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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 Poor's.

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, con fecha 21 de marzo de 2014, donde se llevan a cabo las siguientes actuaciones:
- Bono **A2**, confirmado como **A- (sf)**.
 - Bono **A3**, confirmado como **A- (sf)**.
 - Bono **B**, de **CCC+ (sf)** a **CCC- (sf)**.
 - Bono **C**, confirmado como **D (sf)**.
 - Bono **D**, confirmado como **D (sf)**.
 - Bono **E**, confirmado como **D (sf)**.

En Madrid a 31 de marzo de 2014

Ramón Pérez Hernández
Director General

RatingsDirect®

Various Rating Actions Taken In Spanish Transaction MADRID RMBS III Due To Performance Reasons

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OVERVIEW

- We have reviewed MADRID RMBS III's performance by conducting our credit and cash flow analysis, analyzing the transaction's structural features, and applying our relevant criteria.
- Following our review, we have lowered our rating on the class B notes because their interest deferral trigger may be breached within the next 12 months, if the cumulative default rate continues to increase at the same speed as it did in 2013.
- At the same time, we have affirmed our ratings on the class A2, A3, C, D, and E notes.
- MADRID RMBS III is a Spanish RMBS transaction that securitizes a portfolio of first-ranking mortgage loans granted to Spanish residents to buy a residential property.

MADRID (Standard & Poor's) March 21, 2014--Standard & Poor's Ratings Services has today taken various credit rating actions in MADRID RMBS III, Fondo de Titulizacion de Activos.

Specifically, we have

- Affirmed our 'A- (sf)' ratings on the class A2 and A3 notes;
- Lowered to 'CCC- (sf)' from 'CCC+ (sf)' our rating on the class B notes; and
- Affirmed our 'D (sf)' ratings on the class C, D, and E notes (see list

Various Rating Actions Taken In Spanish Transaction MADRID RMBS III Due To Performance Reasons

below).

Today's rating actions follow our assessment of counterparty risk and our review of the transaction's performance. We have conducted our credit and cash flow analysis and analyzed the transaction's structural features, using the latest available portfolio and structural features information. We have also applied our relevant criteria (see "Related Criteria").

Having peaked at the beginning of 2009, arrears and defaults have gradually decreased in this transaction. Both total and 90+ days delinquencies have decreased since our previous review (see "Various Rating Actions Taken In Spanish Transaction MADRID RMBS III Due To Counterparty Risk And Performance Reasons," published on April 2, 2013). We have observed that delinquencies have also fallen in other residential mortgage-backed securities (RMBS) transactions originated by Bankia S.A. e.g., MADRID RMBS I, Fondo de Titulizacion de Activos; MADRID RMBS II, Fondo de Titulizacion de Activos; and MADRID RMBS IV, Fondo de Titulizacion de Activos.

However, severe delinquencies (defined in this transaction as loans that have been in arrears for more than 90 days plus net cumulative defaults), remain high and are higher than our Spanish RMBS index (9.25% of the initial collateral balance as of February 2014, compared with the index rate of 6.05%).

MADRID RMBS III has interest deferral triggers, which divert interest in the transaction so that in bad economic conditions, the more senior notes are amortized before the payment of the interest on the subordinated classes of notes. The class C, D, and E notes have breached their documented triggers, meaning that their interest payments are deferred in the payment waterfall. The class B notes will breach their interest deferral trigger if the gross cumulative default ratio represents 20.30% of the initial collateral balance. The last reported cumulative default ratio is very close to the class B trigger (20.08% over the initial balance). Gross cumulative defaults increased by 124 bps in one year (December 2012 to December 2013). The gross cumulative default ratio would only need to increase by 22 bps for it to be breached. If the transaction's performance remains stable, the class B notes could breach their trigger within the next 12 months.

The transaction has always underperformed our Spanish RMBS index. The depleted reserve fund has not been replenished since 2008, reducing the available credit enhancement in the transaction.

We consider that swap counterparty risk through the transaction's exposure to The Royal Bank of Scotland (RBS) as the swap provider, does not constrain our ratings on the class A2 and A3 notes. This is because the downgrade provisions for the swap provider in the transaction documents reflect our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). On behalf of MADRID RMBS III, the trustee entered into a swap agreement with RBS (in March 2013). This swap protects against adverse interest rate resetting and movements. MADRID RMBS

Various Rating Actions Taken In Spanish Transaction MADRID RMBS III Due To Performance Reasons

III pays RBS 12-month EURIBOR (Euro Interbank Offered Rate) multiplied by the balance of the performing loans (including loans up to 90 days in arrears). MADRID RMBS III receives three-month EURIBOR on the performing balance of the loans (including loans up to 90 days in arrears) plus a margin of 6.25 basis points (bps).

In addition to the swap agreement, the trustee entered into an options contract with Bankia, on behalf of MADRID RMBS III, since some of the loans are referenced to the IRPH index (Indice de Referencia de Préstamos Hipotecarios). The options contract guarantees a margin of 70 bps for the IRPH-linked loans. Our credit, cash flow, and structural analysis does not consider any benefit provided by the options contract.

Our ratings on the notes reflect our assessment of the transaction's documented structural features by applying our cash flow criteria for European RMBS transactions (see "Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions," published on Jan. 6, 2009). Our ratings reflect the available credit enhancement, the notes' amortization features, and interest deferral triggers based on the securitized portfolio's performance.

Our assessment indicates that the available credit enhancement for the class A2 and A3 notes is sufficient to withstand the credit and cash flow stresses that we apply at 'A-' rating levels. We have therefore affirmed our 'A- (sf)' ratings on these classes of notes. Since RBS entered the transaction in March 2013 as the swap provider, counterparty risk no longer constrains our ratings on the class A2 and A3 notes, which now reflect the transaction's performance.

In our opinion, the class B notes can no longer maintain their currently assigned rating because their interest deferral trigger may be breached within the next 12 months, if cumulative gross defaults over the initial balance of the pool keep increasing. As highlighted above, we have observed a year-on-year increase of 124 bps in the cumulative default ratio, while the proximity to the trigger is only 22 bps. We have therefore lowered to 'CCC- (sf)' from 'CCC+ (sf)' our rating on the class B notes.

The class C, D, and E notes' interest deferral triggers have already been breached. Consequently, the interest on these notes is deferred in the priority of payments. On the most recent payment date (February 2014), the class C, D, and E notes continued to suffer interest shortfalls. We have therefore affirmed our 'D (sf)' ratings on the class C, D, and E notes.

MADRID RMBS III is a Spanish RMBS transaction that securitizes a portfolio of first-ranking mortgage loans granted to Spanish residents to buy residential properties. Bankia originated the loans.

STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a

Various Rating Actions Taken In Spanish Transaction MADRID RMBS III Due To Performance Reasons

description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at <http://standardandpoorsdisclosure-17g7.com>

RELATED CRITERIA AND RESEARCH

Related Criteria

- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009
- Methodology And Assumptions: Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities, Jan. 6, 2009
- Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Criteria for Rating Spanish Residential Mortgage-Backed Securities, March 1, 2002

Related Research

- Spanish RMBS Index Report Q4 2013: Severe Delinquencies Persist, Despite Signs Of Economic Recovery, Feb. 28, 2014
- Europe's Housing Markets May Be On A Slow Path To Recovery, Jan. 22, 2014
- Fewer Spanish Mortgage Floor Clauses Will Have A Limited Impact On RMBS Credit, July 24, 2013
- Various Rating Actions Taken In Spanish Transaction MADRID RMBS III Due To Counterparty Risk And Performance Reasons, April 2, 2013
- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011

RATINGS LIST

Class	Rating
To	From

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

Various Rating Actions Taken In Spanish Transaction MADRID RMBS III Due To Performance Reasons

Rating Lowered

B CCC- (sf) CCC+ (sf)

Ratings Affirmed

A2 A- (sf)
A3 A- (sf)
C D (sf)
D D (sf)
E D (sf)

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