FITCH DOWNGRADES 3 TRANCHES OF TDA 25; REVISES OUTLOOK TO NEGATIVE

Fitch Ratings-London-29 October 2008: Fitch Ratings has today downgraded three tranches of TDA 25, Fondo de Titulizacion (FTA) and revised the Outlook to Negative from Stable on the senior Classes. This reflects the continued increase in defaulted loans, which have now totalled 1.28% of the original collateral balance, and a strong pipeline of arrears that are likely to result in further defaults.

The rating actions are as follows:

Class A (ISIN ES0377929007) affirmed at 'AAA'; Outlook revised to Negative from Stable
Class NAS-IO (ISIN ESO377929049) affirmed at 'AAA'; Outlook Stable
Class B (ISIN ES0377929015) downgraded to 'A-' (A minus) from 'A'; Outlook revised to Negative from Stable
Class C (ISIN ES0377929023) downgraded to 'BB+' from a 'BBB-'(BBB minus); Outlook remains Negative
Class D (ISIN ES0377929031) downgraded to 'B' from 'BB-' (BB minus); Outlook remains Negative

The level of defaults, defined as loans in arrears by more than 12 months, has resulted in the reserve fund being fully utilised to write off these loans. Although this is the first European RMBS transaction to completely exhaust its reserve fund, it should be noted that this has been caused by the provisioning mechanism rather than actual losses. The transaction will therefore receive recoveries on these loans at a later date, and although recoveries to date have been limited, Fitch assumes a lengthy recovery timeline in its analysis of Spanish RMBS and expects that recoveries will return to the transaction.

The transaction uses a combined waterfall, and therefore the exhaustion of the reserve fund means that principal can be used to pay interest on the notes. This can occur until the relevant default trigger for each class of notes is breached. The first of these triggers is set at cumulative defaults of 3.9%, at which point the interest on the class D notes will be deferred. Given current performance this trigger is unlikely to be breached in the near future and in the longer term Fitch expects recoveries would replace any principal used to meet interest payments.

The Negative Outlook on all tranches reflects the uncertainty with regards to the level of recoveries, plus the increased level of arrears in the transaction. Loans in arrears by more than three months now comprise 6.04% of the current portfolio. The deal has experienced a high roll rate of loans in arrears to default; with virtually all loans that are more than six months in arrears eventually defaulting. The NAS-IO note will mature next year and therefore the Outlook remains Stable.

The inclusion of an interest-only note (NAS-IO) reduces the excess spread available to cover defaulted loans. The NAS-IO expires in September 2009 at which point available revenue to cover defaulted loans and potentially rebuild the reserve fund will increase. By this stage Fitch would also expect recoveries to begin to be realised; however, until this happens it is likely that the amount of defaulted loans will continue to be significantly above the available excess spread, meaning that not all defaulted loans will be fully written off.

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