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Madrid

COMUNICACIÓN DE OTRA INFORMACIÓN RELEVANTE

MADRID RMBS IV, 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 1 de junio de 2022, donde se llevan a cabo las siguientes actuaciones:

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

En Madrid a 3 de junio de 2022

Ramón Pérez Hernández
Consejero Delegado

Rating Actions Taken On Madrid RMBS I, II, And IV Spanish RMBS Notes Following Review

June 1, 2022

Overview

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

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MADRID (S&P Global Ratings) June 1, 2022--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 'AAA (sf)', 'AA+ (sf)', 'AA (sf)', and 'BB+ (sf)', from 'AA+ (sf), 'AA (sf)', 'A (sf)', and 'B+ (sf)', respectively. We also raised our ratings on Madrid RMBS II, Fondo de Titulizacion de Activos' class A3, B, C, D, and E notes to 'AAA (sf)', 'AA+ (sf)', 'AA (sf)', 'BB+ (sf)', and 'CCC- (sf)', from 'AA+ (sf), 'AA (sf)', 'A (sf)', 'B+ (sf)', and 'D (sf)', respectively. We upgraded Madrid RMBS IV, Fondo de Titulizacion de Activos' class C, D, and E notes to 'A (sf)', 'BBB- (sf)', and 'BB+ (sf)', respectively, from 'BBB (sf)', 'B+ (sf)', and 'B+ (sf)', respectively. At the same time, we 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 reflect our full analysis of the most recent information that we have received and the transactions' current structural features.

After applying our global RMBS criteria, the overall effect is a marginal increase of our expected losses due to a marginal increase of our weighted-average loss severity (WALS) assumptions, driven by higher market value declines. Nevertheless, the overall credit enhancement continues to increase, which drives today's upgrades.

Madrid RMBS I, II, and 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.

Table 1

Madrid RMBS I Credit Analysis Results

	WAFF (%)	WALS (%)
AAA	32.23	28.66
AA	22.12	24.05
A	17.03	16.55

Table 1

Madrid RMBS I Credit Analysis Results (cont.)

	WAFF (%)	WALS (%)
BBB	12.93	12.65
BB	8.59	10.03
B	5.55	7.74

Table 2

Madrid RMBS II Credit Analysis Results

	WAFF (%)	WALS (%)
AAA	29.90	28.46
AA	20.73	23.79
A	15.99	16.17
BBB	12.20	12.27
BB	8.15	9.68
B	5.31	7.43

Table 3

Madrid RMBS IV Credit Analysis Results

	WAFF (%)	WALS (%)
AAA	28.22	34.72
AA	19.61	29.74
A	15.26	21.35
BBB	11.73	16.93
BB	7.98	13.91
B	5.35	11.28

Madrid RMBS I

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 11% of its target, slightly building up after being fully depleted from March 2013 to April 2019. The build-up is due to the transaction's recent good performance, given improved macroeconomic conditions (relative to the 2008 crisis) and Caixabank's enhanced servicing policies. Before that, the transaction did not perform well, with high arrears and defaults that resulted in reserve fund draws during the financial and sovereign crisis in Spain.

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.

Loan-level arrears currently stand at 0.4%, and they have been very low in recent years. Nevertheless, the transaction has a high number of loans that defaulted during the financial crisis, and several 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 transaction's sensitivity to various recovery scenarios including no credit given to recoveries on already defaulted assets.

The outstanding balance of defaulted credit rights (net of recoveries), represents 6.9% of the closing pool balance. The interest deferral triggers have not been breached for any of the classes.

Under our cash flow analysis, classes B, C, and D could withstand stresses at a higher rating than the currently assigned ratings. However, the ratings on these classes of notes also reflect their overall credit enhancement and position in the waterfall, potential exposure to increased defaults, their reliance on recovery inflows from outstanding defaulted assets, and the reserve fund's level, which although increasing on recent interest payment dates (IPDs), remains limited and significantly below the target amount.

The class E notes do not pass any stresses under our cash flow model. Nevertheless, this tranche is senior in the waterfall structure to the reserve fund and it will be paid senior to the principal payments on the rated notes if the interest deferral trigger does not get breached. We believe, under favorable financial and economic conditions, that this class of notes should continue making timely payment of interest. Therefore, we affirmed our 'CCC- (sf)' rating on this class of notes.

Madrid RMBS II

Credit enhancement for all classes of notes has increased since our previous full review, due to the deleveraging and the reserve fund's partial replenishment at 13.3%.

Loan-level arrears currently stand at 0.8%, and they have been very low in recent years. Nevertheless, the transaction has a high number of loans that defaulted during the financial crisis, and several 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 transaction's sensitivity to various recovery scenarios including no credit given to recoveries on already defaulted assets.

The outstanding balance of defaulted credit rights (net of recoveries), represents 7.1% of the closing pool balance. The interest deferral trigger was breached for the class E notes and interest was not paid as the reserve fund was depleted to cover defaulted assets.

Since 2019, the reserve fund started to replenish and the class E notes paid all due interest since 2013. Since then, the notes have been paying timely interest on every IPD.

We raised our ratings on the class B, C, and D notes below their passing cash flow levels. The ratings reflect their overall credit enhancement and position in the waterfall, deteriorating macroeconomic conditions, potential exposure to increased defaults, and the reserve fund's level that remains at 13.3% of its target.

The class E notes started missing timely interest payments in 2009 as their performance deteriorated drastically. In 2019, the notes paid all due and unpaid interest. This class of notes ranks senior to the reserve fund and benefits from any cash sitting within the reserve fund. The class E notes do not pass any stresses under our cash flow model. We believe, under favorable financial and economic conditions, that this class of notes should continue making timely payment of interest as it can use any cash sitting within the reserve fund. Therefore, we raised our rating to 'CCC- (sf)' from 'D (sf)' on this class of notes.

Madrid RMBS IV

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 66.7%.

Loan-level arrears currently stand at 0.7%. Overall delinquencies remain well below our Spanish RMBS index. Nevertheless, the transaction has a high number of loans that defaulted during the financial crisis, and several of these still need to be worked out.

The transaction benefits from interest deferral triggers based on outstanding net defaults, which currently stand at 8.36%. The class E notes' 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 that is commensurate with a 'BB+ (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 Caixabank commits to replace itself as transaction account provider at the loss of the 'BBB' rating. Additionally, in February 2021, Caixabank was appointed as swap provider, replacing BBVA S.A., under the same terms of the previous swap agreement.

Following our analysis, we upgraded the class C notes to 'A (sf)' from 'BBB (sf)'. At the same time, we 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 on classes D and E. We raised our ratings on the class B notes to 'BBB- (sf)' from 'B+ (sf)', and the class E notes to 'BB+ (sf)' from 'B+ (sf)'. 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.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- 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

- Economic Outlook Eurozone Q2 2022: Healthy But Facing Another Adverse Shock, March 28, 2022
- Economic Research: Moving The Russia-Ukraine Scenario Needle: European Output At Risk, March 16, 2022
- 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