

C. N. M. V.  
Dirección General de Mercados e Inversores  
C/ Miguel Ángel 11  
Madrid

## **COMUNICACIÓN DE HECHO RELEVANTE**

### **MADRID RMBS II, FONDO DE TITULIZACIÓN DE ACTIVOS Descenso, aumento y confirmación de las calificaciones de las Series por parte de Standard & Poor's**

Titulización de Activos, Sociedad Gestora de Fondos de Titulización, S.A.  
comunica el siguiente Hecho Relevante:

Respecto al fondo de referencia, adjuntamos nota de prensa publicada por  
Standard & Poor's con fecha 28 de febrero de 2012, donde descienden,  
aumentan y se confirman las calificaciones asignadas al fondo.

- Serie A2, de **AA (sf) / Watch Negative** a **A+ (sf)**
- Serie A3, **AA (sf) / Watch Negative** a **A+ (sf)**
- Serie B, **BB (sf)**
- Serie C, **B (sf)**
- Serie D, de **CCC (sf)** a **B- (sf)**
- Serie E, de **D (sf)** a **CCC (sf)**

En Madrid a 1 de marzo de 2012

Ramón Pérez Hernández  
Director General

## Various Rating Actions Taken In Spanish Deals MADRID RMBS I, II, III, And IV For Performance And Counterparty Reasons

**Surveillance Credit Analyst:**

Virginie Couchet, Madrid (34) 91-389-6959; virginie\_couchet@standardandpoors.com

**OVERVIEW**

- We have observed continued deterioration in the performance of the collateral pools backing MADRID RMBS I, II, III, and IV, and additional weaknesses in the transactions' structural features.
- Additionally, we recently lowered our ratings on BBVA, the swap counterparty in these transactions.
- Following a credit and cash flow analysis of the most recent information we hold on these transaction, and taking into account our counterparty criteria, we have lowered, affirmed, or raised various ratings in these transactions.
- Caja Madrid (now Bankia) originated the Spanish mortgage loans that back these RMBS transactions.

MADRID (Standard & Poor's) Feb. 28, 2012--Standard & Poor's Ratings Services today took various credit rating actions in MADRID RMBS I, II, III, and IV, Fondo de Titulización de Activos.

Specifically, we have:

- In MADRID RMBS I, lowered our ratings on the class A2 and B notes, raised our rating on the class D notes, affirmed our ratings on the class C and E notes, and removed from CreditWatch negative our rating on the class A2 notes;
- In MADRID RMBS II, lowered our ratings on the class A2 and A3 notes, raised our ratings on the class D and E notes, affirmed our ratings on the class B and C notes, and removed from CreditWatch negative our rating on the class A2 and A3 notes;
- In MADRID RMBS III, lowered our ratings on the class A2, A3, and B notes,



*Various Rating Actions Taken In Spanish Deals MADRID RMBS I, II, III, And IV For Performance And Counterparty Reasons*

- and affirmed our ratings on the class C, D, and E notes; and
- In MADRID RMBS IV, lowered our ratings on the class A1, A2, C, and D notes, and affirmed our ratings on the class B 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 from the trustee, and the application of our counterparty criteria (see "Counterparty and Supporting Obligations Methodology and Assumptions," published on Dec. 6, 2010). We have taken our rating actions in light of the deterioration of the underlying mortgage pools, the structural features in these transactions, our outlook for the Spanish residential mortgage-backed securities (RMBS) sector, and our Feb. 13, 2012 rating action on Banco Bilbao Vizcaya Argentaria S.A. (BBVA; A/Negative/A-1), the swap counterparty in these transactions (see "Ratings On 15 Spanish Financial Institutions Lowered Following Sovereign Downgrade And BICRA Revision").

MADRID I, II, III, and IV are Spanish RMBS transactions originated and serviced by Caja Madrid (now Bankia S.A.). Their notes, issued between November 2006 and December 2007, are each backed by a portfolio of residential mortgage loans secured over properties in Spain.

Although arrears in the mortgage portfolios underlying these transactions showed significant recovery after their 2008 and 2009 peaks, and actual values are below previous levels, all arrears buckets have been deteriorating since Q4 2010. As of the end of December 2011, loans in arrears of more than 90 days, but not yet considered as defaulted, were 1.21% (MADRID I), 1.23% (MADRID II), 1.32% (MADRID III), and 2.25% (MADRID IV) of their current portfolio balances (excluding defaulted loans). These figures represent deterioration in the past 12 months of 152.08%, 112.07%, 186.96%, and 95.65%, respectively. Defaulted loans have also suffered deterioration since Q4 2010. As of the end of December 2011, defaulted loans were 9.05% (MADRID I), 10.08% (MADRID II), 10.46% (MADRID III), and 3.41% (MADRID IV) of their portfolio balances.

Performance indicators and our outlook for the Spanish RMBS sector suggest to us that delinquencies and defaults are likely to continue to increase in the coming quarters. Delinquencies in the MADRID RMBS transactions have performed worse than our Spanish RMBS Index, at a steady relative rate (see "Spanish RMBS Index Report Q4 2011: Prepayment Rates Sink To New Lows In Depressed Housing Market," published on Feb. 16, 2012). However, since Q1 2011, they have been deteriorating faster than the market average.

All the transactions feature a structural mechanism that traps excess spread to provide protection from defaults to more senior classes of notes. (Defaults in these transactions are defined as arrears of greater than six months, with the exception of MADRID IV, where they constitute arrears of greater than 12 months. These definitions are generally more conservative than those in other Spanish RMBS.) These structural mechanisms alter the priority of payments when the balance of defaulted loans reaches a certain percentage of the initial

*Various Rating Actions Taken In Spanish Deals MADRID RMBS I, II, III, And IV For Performance And Counterparty Reasons*

collateral balance, so as to shut off interest payments to the class of notes related to that trigger. MADRID RMBS I, II, and IV consider cumulative defaults net from recoveries, whereas MADRID RMBS III considers total cumulative defaults. This feature in MADRID RMBS I, II, and IV means that performance improvement could result in the trigger being cured, as cumulative defaults could dip below the trigger when taking into account recoveries.

The trustee informs us that, as of the end of December 2011, these ratios were 5.29% and 5.84% versus an 8.00% trigger level for the most junior rated class of notes (MADRID RMBS I and II, respectively); 16.74% versus a 20.3% trigger level for the class B notes (MADRID RMBS III, class E, D, and C had already been in breach); and 6.29% versus an 8.19% trigger level for the most junior rated class of notes (MADRID RMBS IV). Current values, after the February 2012 interest payment have not been released yet.

All four transactions also benefit from a reserve fund, funded at issuance by a subordinated loan. Although current reserve funds in all four transactions represent less than the required levels, they still provide some credit enhancement to the notes, except in Madrid RMBS III. As of the transactions' payment date on Nov. 22, 2011, the reserve funds represented 1.64%, 1.20%, 0.00%, and 7.90% of the outstanding balance of the MADRID I, II, III, and IV notes, which translates to 25%, 18%, 0% and 77%, respectively, of their required levels. These reserve fund balances provide some liquidity to the transactions by limiting the use of excess spread for curing defaults, thus freeing excess spread for servicing the amounts due under the notes. Nevertheless, as the performing balances in these transactions have been decreasing due to the credit deterioration of the underlying portfolios, draws on the reserve funds have weakened the credit enhancement provided to the rated notes.

All of today's downgrades, barring MADRID RMBS IV's class A1 and A2 notes, are based on our assessment of the increased likelihood of interest shortfalls for respective classes of notes and in accordance with "Standard & Poor's Ratings Definitions," published on Feb. 2, 2012, in light of current and projected portfolio performance effects on the transactions' credit enhancement levels.

Today's upgrades and affirmations of our ratings are based on our assessment that current and projected levels of credit enhancements are at or above the levels required to maintain those ratings.

Our ratings on the senior classes of notes were constrained by our long-term rating on BBVA as the swap counterparty, as per our counterparty criteria. We do not consider the replacement language in the swap agreement to be in line with our 2010 counterparty criteria, although it does feature a replacement framework that we give some credit in our analysis.

As per our 2010 counterparty criteria, we have therefore performed our analysis on the transactions without giving credit to the swap agreement. The ratings floor for transactions such as these is our long-term issuer credit rating on the swap counterparty, plus one notch. Our ratings on the notes in



*Various Rating Actions Taken In Spanish Deals MADRID RMBS I, II, III, And IV For Performance And Counterparty Reasons*

all four transactions are therefore capped at 'A+', following our downgrade of BBVA.

Our downgrade of MADRID RMBS IV's class A1 and A2 notes is based on the application of our 2010 counterparty criteria. If the swap agreement were in line with these criteria, we would have maintained the 'AA (sf)' rating, based on our updated credit and cash flow analysis and giving credit to the swap in our analysis. However, due to the swap documentation feature in this transaction, our ratings on the class A1 and A2 notes are constrained by our rating of the swap provider, and the notes cannot achieve a 'AA (sf)' rating without the swap feature in place.

Any future adverse rating action relating to the swap counterparty, if it occurs, may result in us lowering our rating on the class A notes in all four transactions, notwithstanding any structural mitigants.

#### 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

- Spanish RMBS Index Report Q4 2011: Prepayment Rates Sink To New Lows In Depressed Housing Market, Feb. 16, 2012
- Ratings On 15 Spanish Financial Institutions Lowered Following Sovereign Downgrade And BICRA Revision, Feb. 13, 2012
- Standard & Poor's Ratings Definitions, Feb. 2, 2012
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Counterparty And Supporting Obligations Update, Jan. 13, 2011
- Counterparty and Supporting Obligations Methodology and Assumptions, Dec. 6, 2010
- Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Methodology And Assumptions: Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities, Jan. 6, 2009
- Cash Flow Criteria For European RMBS Transactions, Nov. 20, 2003
- Criteria For Rating Spanish Residential Mortgage-Backed Securities, March 1, 2002

*Various Rating Actions Taken In Spanish Deals MADRID RMBS I, II, III, And IV For Performance And Counterparty Reasons*

RATINGS LIST

Class	Rating
To	From

MADRID RMBS I, Fondo de Titulización de Activos  
€2 Billion Mortgage-Backed Floating-Rate Notes

Rating Lowered And Removed From CreditWatch Negative

A2	A- (sf)	AA (sf)/Watch Neg
----	---------	-------------------

Rating Lowered

B	BB (sf)	BBB- (sf)
---	---------	-----------

Rating Raised

D	B- (sf)	CCC (sf)
---	---------	----------

Ratings Affirmed

C	B (sf)
E	CCC (sf)

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

Ratings Lowered And Removed From CreditWatch Negative

A2	A+ (sf)	AA (sf)/Watch Neg
A3	A+ (sf)	AA (sf)/Watch Neg

Rating Raised

D	B- (sf)	CCC (sf)
E	CCC (sf)	D (sf)

Ratings Affirmed

B	BB (sf)
C	B (sf)

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

Ratings Lowered

A2	A- (sf)	AA (sf)
----	---------	---------

*Various Rating Actions Taken In Spanish Deals MADRID RMBS I, II, III, And IV For Performance And Counterparty Reasons*

A3	A- (sf)	AA (sf)
B	B- (sf)	B (sf)

Ratings Affirmed

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

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

Ratings Lowered

A1	A+ (sf)	AA (sf)
A2	A+ (sf)	AA (sf)
C	BB+ (sf)	BBB (sf)
D	BB- (sf)	BB (sf)

Ratings Affirmed

B	A (sf)
E	B (sf)

**Additional Contact:**

Structured Finance Europe; [StructuredFinanceEurope@standardandpoors.com](mailto:StructuredFinanceEurope@standardandpoors.com)



Copyright © 2012 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).