejero Delegado

11 Nov 2020 | Affirmation

Fitch Affirms Madrid RMBS Series; Off RWN

Fitch Ratings-Madrid-11 November 2020:

Fitch Ratings has affirmed the Madrid RMBS series and removed six tranches from Rating Watch Negative (RWN). A full list of rating actions is provided below.

Madrid RMBS II, FTA
----Class A2 ES0359092014; Long Term Rating; Affirmed; A-sf; Rating Outlook Stable
----Class A3 ES0359092022; Long Term Rating; Affirmed; A-sf; Rating Outlook Stable
----Class B ES0359092030; Long Term Rating; Affirmed; BBBsf; Rating Outlook Stable
----Class C ES0359092048; Long Term Rating; Affirmed; BB-sf; Rating Outlook Negative
----Class D ES0359092055; Long Term Rating; Affirmed; B-sf; Rating Outlook Stable
----Class E ES0359092063; Long Term Rating; Affirmed; CCsf
Madrid RMBS III, FTA
----Class A2 ES0359093012; Long Term Rating; Affirmed; A-sf; Rating Outlook Stable
----Class A3 ES0359093020; Long Term Rating; Affirmed; A-sf; Rating Outlook Stable
----Class B ES0359093038; Long Term Rating; Affirmed; BB+sf; Rating Outlook Stable
----Class C ES0359093046; Long Term Rating; Affirmed; Bsf; Rating Outlook Stable
----Class D ES0359093053; Long Term Rating; Affirmed; CCsf
----Class E ES0359093061; Long Term Rating; Affirmed; Csf
Madrid RMBS 1, FTA
----Class A2 ES0359091016; Long Term Rating; Affirmed; A-sf; Rating Outlook Stable
----Class B ES0359091024; Long Term Rating; Affirmed; BBBsf; Rating Outlook Negative
----Class C ES0359091032; Long Term Rating; Affirmed; B+sf; Rating Outlook Stable
----Class D ES0359091040; Long Term Rating; Affirmed; CCCsf
----Class E ES0359091057; Long Term Rating; Affirmed; CCsf

Transaction Summary

The transactions comprise residential mortgages serviced by Bankia S.A. (BBB/RWP/F2).

KEY RATING DRIVERS

Resilient to Coronavirus Additional Stresses

The RWN resolution and rating affirmations reflect our view that the securitisation notes are sufficiently protected by credit enhancement (CE) and excess spread to absorb the additional projected losses driven by coronavirus and the related containment measures, which are producing an economic recession and increased unemployment in Spain. However, the Negative Outlooks on two tranches reflect the limited margin of safety these notes have at their current ratings and the risk of collateral underperformance from the pandemic triggering downgrades. See: "EMEA RMBS: Criteria Assumptions Updated due to Impact of the Coronavirus Pandemic" at www.fitchratings.com.

Expected Asset Performance Deterioration

Fitch anticipates a generalised weakening on the Spanish borrowers´ ability to keep up with mortgage payments linked to a spike in unemployment and increased vulnerability of self-employed borrowers. As a result, performance indicators such as the levels of arrears (currently between 0.1% and 0.3%, excluding defaulted assets, across all transactions) could increase in the following months. Fitch has therefore made a sensitivity adjustment incorporating a 10% increase in weighted average foreclosure frequency (WAFF).

The interest deferral trigger, measured by gross cumulative defaults, in Madrid III has been breached for all notes other than the class A notes. A material increase in defaults could also lead to breaches in Madrid I and II. Where Fitch expects notes to defer interest the rating is capped at 'BB+sf', such as the class B notes in Madrid III.

Finally, we also consider a downside coronavirus scenario for sensitivity purposes whereby a more severe and prolonged period of stress is assumed. This accommodates a further 15% increase to the portfolio's WAFF and a 15% decrease to the WA recovery rates (WARR). See Ratings Sensitivities.

Catalonia Lease Stresses

The rating analysis reflects the potentially adverse effects of Catalonian Decree Law 17/2019, which allows some defaulted borrowers in the region that meet defined eligibility criteria to remain in their homes as tenants for as long as 14 years, paying a low monthly rent. The share of the portfolio balance that is located in Catalonia ranges between 11.7% (Madrid RMBS I) and 15% (Madrid RMBS III). Fitch's analysis has accounted for a longer recovery timing on loan defaults in Catalonia that range between 72 and 96 months under 'B' and 'AAA' rating stresses, respectively, versus 48 and 60 months for other regions. See: "Spain RMBS: Criteria Assumptions Updated Due to Decree Law in Catalonia" at www.fitchratings.com.

Geographical Concentration

The portfolios are highly exposed to the Region of Madrid, ranging between 57.1% for Madrid III and 62% for Madrid I. To address regional concentration risk, higher rating multiples are applied to the base FF assumption to the portion of the portfolios that exceeds 2.5x the population within these regions, in line with Fitch´s European RMBS Rating Criteria.

Low Take-up on Payment Holidays

Fitch does not expect the COVID-19 emergency support measures introduced by the Spanish government and banks for vulnerable borrowers to negatively affect the SPVs' liquidity. This is due to low take-ups of payment holidays in the three transactions at 5.2%-6% of the current portfolio balances as of September 2020. Additionally, high portfolio seasoning of about 15 years and the predominant share of floating-rate loans benefitting from the current low interest rates are strong mitigating factors against macroeconomic uncertainty.

Depleted Cash Reserves

Fitch views the risk of not making timely payments to noteholders following a disruption of collection processes as sufficiently mitigated, despite the absence of dedicated liquidity facilities and the cash reserves having been depleted by losses. This is in line with Fitch's Structured Finance and Covered Bonds Counterparty Rating Criteria for notes rated up to 'A+sf', as the collection account bank and servicer rating (Bankia, BBB/RWP/F2) is at least 'BB-sf' and within a five-notch distance to the highest note ratings and the transfer of collected funds is made to the SPV bank account within two business days. Additionally, the depleted cash reserves have led to a switch to sequential amortisation, which Fitch does not expect to be reversed.

RATING SENSITIVITIES

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

Increases in CE ratios, as the transactions deleverage, to fully compensate the credit losses and cash flow stresses commensurate with higher ratings, all else being equal. Fitch tested an additional rating sensitivity scenario by applying a decrease in the WAFF of 15% and an increase in the WARR of 15%. Under this scenario, the ratings in Madrid I and II could be upgraded by up to two notches and the ratings in Madrid III could be upgraded by up to six notches.

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

A longer-than-expected coronavirus crisis that erodes macroeconomic fundamentals and the mortgage market in Spain beyond Fitch's current base case. CE ratios cannot fully compensate the credit losses and cash flow stresses associated with the current ratings, all else being equal. To approximate this scenario, a rating sensitivity has been conducted by increasing default rates by 15% and cutting recovery expectations by 15%, which would imply downgrades of up to one category for the notes.

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

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.

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

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.

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Additional information is available on www.fitchratings.com

Applicable Criteria
European RMBS Rating Criteria (pub. 22 May 2020) (including rating assumption sensitivity)
Fitch Ratings Interest Rate Stress Assumptions for Structured Finance and Covered Bonds (Excel) (pub. 06 Dec 2019)

Global Structured Finance Rating Criteria (pub. 17 Jun 2020) (including rating assumption sensitivity)
Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 29 Jan 2020)
Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (pub. 29 Jan 2020)
Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 23 Sep 2020)
Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 06 Dec 2019)

Applicable Model

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).
Multi-Asset Cash Flow Model, v2.9.0 (1)
ResiGlobal Model: Europe, v1.6.4 (1)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form
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