

C. N. M. V.  
Dirección General de Mercados e Inversores  
C/ Edison 4  
Madrid

## **COMUNICACIÓN DE HECHO RELEVANTE**

### **MADRID RMBS IV, FONDO DE TITULIZACIÓN DE ACTIVOS Actuaciones sobre las calificaciones de los bonos por parte de Standard and Poors Ratings Services.**

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 Ratings Services, con fecha 18 de enero de 2018, donde se llevan a cabo las siguientes actuaciones:

- Bono A, Afirmado como **A (sf)**.
- Bono B, de **BBB+ (sf)** a **A (sf)**.
- Bono C, de **BB- (sf)** a **BB (sf)**.
- Bono D, de **CCC (sf)** a **B- (sf)**.
- Bono E, de **CC (sf)** a **CCC (sf)**.

En Madrid, a 19 de enero de 2018

Ramón Pérez Hernández  
Consejero Delegado

## Ratings Raised On Spanish RMBS Transaction MADRID RMBS IV's Class B To E Notes; Rating On Class A2 Notes Affirmed

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### OVERVIEW

- We have reviewed Madrid RMBS IV by conducting our credit and cash flow analysis under our European residential loans criteria, our structured finance ratings above the sovereign criteria, and our current counterparty criteria.
- Following our review, we have raised our ratings on the class B to E notes.
- At the same time, we have affirmed our rating on the class A2 notes.
- MADRID RMBS IV is a Spanish RMBS transaction, which securitizes first-ranking mortgage loans granted to individuals resident in Spain. Caja Madrid (now Bankia) originated the loans in the pool between 1995 and 2007.

MADRID (S&P Global Ratings) Jan. 18, 2018--S&P Global Ratings today raised its credit ratings on MADRID RMBS IV, Fondo de Titulizacion de Activos' class B, C, D, and E notes. At the same time, we have affirmed our rating on the class A2 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 and the November 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 "Related Criteria").

Available credit enhancement for all the classes of notes has increased since our previous reviews (see "Various Rating Actions Taken In Four MADRID RMBS Transactions Following Application Of Updated Criteria," published on Jan. 15, 2016, and "Rating Raised On Spanish RMBS Transaction MADRID RMBS IV's Class B Notes Following Sovereign Upgrade," published on Jan. 21, 2016). This is mainly due to the class A2 notes' amortization and the reserve fund being partially replenished.

Class	Available credit enhancement, excluding defaulted loans (%)
A2	30.36
B	23.80
C	15.66
D	9.88
E	7.00

Severe delinquencies of more than 90 days, excluding defaults, are 0.43%, have more than halved since our previous review and are below our Spanish residential mortgage-backed securities (RMBS) index, (see "Spanish RMBS Index Report Q3 2017," published on Nov. 22, 2017). Defaults are defined as mortgage loans in arrears for more than 12 months. There is a high portion of defaulted loans (net of recoveries) that defaulted during the worst part of the economic crisis, in 2009 and 2010. However, the level of arrears rolling into defaults is very low, and the outstanding balance of loans in default represent around 18% of the outstanding pool balance because recoveries are very limited.

About 65% of the collateral pool is concentrated in the Madrid region, which was the home region of the originator. As per our European residential loans criteria, we have factored this in our credit analysis by applying adjustment factors to the foreclosure frequency.

After applying our European residential loans criteria to this transaction, our credit analysis results show a decrease in the weighted-average foreclosure frequency (WAFF) and a decrease in the weighted-average loss severity (WALS) for all rating levels.

The WAFF decreased compared with our previous review mainly because it benefitted from the pool's high seasoning and the lower arrears level. The WALS benefitted from a lower current indexed loan-to-value ratio due to collateral amortization and a lower weighted-average repossession market value decline.

Rating	WAFF	WALS
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level (%)	37.13	48.50
AAA	27.98	44.69
AA	23.12	37.28
BBB	16.86	33.03
BB	10.65	29.94
B	8.94	27.02

Following the application of our RAS criteria, our current counterparty criteria, and our European residential loans criteria, we have determined that our assigned rating on the notes in this transaction should be the lower of (i) the rating as capped by our RAS criteria, (ii) the rating as capped by our current counterparty criteria, and (iii) the rating that the class of notes can attain under our European residential loans criteria.

Under our European residential loans criteria, the class A2 and B notes have sufficient credit enhancement to withstand our stresses at the 'AA' and 'AA-' rating levels, respectively. The better cash flow results are explained by the increased credit enhancement and better credit numbers when compared with our previous reviews. However, the application of our RAS criteria caps the ratings on the class A2 and B notes at four notches above the long-term sovereign rating on Spain, 'AA-'.

The collection account is held with Bankia S.A. (BBB-/Positive/A-3) in the name of the servicer, which is also Bankia. The documents reflect that two days after the receipt of the collections, which are evenly distributed during the month, the available funds are transferred to the transaction account in the name of the fund. Consequently, the transaction is exposed to commingling risk. We have therefore stressed commingling risk as a loss of one month of interest and principal collections for rating levels above Bankia's long-term issuer credit rating (ICR) in line with our European residential loans criteria. As a consequence, in our analysis we have weak-linked our ratings on the class C, D, and E notes to the long-term ICR on Bankia, as servicer.

Banco Bilbao Vizcaya Argentaria S.A. (BBVA; BBB+/Positive/A-2) is the swap counterparty. Under our current counterparty criteria, the downgrade language in the swap documentation caps the ratings on the notes at 'A-' when credit is given to the swap in our cash flow analysis. We have conducted our cash flow analysis without the benefit of the swap agreement to de-link our ratings on the notes from the swap counterparty. Our ratings on all of the notes are de-linked from the long-term ICR on the swap counterparty.

Banco Santander S.A. (A-/Stable/A-2) has been the transaction account provider since November 2017, when it replaced BBVA. The downgrade language in the transaction account agreement caps the ratings on the notes at 'A', in line with our current counterparty criteria. We have therefore affirmed our 'A (sf)' rating on the class A2 notes. At the same time, we have raised our rating on the class B notes to 'A (sf)' from 'BBB+ (sf)'.

Our credit and cash flow analysis indicates that the class C notes pass our

stresses at the 'BB' rating level, one notch above the level in our previous full review. This is due to the increased credit enhancement and better WAFF and WALs results. We have therefore raised to 'BB (sf)' from 'BB- (sf)' our rating on the class C notes.

The transaction structure features an interest deferral trigger for the class B to E notes based on the outstanding balance of defaults over the closing collateral balance. If triggered, the interest payments are subordinated below principal in the priority of payments, however they still benefit from the cash reserve. These triggers are set at 19.15%, 13.65%, 9.60%, and 8.19% for the class B, C, D, and E notes, respectively. At the November 2017 interest payment date (IPD) the trigger level was 9.00%. The class E notes' interest is already subordinated to the principal payment in the priority of payments. However, the class E notes are paying timely interest due to the benefit of the reserve fund, which even if it is not at its required level, has partially replenished at the latest IPDs and is currently at 43.82% of its required level.

The class D and E notes do not pass any of our stresses under our European residential loans criteria. Considering the positive macroeconomic conditions for the Spanish economy and the high seasoning of the assets, we do not expect the underlying collateral's performance to deteriorate. In line with our European residential loans criteria and our criteria for assigning 'CCC' category ratings, , we have raised to 'B- (sf)' from 'CCC (sf)' our rating on the class D notes (see "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," published on Oct. 1, 2012). In our opinion, the class D notes are unlikely to default over a 12-month horizon based on the current constant prepayment rate levels, stable pool performance, and improved available credit enhancement. Additionally, we do not consider that the class D notes are currently vulnerable to nonpayment, and payment is not dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. This is because even if the class D notes' interest deferral trigger is breached, and interest on the notes is paid after principal amortization, the notes will still benefit from the support of the reserve fund to meet timely interest payments.

We have raised to 'CCC (sf)' from 'CC (sf)' our rating on the class E notes because given the current level of credit enhancement for this class of notes, which has improved since our previous review, we do not expect default to be a virtual certainty. Despite the trigger breach, the class E notes benefit from the reserve fund, currently at 43.82% of its required level, in the combined waterfall to meet the timely interest payment.

We also consider credit stability in our analysis (see "Methodology: Credit Stability Criteria," published on May 3, 2010). To reflect moderate stress conditions, we adjusted our WAFF assumptions by assuming additional arrears of 8% for one- and three-year horizons, for 30-90 days arrears, and 90+ days arrears. This did not result in our ratings deteriorating below the maximum projected deterioration that we would associate with each relevant rating

level, as outlined in our credit stability criteria.

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 Dec. 27, 2017). We base these assumptions on our current outlook for the Spanish housing and mortgage markets, as well as for the overall economy in Spain.

MADRID RMBS IV is a Spanish RMBS transaction, which securitizes first-ranking mortgage loans granted to individuals resident in Spain. Caja de Ahorros y Monte de Piedad de Madrid (Caja Madrid, now Bankia S.A.) originated the pool between 1995 and 2007.

#### RELATED CRITERIA

- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Aug. 4, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- 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
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- 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

- Outlook Assumptions For The Spanish Residential Mortgage Market, Dec. 27, 2017
- Credit Conditions: Hope Overcomes Fears As The Fundamentals Propel Europe Forward, Dec. 5, 2017
- Eurozone Growth Momentum Stays Solid, Nov. 30, 2017

*Ratings Raised On Spanish RMBS Transaction MADRID RMBS IV's Class B To E Notes; Rating On Class A2  
Notes Affirmed*

- Spanish RMBS Index Report Q3 2017, Nov. 22, 2017
- European Economic Snapshots For 4Q17 Published, Nov. 15, 2017
- Kingdom Of Spain 'BBB+/A-2' Ratings Affirmed; Outlook Positive, Sept. 29, 2017
- Low Lending Rates Continue To Fuel Europe's Housing Market Recovery, Aug. 1, 2017
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 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
- Rating Raised On Spanish RMBS Transaction MADRID RMBS IV's Class B Notes Following Sovereign Upgrade, Jan. 21, 2016
- Various Rating Actions Taken In Four MADRID RMBS Transactions Following Application Of Updated Criteria, Jan. 15, 2016

RATINGS LIST

Class	Rating	Rating
	To	From

MADRID RMBS IV, Fondo de Titulizacion de Activos  
€2.4 Billion Mortgage-Backed Floating-Rate Notes

Ratings Raised

B	A (sf)	BBB+ (sf)
C	BB (sf)	BB- (sf)
D	B- (sf)	CCC (sf)
E	CCC (sf)	CC (sf)

Rating Affirmed

A2	A (sf)
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