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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 15 de enero de 2015, donde se llevan a cabo las siguientes actuaciones:

- Bono A1,**afirmado A (sf).**
- Bono A2, **afirmado A (sf).**
- Bono B**,** de **A (sf)** a **BBB (sf).**
- Bono C**,** de **BB+ (sf)** a **BB- (sf).**
- Bono D**, afirmado CCC (sf).**
- Bono E**, afirmado CC (sf).**

En Madrid, a 16 de enero de 2015

Ramón Pérez Hernández
Director General

STANDARD & POOR'S
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Various Rating Actions Taken In Four MADRID RMBS Transactions Following Application Of Updated Criteria

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OVERVIEW

- We have reviewed MADRID RMBS I, MADRID RMBS II, MADRID RMBS III, and MADRID RMBS IV by conducting our credit and cash flow analysis under our updated Spanish RMBS criteria, our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating, and our current counterparty criteria.
- Our ratings on the class A2 notes in MADRID RMBS II and the class B notes in MADRID RMBS IV are constrained by the application of our RAS criteria.
- Following our review, we have taken various rating actions in all four transactions.
- MADRID RMBS I, MADRID RMBS II, MADRID RMBS III, and MADRID RMBS IV are Spanish RMBS transactions, which securitize first-ranking mortgage loans. Bankia originated the pools, which comprise loans granted to borrowers mainly located in Madrid.

MADRID (Standard & Poor's) Jan. 15, 2015--Standard & Poor's Ratings Services today took various credit rating actions in MADRID RMBS I, Fondo de Titulizacion de Activos, MADRID RMBS II, Fondo de Titulizacion de Activos, MADRID RMBS III, Fondo de Titulizacion de Activos, and MADRID RMBS IV, Fondo de Titulizacion de Activos.

Specifically, we have:

- Raised our ratings on MADRID RMBS I and II's class B notes;
- Lowered our ratings on MADRID RMBS I's class A2 notes, MADRID RMBS II's class A3 notes, MADRID RMBS III's class A2 and A3 notes, and MADRID RMBS IV's class B and C notes; and
- Affirmed our ratings on MADRID RMBS I class C, D, and E notes, MADRID RMBS II's class A2, C, D, and E notes, MADRID RMBS III's class B, C, D, and E notes, and MADRID RMBS IV's class A1, A2, D, and E notes.

Upon publishing our updated criteria for Spanish residential mortgage-backed securities (RMBS criteria) and our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria), we placed those ratings that could potentially be affected "under criteria observation" (see "Italian And Spanish RMBS And Covered Bond Program Ratings Placed Under Criteria Observation," and "Italy And Spain RMBS Methodology And Assumptions," both published on Sept. 18, 2014, and "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on Sept. 19, 2014).

Following our review of these transactions, our ratings that could potentially be affected by the criteria are no longer under criteria observation.

Today's rating actions follow our credit and cash flow analysis of the most recent transaction information that we have received as of the November 2014 investor reports. Our analysis reflects the application of our RMBS criteria, our RAS criteria, and our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

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.

Our RAS criteria designate the country risk sensitivity for RMBS as 'moderate'. Under our RAS criteria, these transactions' notes can therefore be rated four notches above the sovereign rating, if they have sufficient credit enhancement to pass a minimum of a "severe" stress. However, as all six of the conditions in paragraph 48 of the RAS criteria are met, we can assign ratings to MADRID RMBS IV's class A1 notes up to a maximum of six notches (two additional notches of uplift) above the sovereign rating, subject to credit enhancement being sufficient to pass an "extreme" stress (see "Understanding Standard & Poor's Rating Definitions," published on June 3, 2009 for our definitions of severe and extreme levels of economic stress).

As our long-term rating on the Kingdom of Spain is 'BBB', our RAS criteria cap at 'AA (sf)' the maximum potential rating on MADRID RMBS IV's class A1 notes. The maximum potential rating for all other classes of notes in all four transactions is 'A+ (sf)'.

All four transactions feature an interest deferral trigger for the class B to

E notes. If breached, the interest payments are subordinated below principal in the priority of payments. For MADRID RMBS I, II, and IV, these triggers are based on cumulative net defaults over the closing portfolio balances. These cumulative net default triggers are irreversible. Therefore, if the triggers are breached, interest payments will be subordinated for the life of the transaction. For MADRID RMBS III, these triggers are based on cumulative gross defaults over the closing portfolio balance.

Credit enhancement for MADRID RMBS I, II, III, and IV's most senior classes has increased since our previous reviews (see "Related Research"). At the same time, credit enhancement for the junior classes of notes in all four transactions has decreased. For MADRID RMBS I, II, and III, this decrease is due to the full depletion of the reserve fund, limited prepayments, and uncured defaults, which has led to the these three transactions being undercollateralized.

Class	Available credit enhancement, excluding defaulted loans (%)			
	I	II	III	IV
A1	-	-	-	24.23
A2	21.95	21.51	14.34	24.23
A3	-	21.51	14.34	-
B	13.69	13.04	10.34	19.06
C	4.83	3.97	3.86	12.65
D	0.81	(0.14)	(1.32)	8.11
E	(1.31)	(2.68)	(5.10)	5.83

All four transactions feature a reserve fund, which can amortize to a target amount. However, the reserve funds for MADRID RMBS I, II, and III are now depleted. MADRID RMBS IV's reserve fund currently represents 6.2% of the outstanding performing balance of the mortgage assets. This reserve has been continually drawn and has not been at its target level since September 2008.

Severe delinquencies of more than 90 days and excluding defaults for Madrid RMBS I, II, III, and IV are currently at 0.74%, 0.73%, 0.90%, and 1.12%, respectively, which is below our Spanish RMBS index (see "Spanish RMBS Index Report Q2/Q3 2014: Delinquencies Continue To Rise As The Housing Market Slowly Recovers" published on Jan. 2, 2015), although they have been above the index in the past.

Defaults are defined in MADRID RMBS I, II, and III as mortgage loans in arrears for more than 180 days. For MADRID RMBS IV, this is 360 days. Defaults, at 14.75%, 16.15%, 17.21%, and 16.09% in MADRID RMBS I, II, III, and IV, respectively, are higher than in other Spanish RMBS transactions that we rate. Prepayment levels remain low and the transaction is unlikely to pay down significantly in the near term, in our opinion.

After applying our RMBS criteria to these transactions, our credit analysis results show an increase in the weighted-average foreclosure frequency (WAFF) and an increase in the weighted-average loss severity (WALS) for each rating level.

Rating level	WAFF (%)	WALS (%)	CC (%)
MADRID RMBS I			
AAA	57.61	56.43	32.51
AA	43.31	52.56	22.76
A	35.38	45.37	16.05
BBB	25.68	41.18	10.58
BB	15.97	38.11	6.09
B	13.23	35.20	4.66
MADRID RMBS II			
AAA	53.68	55.78	29.95
AA	39.93	51.90	20.72
A	32.54	44.68	15.54
BBB	23.60	40.47	9.55
BB	14.67	37.38	5.49
B	12.16	34.45	4.19
MADRID RMBS III			
AAA	42.57	59.81	25.46
AA	31.75	56.16	17.83
A	25.92	49.34	12.79
BBB	18.83	45.32	8.53
BB	11.86	42.35	5.02
B	9.79	39.50	3.87
MADRID RMBS IV			
AAA	39.88	60.17	24.03
AA	30.26	56.56	17.14
A	25.03	49.78	12.48
BBB	18.32	45.78	8.40
BB	11.76	42.80	5.04
B	9.83	39.93	3.93

CC--Credit coverage.

The increases in the WAFF are mainly due to the adjustment factors that we have applied to the original loan-to-value ratios, the different adjustments that we apply to seasoned loans, and the geographical province concentration adjustments under our RMBS criteria. The increases in the WALS are mainly due to the application of our revised market value decline assumptions and the indexing of valuations under our revised criteria. The overall effect is an increase in the required credit coverage for each rating level.

Following the application of our RAS criteria and our RMBS criteria, we have determined that our assigned rating on each class of notes in this transaction should be the lower of (i) the rating as capped by our RAS criteria and (ii) the rating that the class of notes can attain under our RMBS criteria. Our ratings on MADRID RMBS II's class A2 notes and MADRID RMBS IV's class B notes are constrained by the rating on the sovereign. Our ratings on MADRID RMBS IV's class A1 and A2 notes are constrained by our current counterparty criteria.

Under our RMBS criteria, MADRID RMBS II's class A2 notes and MADRID RMBS IV's class A1 and A2 notes have sufficient credit enhancement to withstand our stresses at 'AA', 'AAA', and 'A' rating levels, respectively. For MADRID RMBS II's class A2 notes, the maximum notches of uplift is four notches above the sovereign rating. We have therefore affirmed our 'A+ (sf)' rating on MADRID RMBS II's class A2 notes.

MADRID RMBS IV's class A1 notes are able to pass all of the conditions under our RAS criteria to permit a six-notch uplift above the sovereign rating. The class A2 notes have sufficient credit enhancement to withstand a severe stress scenario up to three notches above the sovereign rating. However, our current counterparty criteria cap at 'A (sf)' our ratings on MADRID RMBS IV's class A1 and A2 notes. This is because the rating level for the replacement trigger for the bank account provider is 'BBB', which only supports a maximum potential rating of 'A (sf)' under our current counterparty criteria.

Under our current counterparty criteria, because of swap counterparty risk, the maximum achievable rating for MADRID RMBS IV's class A1, A2, and B notes is 'A- (sf)'. We have conducted a credit, cash flow, and structural analysis to determine how much support this transaction gains from the swap, and to see if the class A1, A2, and B notes can achieve a rating higher than 'A- (sf)' without the benefit of the swap agreement. As these classes of notes can be rated up to 'A (sf)' without the benefit of the swap agreement, we have delinked our ratings on MADRID RMBS IV's class A1, A2, and B notes from our rating on the swap provider. Consequently, we have affirmed our 'A (sf)' ratings on the class A1 and A2 notes.

Following the application of our RMBS criteria, and after we applied our delayed recession timing, MADRID RMBS IV's class B notes' cash flow results indicate that this class can withstand stresses up to a 'BBB+' rating level. However, the class B notes do not pass our cash flow stresses under our RAS criteria, and therefore do not achieve any notches of uplift above the sovereign rating. We have therefore lowered to 'BBB (sf)' from 'A (sf)' our rating on the class B notes.

Our credit and cash flow results indicate that the available credit enhancement for MADRID RMBS I's class A2 notes, MADRID RMBS II's class A3 notes, MADRID RMBS III's class A2 and A3 notes, and MADRID RMBS IV's class C notes is commensurate with lower ratings than those currently assigned. We have therefore lowered our ratings on these classes of notes.

We expect the interest deferral triggers for MADRID RMBS I's class C, D, and E notes, MADRID RMBS II's class C and D notes, and MADRID RMBS IV's class D and E notes to be breached in the near term. This will benefit the senior class A notes as related cash flows will be diverted toward them. Taking this expectation into account, as well as subsequent interest defaults, we have affirmed our ratings on MADRID RMBS I's class C, D, and E notes, MADRID RMBS II's class C and D notes, and MADRID RMBS IV's class D and E notes.

MADRID RMBS II's class E notes and MADRID RMBS III's class B, 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, and these classes of notes continued to suffer interest shortfalls due to the lack of liquidity. We have therefore affirmed our 'D (sf)' ratings on MADRID RMBS II's class E notes and MADRDID RMBS III's class B, C, D, and E notes.

Our credit and cash flow results indicate that the available credit enhancement for MADRID RMBS I and II's class B notes is commensurate with higher ratings than those previously assigned. As a result, we have raised our ratings on these classes of notes. Due to an error, in our previous review of these two transactions, we applied cumulative gross defaults in our cash flow models instead of the cumulative net defaults as stated under the transactions' documents. Today's rating actions also take into account the amendment to the deferral triggers modelling in our cash flow analysis.

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 RMBS criteria, to reflect this view (see "Outlook Assumptions For The Spanish Residential Mortgage Market," published on Sept. 18, 2014). We base these assumptions on our expectation of modest economic growth, continuing high unemployment, and house prices stabilization during 2015.

On the back of improving but still depressed macroeconomic conditions, we don't expect the performance of the transactions in our Spanish RMBS index to improve in 2015.

We expect severe arrears in all four transactions to remain at their current levels, as there are a number of downside risks. These include weak economic growth, high unemployment, and fiscal tightening. On the positive side, we expect interest rates to remain low for the foreseeable future.

MADRID RMBS I, MADRID RMBS II, MADRID RMBS III, and MADRID RMBS IV are Spanish RMBS transactions, which securitize first-ranking mortgage loans. Bankia S.A. originated the pools, which comprise loans granted to prime borrowers, mainly located in Madrid.

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 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 Reports included in this credit rating report are available at http://standardandpoorsdisclosure-17g7.com.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, Sept. 19, 2014
- Italy And Spain RMBS Methodology And Assumptions, Sept. 18, 2014
- Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009

Related Research

- Spanish RMBS Index Report Q2/Q3 2014: Delinquencies Continue To Rise As The Housing Market Slowly Recovers, Jan. 2, 2015
- Standard & Poor's Ratings Definitions, Nov. 20, 2014
- Italian And Spanish RMBS And Covered Bond Program Ratings Placed Under Criteria Observation, Sept. 18, 2014
- Outlook Assumptions For The Spanish Residential Mortgage Market, Sept. 18, 2014
- Credit Conditions: Europe Decelerates (Again) Amid Rising Geopolitical Risks, Sept. 16, 2014
- Low Interest Rates Are Underpinning Europe's House Price Recovery, July 28, 2014
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- Rating Lowered To 'D (sf)' On Spanish RMBS Transaction MADRID RMBS III's Class B Notes Due To Interest Payment Default, June 12, 2014
- Ratings Lowered On Spanish RMBS Transaction MADRID RMBS IV's Class D And E Notes Due To Increased Risk Of Nonpayment, April 1, 2014
- Various Rating Actions Taken In Spanish Transaction MADRID RMBS I Due To Counterparty Risk And Performance Reasons, March 20, 2013

- Various Rating Actions Taken In Spanish Transaction MADRID RMBS II Due To Counterparty Risk And For Performance Reasons, March 20, 2013

RATINGS LIST

Class	Rating To	Rating From
MADRID RMBS I, Fondo de Titulizacion de Activos		
€2 Billion Mortgage-Backed Floating-Rate Notes		
Rating Lowered		
A2	BBB (sf)	A- (sf)
Rating Raised		
B	BB+ (sf)	BB- (sf)
Ratings Affirmed		
C	B- (sf)	
D	CCC+ (sf)	
E	CCC- (sf)	
MADRID RMBS II, Fondo de Titulizacion de Activos		
€1.8 Billion Mortgage-Backed Floating-Rate Notes		
Rating Lowered		
A3	BBB (sf)	A+ (sf)
Rating Raised		
B	BBB- (sf)	BB- (sf)
Ratings Affirmed		
A2	A+ (sf)	
C	B- (sf)	
D	CCC+ (sf)	
E	D (sf)	
MADRID RMBS III, Fondo de Titulizacion de Activos		
€3 Billion Mortgage-Backed Floating-Rate Notes		
Ratings Lowered		
A2	BBB (sf)	A- (sf)
A3	BBB (sf)	A- (sf)

Ratings Affirmed

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

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

Ratings Lowered

B	BBB (sf)	A (sf)
C	BB- (sf)	BB+ (sf)

Ratings Affirmed

A1	A (sf)
A2	A (sf)
D	CCC (sf)
E	CC (sf)

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