

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

COMUNICACIÓN DE HECHO RELEVANTE

MADRID RMBS II, FONDO DE TITULIZACIÓN DE ACTIVOS Actuaciones sobre las calificaciones de los bonos por parte de Standard & 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 & Poor's, con fecha 22 de mayo de 2017, donde se lleva a cabo las siguientes actuaciones sobre las calificaciones:

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

En Madrid, a 22 de mayo de 2017

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

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OVERVIEW

- We have reviewed MADRID RMBS II by conducting our credit and cash flow analysis and by applying our relevant criteria.
- Following our review, we have raised our ratings on the class A2, A3, B, and C notes.
- At the same time, we have affirmed our ratings on the class D and E notes.
- MADRID RMBS II is a Spanish RMBS transaction that securitizes first-ranking mortgage loans. Bankia originated the pool, which comprises loans granted to borrowers mainly located in Madrid.

MADRID (S&P Global Ratings) May 22, 2017--S&P Global Ratings today raised its credit ratings on MADRID RMBS II, Fondo de Titulizacion de Activos' class A2, A3, B, and C notes. At the same time, we have affirmed our ratings on the class 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 18.30%, 13.20%, 9.40%, and 8.00%, based on outstanding defaults net of recoveries as a percentage of the closing portfolio balance, respectively. The current level of this ratio is 8.04%. As a consequence, the class E notes' interest deferral trigger is breached, leading to a class E payment default.

Credit enhancement, considering performing collateral only, for the class A2, A3, B, C, and D notes has increased since 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). The class E notes are undercollateralized with credit enhancement representing -1.49%.

Our projected losses at the 'AA' rating category have decreased to 20.17% from 29.95% at our previous review. This improvement is due to the increase in the weighted-average seasoning, the original and current loan-to-value ratios, repossession market value declines, performance improvement, as well as the decrease in the arrears levels.

Class	Available credit enhancement, excluding defaulted loans (%)
A2	68.76
A3	26.61
B	16.78
C	6.24
D	1.47
E	(1.49)

Severe delinquencies of more than 90 days have decreased to 0.17% from 0.51% 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 8.04%, are higher than in other Spanish RMBS transactions that we rate. However, it is worth noting that the six months in arrears default definition for this transaction is the most conservative that we have seen in Spanish RMBS transactions that we rate. The reserve fund is fully depleted due to it 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.

Banco Santander S.A. (A-/Positive/A-2) is the swap counterparty, which mitigates basis risk arising from the different indexes between the securitized assets and the notes. Under the transaction documents, Banco Santander will take remedies to support the current ratings on the notes. As Banco Santander is not currently posting collateral, our current counterparty criteria cap our rating on the class A2 notes at 'AA (sf)'.

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 notes benefit from flows diverted from the class E notes following the interest deferral trigger breach and from increased credit enhancement. Our credit and cash flow analysis indicates that the class A2, A3, and B notes now have sufficient credit enhancement to withstand our stresses at the 'AAA', 'A+', and 'A-' rating levels, respectively. However, our RAS criteria cap our ratings on the class A2 and A3 notes at six and four notches above the foreign currency long-term sovereign rating on the Kingdom of Spain and at the sovereign rating level, respectively. At the same time, our RAS criteria cap the rating on the class B notes at the sovereign rating level, 'BBB+'. We have therefore raised our ratings on the class A2, A3, and B notes.

Our credit and cash flow analysis indicates that the class C notes now pass our stresses at the 'BB' rating level. We have therefore raised to 'BB (sf)' from 'B- (sf)' our rating on the class C notes.

The class D notes do not pass any stresses under our cash flow model and the results show interest shortfalls in the next 12 months. Therefore, in line with our criteria, we have affirmed our 'CCC+ (sf)' rating on the class D notes (see "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," published on Oct. 1, 2012).

We have affirmed our 'D (sf)' rating on the class 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 price stabilization during 2017.

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RELATED CRITERIA

- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Dec. 23, 2016

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- 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
- 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

- 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
- Research Update: 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
- Economic Research: A Stronger Eurozone Economy, Despite Higher Volatility On Bond Markets, Feb. 20, 2017
- Economic Research: Europe's Housing Markets Continue To Recover Amid Extended QE, Feb. 15, 2017
- Economic Research: 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

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

Application Of Updated Criteria, Jan. 15, 2015

RATINGS LIST

Class	Rating
To	From

MADRID RMBS II, Fondo de Titulizacion de Activos
€1.8 Billion Mortgage-Backed Floating-Rate Notes

Ratings Raised

A2	AA (sf)	AA- (sf)
A3	A+ (sf)	BBB+ (sf)
B	BBB+ (sf)	BBB (sf)
C	BB (sf)	B- (sf)

Ratings Affirmed

D	CCC+ (sf)
E	D (sf)

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