

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 Standard and Poors Global 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 Standard and Poor's Global Ratings, con fecha 12 de mayo de 2017, donde se llevan a cabo las siguientes actuaciones:

- Bono A2, de **BBB (sf)** a **AA- (sf)**.
- Bono A3, de **BBB (sf)** a **BBB+ (sf)**.
- Bono B, confirmado como **D (sf)**.
- Bono C, confirmado como **D (sf)**.
- Bono D, confirmado como **D (sf)**.
- Bono E, confirmado como **D (sf)**.

En Madrid, a 16 de mayo de 2017

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Consejero Delegado

Various Rating Actions Taken In Spanish RMBS Transaction MADRID RMBS III Following Review

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OVERVIEW

- We have reviewed Madrid RMBS III by conducting our credit and cash flow analysis and by applying our relevant criteria.
- Following our review, we have raised to 'AA- (sf)' and 'BBB+ (sf)' from 'BBB (sf)' our ratings on the class A2 and A3 notes, respectively.
- At the same time, we have affirmed our 'D (sf)' ratings on the class B, C, D, and E notes.
- MADRID RMBS III is a Spanish RMBS transaction that closed in July 2007, which securitizes first-ranking mortgage loans backed by a portfolio of residential mortgage loans secured over properties in Spain. Bankia originated the pools, which comprise loans granted to borrowers mainly located in Madrid.

MADRID (S&P Global Ratings) May 12, 2017--S&P Global Ratings today raised to 'AA- (sf)' and 'BBB+ (sf)' from 'BBB (sf)' its credit ratings on MADRID RMBS III, Fondo de Titulizacion de Activos' class A2 and A3 notes, respectively. At the same time, we have affirmed our 'D (sf)' ratings on the class B, C, D, and E notes (see list below).

Today's rating actions follow our credit and cash flow analysis of the most recent transaction information that we have received as of the February 2017 investor report. Our analysis reflects the application of our European residential loans criteria, our structured finance ratings above the sovereign (RAS) criteria, and our current counterparty criteria (see "Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Dec. 23, 2016, "Ratings Above The Sovereign - Structured Finance: Methodology And

Assumptions," published on Aug. 8, 2016, and "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

The class B, C, D, and E notes feature interest deferral triggers of 20.30%, 14.65%, 10.47%, and 8.94%, respectively, based on cumulative defaults as a percentage of the closing portfolio balance. The current cumulative defaults represent 22.43%. As a consequence, all the interest deferral triggers have been breached and these subordinated classes of notes consequently defaulted. Therefore, we previously lowered our ratings on these classes of notes to 'D (sf)'. .

Credit enhancement, considering performing collateral only, for the class A2 notes has increased to 58.28% from 49.83% at our previous review, due to the sequential amortization (see "Various Rating Actions Taken In Four MADRID RMBS Transactions Following Application Of Updated Criteria," published on Jan. 15, 2015). Over the same period, credit enhancement for the class A3, B, and C notes has also increased to 17.54% from 14.24%, to 12.99% from 10.49%, and to 5.61% from 4.41%, respectively. The class D and E notes are undercollateralized, with credit enhancement representing -0.29% and -4.59%, respectively.

Or projected losses at the 'AA' rating level have decreased to 13.45% from 17.83% at our previous review. This improvement is due to the increase in the weighted-average seasoning, the original and current loan-to-value ratios, and repossession market value declines, performance improvement, as well as the decrease in the arrears levels. The reserve fund is fully depleted.

Class	Available credit enhancement, excluding defaulted loans (%)
A2	58.28
A3	17.54
B	12.99
C	5.61
D	(0.29)
E	(4.59)

Severe delinquencies of more than 90 days have decreased to 0.16% from 0.89% at our last review and are currently lower for this transaction than our Spanish residential mortgage-backed securities (RMBS) index (see "Spanish RMBS Index Report Q4 2016," published on April 4, 2017). Cumulative defaults, at 22.43%, are higher than in other Spanish RMBS transactions that we rate. However, it is worth noting that the documented definition of default as six months in arrears is the most conservative that we have seen in Spanish RMBS transactions that we rate. The reserve fund is fully depleted due to being used to provision for defaults. Prepayment levels remain low and the transaction is unlikely to pay down significantly in the near term, in our opinion.

Our rating actions also reflect our analysis of the most recent transaction information that we have received for the February 2017 interest payment date (IPD). We have applied our European residential loans criteria, our current counterparty criteria, and our RAS criteria.

Under our RAS criteria, we applied a hypothetical sovereign default stress test to determine whether a tranche has sufficient credit and structural support to withstand a sovereign default and so repay timely interest and principal by legal final maturity.

The class A2 and A3 notes benefit from flows diverted from the subordinated notes following the interest deferral trigger breaches and from increased credit enhancement. Our credit and cash flow analysis indicates that the class A2 and A3 notes now have sufficient credit enhancement to withstand our stresses at the 'AA-' and 'A' rating levels, respectively. However, the application of our RAS criteria cap our rating on the class A3 notes at our 'BBB+' foreign currency long-term sovereign rating on the Kingdom of Spain. We have therefore raised to 'AA- (sf)' and 'BBB+ (sf)' from 'BBB (sf)' our ratings on the class A2 and A3 notes, respectively.

We have affirmed our 'D (sf)' rating on the class B, C, D, and E notes as they continue to miss interest payments.

In our opinion, the outlook for the Spanish residential mortgage and real estate market is not benign and we have therefore increased our expected 'B' foreclosure frequency assumption to 3.33% from 2.00%, when we apply our European residential loans criteria, to reflect this view (see "Outlook Assumptions For the Spanish Residential Mortgage Market," published on June 24, 2016). We base these assumptions on our expectation of modest economic growth, continuing high unemployment, and house prices stabilization during 2017.

MADRID RMBS III is a Spanish residential mortgage-backed securities (RMBS) transaction that closed in July 2007, which securitizes first-ranking mortgage loans backed by a portfolio of residential mortgage loans secured over properties in Spain. Bankia S.A. originated the pools, which comprise loans granted to borrowers mainly located in Madrid.

RELATED CRITERIA

- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Dec. 23, 2016
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - General: Structured Finance Temporary

Interest Shortfall Methodology, Dec. 15, 2015

- Criteria - Structured Finance - General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Global Derivative Agreement Criteria, June 24, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- Spanish RMBS Index Report Q4 2016, April 4, 2017
- Outlook On Spain-Based BBVA And Santander Consumer Finance Revised To Positive Following Action On Sovereign, April 3, 2017
- Kingdom Of Spain Outlook Revised To Positive On Strong And Balanced Economic Performance; 'BBB+/A-2' Ratings Affirmed, March 31, 2017
- European Economic Snapshots: Resilience Despite Political Risk, Feb. 28, 2017
- A Stronger Eurozone Economy, Despite Higher Volatility On Bond Markets, Feb. 20, 2017
- Europe's Housing Markets Continue To Recover Amid Extended QE, Feb. 15, 2017
- QE In The Eurozone: Lower For Longer Means Lower For Longer, Jan. 23, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Outlook Assumptions For The Spanish Residential Mortgage Market, June 24, 2016
- 2015 EMEA RMBS Scenario And Sensitivity Analysis, Aug. 6, 2015
- Various Rating Actions Taken In Four MADRID RMBS Transactions Following Application Of Updated Criteria, Jan. 15, 2015

RATINGS LIST

Class	Rating
To	From

Various Rating Actions Taken In Spanish RMBS Transaction MADRID RMBS III Following Review

MADRID RMBS III, Fondo de Titulizacion de Activos
€3 Billion Mortgage-Backed Floating-Rate Notes

Ratings Raised

A2	AA- (sf)	BBB (sf)
A3	BBB+ (sf)	BBB (sf)

Ratings Affirmed

B	D (sf)
C	D (sf)
D	D (sf)
E	D (sf)

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