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Madrid

COMUNICACIÓN DE OTRA INFORMACIÓN RELEVANTE

MADRID RMBS I, FONDO DE TITULIZACIÓN DE ACTIVOS
Actuaciones sobre las calificaciones de los bonos por parte de Standard and Poors Global Ratings.

Titulización de Activos, Sociedad Gestora de Fondos de Titulización, S.A. comunica la siguiente Información Relevante:

I. Respecto al fondo de referencia, adjuntamos nota de prensa publicada por Standard and Poor´s Global Ratings, con fecha 15 de marzo de 2021, donde se llevan a cabo las siguientes actuaciones:

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

En Madrid a 8 de abril de 2021

Ramón Pérez Hernández
Consejero Delegado

Rating Actions Taken In MADRID RMBS I And IV Following Revised RMBS Criteria Implementation

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PRIMARY CREDIT ANALYST

Nicolas Cabrera, CFA

Madrid

+ 34 91 788 7241

nicolas.cabrera@spglobal.com

SECONDARY CONTACT

Filip Paprocki

London

filip.paprocki@spglobal.com

RESEARCH CONTRIBUTOR

Sachin Desai

CRISIL Global Analytical Center, an S&P affiliate, Mumbai

Overview

- We have reviewed Madrid RMBS I and Madrid RMBS IV following the implementation of our revised Spanish RMBS criteria.
- Following our review of these transactions under our relevant criteria, we have taken various rating actions.
- Madrid RMBS I and IV are Spanish RMBS transactions that securitize a portfolio of first-ranking mortgage loans granted to Spanish residents. Bankia originated the loans.

MADRID (S&P Global Ratings) March 15, 2020--S&P Global Ratings today raised its credit ratings on Madrid RMBS I, Fondo de Titulizacion de Activos' class A2, B, C, and D notes to 'AA+ (sf)', 'AA (sf)', 'A (sf)', and 'B+ (sf)', from 'AA- (sf), 'A (sf)', 'BBB (sf)', and 'B- (sf)', respectively, and on MADRID RMBS IV, Fondo de Titulizacion de Activos' class C, D, and E notes to 'BBB (sf)', 'B+ (sf)', and B+ (sf)', from 'BBB- (sf)', 'B (sf)', and 'B (sf)'. At the same time, we have affirmed our 'CCC- (sf)' rating on Madrid RMBS I's class E notes, and our 'A (sf)' ratings on Madrid RMBS IV's class A2 and B notes.

Today's rating actions follow the implementation of our revised criteria and assumptions for assessing pools of Spanish residential loans (see "Related Criteria"). They also reflect our full analysis of the most recent information that we have received and the transaction's current structural features.

Upon revising our Spanish RMBS criteria, we placed our ratings on some of the notes under criteria observation. Following our review of the transaction's performance and the application of our updated criteria for rating Spanish RMBS transactions, the ratings are no longer under criteria observation.

Our weighted-average foreclosure frequency (WAFF) assumptions have decreased primarily due to the calculation of the effective loan-to-value (LTV) ratio, which is based on 80% original LTV (OLTV) and 20% current LTV (CLTV). Under our previous criteria, we used only the OLTV. Our WAFF assumptions also declined because of the transaction's decrease in arrears. In addition, our weighted-average loss severity (WALS) assumptions have decreased, due to the lower CLTV and lower market value declines. The reduction in our WALS is partially offset by the increase in our foreclosure cost assumptions.

Table 1

Madrid RMBS I Credit Analysis Results

Rating level	WAFF (%)	WALS (%)
AAA	32.93	26.98
AA	22.55	23.29
A	17.35	16.64
BBB	13.20	13.26
BB	8.78	10.98
B	5.67	8.94

WAFF--Weighted average foreclosure frequency. WALS—--Weighted-average los severity.

Table 2

Madrid RMBS IV Credit Analysis Results

Rating level	WAFF (%)	WALS (%)
AAA	28.24	32.69
AA	19.49	28.68
A	15.10	21.20
BBB	11.60	17.35
BB	7.90	14.71
B	5.28	12.35

WAFF--Weighted average foreclosure frequency. WALS—--Weighted-average los severity.

Madrid RMBS I

The credit enhancement for all classes of notes has increased since our previous full review, due to the collateral amortization.

The notes are repaying sequentially as one of the conditions for the pro-rata amortization is not met. The reserve fund is only at 7.5% of its target, slightly building up after being fully depleted from March 2013 to April 2019. The reserve's build-up is due to the transaction's good performance recently, given the improved macroeconomic environment (relative to the 2008 crisis) and Bankia S.A.'s enhanced servicing policies. Prior to that, the transaction did not perform well, especially due to the high unemployment in Spain and the limited proactive servicing activities by the originator.

Following the application of our criteria, we have determined that our ratings on the classes of notes in this transaction should be the lower of (i) the rating as capped by our structured finance sovereign risk criteria, (ii) the rating as capped by our counterparty criteria, or (iii) the rating that the class of notes can attain under our global RMBS criteria.

Our operational, counterparty risk, sovereign risk, and legal risk analyses remain unchanged since our previous review. Therefore, the ratings assigned are not capped by any of these criteria.

Our analysis also considers the transaction's sensitivity to the potential repercussions of the coronavirus outbreak. Of the pool, close to 6.0% of loans are on payment holidays under the Spanish sectorial moratorium schemes, and the proportion of loans with either legal or sectorial payment holidays has remained low. The government announced it will approve a new payment holiday scheme available until March 31, 2021, where the payment holidays could last up to three months. In our analysis, we considered the potential effect of this extension and the liquidity risk the payment holidays could present should they become arrears in the future. We have also considered the transaction's ability to withstand increased defaults and extended foreclosure timing assumptions, and the ratings remain robust.

Loan-level arrears currently stand at 0.6%, and they have started stabilizing after registering an increase in April 2020. Overall delinquencies remain well below our Spanish RMBS index (see "Related Research"). The transaction has a high number of loans that defaulted during the financial crisis, and a large number of these still need to be worked out. Due to the uncertainty on when these recoveries might be realized and to test the ability of the outstanding notes to being repaid without the benefit of such recoveries, we have tested the sensitivity of the transaction with various recovery scenarios including no credit given to recoveries on already defaulted assets.

Outstanding balance of defaulted credit rights (net of recoveries), represent 6.94% of the closing pool balance. The interest deferral triggers have not been breached for any of the classes.

Following our review, we have raised to 'AA+ (sf)' from 'AA- (sf)', to 'AA (sf) from 'A (sf)', to 'A (sf)' from 'BBB (sf)', and to 'B+ (sf)' from 'B- (sf) our ratings on the class A2, B, C, and D notes, respectively.

Under our cash flow analysis, the notes could withstand stresses at a higher rating than the current ratings assigned. However, the ratings on these classes of notes also consider their overall credit enhancement and position in the waterfall, potential deterioration in the macroeconomic environment due to the impact of COVID 19 and potential exposure to increased defaults, their reliance on recovery inflows from outstanding defaulted assets, and the current level of the reserve fund, which has begun to top up in recent IPDs, remains limited and significantly below the target amount.

The class E notes do not pass any stresses under our cash flow model, and the results show interest shortfalls are likely in the next 12 months. Following the application of our criteria for assigning 'CCC' category ratings, we believe that payments on this class of notes depend on favorable financial and economic conditions. Therefore, we have affirmed our 'CCC- (sf)' rating on the class E notes.

Madrid RMBS IV

The credit enhancement for all classes of notes has increased since our previous full review, due to the collateral's amortization and the reserve fund's partial replenishment at 66.5%.

Loan-level arrears currently stand at 0.9%, and they have started stabilizing after registering an increase in April 2020. Overall delinquencies remain well below our Spanish RMBS index. The level of payment holidays in this transaction remains low, at 6.0%. In our analysis, we considered the potential effect of this extension and the liquidity risk the payment holidays could present should they become arrears in the future. We have also considered the transaction's ability to withstand increased defaults and extended foreclosure timing assumptions, and the ratings remain robust.

The transaction benefits from interest deferral triggers based on outstanding net defaults, which currently stand at 8.4%. Class E's interest deferral trigger has been breached, and the interest payment on this class is subordinated to repayment of principal. Given the large reserve fund available, class E interest will be paid in our rating scenario commensurate with a 'B+ (sf)' rating.

Following the application of our criteria, we have determined that our ratings on the classes of notes in this transaction should be the lower of (i) the rating as capped by our structured finance sovereign risk criteria, (ii) the rating as capped by our counterparty criteria, or (iii) the rating that the class of notes can attain under our global RMBS criteria.

The application of our counterparty criteria caps our ratings on these notes at 'A (sf)' as Bankia commits to replace itself as transaction account provider at the loss of the 'BBB' rating. Additionally, in February 2021, Bankia S.A. was appointed as swap provider, replacing BBVA S.A., under the same terms of the previous swap agreement. As per our counterparty criteria, the maximum supported rating under the swap agreement is 'A (sf)'.

Following our analysis, we have affirmed our 'A (sf)' ratings on the class A2 and B notes. Although these classes of notes can pass at higher ratings than those currently assigned, the application of our counterparty criteria caps our ratings.

Given the proximity to the interest deferral triggers, we have performed additional sensitivities to increased defaults arising from the COVID 19 crisis. We have raised by one notch, to 'BBB (sf)' from

'BBB- (sf)', our rating on this class of notes, in line with our credit and cash flow results under these sensitivities.

We have raised to 'B+ (sf)' from 'B (sf)' our ratings on the class D and E notes. These notes can achieve higher ratings in our cash flow analysis, but we have taken into account their overall proximity to a breach of the interest deferral trigger, and their position in the priority of payments.

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

Related Criteria

- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 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
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- European RMBS Outlook 2021, Jan. 25, 2021
- Spanish Banks Need To Bolster Provisions, Cut Costs, And Preserve Capital In 2021, Jan. 25, 2021
- S&P Global Ratings Definitions, Jan. 5, 2021
- Spanish RMBS Index Report Q3 2020, Dec. 11, 2020
- Spain Outlook Revised To Negative From Stable On Mounting Fiscal and Structural Challenges; Affirmed At 'A/A-1', Sept. 18, 2020

- Banking Industry Country Risk Assessment: Spain, June 18, 2020
- Various Rating Actions Taken On MADRID RMBS I And MADRID RMBS IV Spanish RMBS Notes Following Review, May 28, 2020
- Residential Mortgage Market Outlooks Updated For 13 European Jurisdictions Following Revised Economic Forecasts, May 1, 2020
- 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