

Fitch Upgrades 30 Spanish RMBS Tranches

Fitch Ratings-London/Madrid-28 November 2006: Fitch Ratings has today upgraded 30 tranches of Spanish residential mortgage-backed securities ("RMBS") transactions and affirmed a further 129 tranches following a satisfactory performance review.

Spanish RMBS transactions have continued to perform well in 2006, despite a higher interest rate environment. The healthy performance has been based on the overall strength of the Spanish economy and the servicing capabilities of many originators. Furthermore, the upgrades result from sequential amortisation of the senior notes and a high level of prepayments means that many transactions have experienced rapid de-leveraging. Considering the healthy state of Spain's main macroeconomic indicators, in particular the low unemployment rate, Fitch expects the performance to remain stable.

Arrear levels, defined as two months or more in arrears, have been rising in many of the transactions, particularly in the TDA CAM series. TDA CAM 2, Fondo de Titulizacion de Activos ("CAM II") has displayed the highest arrears to date, reaching 1.02% of the outstanding mortgage balance in April 2005. Since then, the arrears have been improving to now account for 0.49% of the outstanding balance. TDA CAM 4, Fondo de Titulizacion de Activos ("CAM IV"), issued in February 2005, and TDA CAM 5, Fondo de Titulizacion de Activos ("CAM V"), issued in September 2005, also display an upward trend in arrears levels, which currently show little sign of stabilising. Nevertheless, overall arrears levels still remain some of the lowest seen in Europe to date.

The TDA CAM transactions and the Bancaja transactions have particularly high proportion of loans located in the Valencia region. Additionally, they also have higher weighted average original loan-to-values ("WA OLV") than most other Spanish transactions. In Fitch's view, these factors could be contributing to the higher level of arrears. The September 2006 performance report for Bancaja 8, (issued in April 2005), shows arrears levels of 0.93% of the outstanding mortgage balance.

Fondo de Titulizacion de Activos, UCI 14 ("UCI 14") is also experiencing much higher arrears levels than any other transaction. However, this is not unexpected given that the lender, Union de Creditos Inmobiliarios E.F.C. S.A. ("UCI") is a pioneer and specialist in the low-equity segment. It targets young households with a limited employment history and other clients that are usually not well served by the traditional banks.

The AyT Genova Hipotecario series ("AyT Genova"), originated by Barclays Bank SA ("BBSA") have outperformed most other Spanish transactions to date. This is driven by the fact that BBSA's transactions traditionally exhibit a relatively low LTV ratio and contain loans that are primarily offered to high net worth Spanish clients.

Foncaixa deals are also experiencing very low arrears levels, though it should be noted that the newer Foncaixa operations have a payment holiday up to two years, where the borrower has the option of taking one or more forbearance periods for the payments under the initial drawdown only. During this time the borrower does not have to pay principal but does have to continue paying interest.

In most transactions, reserve funds can amortise up to a fixed percentage of the note outstanding balance subject to an absolute floor and arrear triggers, among others. To date no triggers have been breached. Additionally, some transactions will revert to pro rata amortisation once certain conditions have been met. These structural features will limit the potential for future upgrades as credit enhancement remains the same as a percentage and decreases in absolute terms.

Bancaja 6, Fondo de Titulizacion de Activos:

Class A2 (ISIN ESO312885017) affirmed at 'AAA'

Class B (ISIN ESO312885025) upgraded to 'AA-' (AA minus) from 'A+'

Class C (ISIN ESO312885033) upgraded to 'BBB+' from 'BBB'

Bancaja 7, Fondo de Titulizacion de Activos:

Class A2 (ISIN ESO312886015) affirmed at 'AAA'

Class B (ISIN ESO312886023) affirmed at 'A+'

Class C (ISIN ESO312886031) affirmed at 'BBB+'

Class D (ISIN ESO312886049) affirmed at 'BB+'

Bancaja 8, Fondo de Titulizacion de Activos ;

Class A (ISIN ESO312887005) affirmed at 'AAA'

Class B (ISIN ESO312887013) affirmed at 'A+'

Class C (ISIN ESO312887021) affirmed at 'BBB+'

Class D (ISIN ESO312887039) affirmed at 'BB+'

Bankinter 7, Fondo de Titulizacion Hipotecaria:

Class A (ISIN ESO313547004) affirmed at 'AAA'

Class B (ISIN ESO313547012) upgraded to 'A+' from 'A'

Class C (ISIN ESO313547020) upgraded to 'BBB+' from 'BBB'

Bankinter 9, Fondo de Titulizacion de Activos

Series P Class A2 (ISIN ESO313814016) affirmed at 'AAA'

Series P Class B (ISIN ESO313814024) affirmed at 'A+'

Series P Class C (ISIN ESO313814032) affirmed at 'BBB'

Series T Class A2 (ISIN ESO313814057) affirmed at 'AAA'

Series T Class B (ISIN ESO313814065) affirmed at 'A'

Series T Class C (ISIN ESO313814065) affirmed at 'BBB-' (BBB minus)

Series P Class A1 and Series T Class A1 paid in full in July 2006.

BZ Hipotecario 1, Fondo de Titulizacion Hipotecaria:

Class A (ISIN ESO315271009) affirmed at 'AAA'

Class B (ISIN ESO315271017) affirmed at 'AA+'

Foncaixa Hipotecario 1, Fondo de Titulizacion Hipotecaria:

Class A (ISIN ESO338617006) affirmed at 'AAA'

Class B (ISIN ESO338617014) affirmed at 'AA+'

Foncaixa Hipotecario 2, Fondo de Titulizacion Hipotecaria:

Class A (ISIN ESO338203005) affirmed at 'AAA'

Class B (ISIN ESO338203013) upgraded to 'AA+' from 'AA'

Foncaixa Hipotecario 3, Fondo de Titulizacion Hipotecaria:

Class A (ISIN ESO338177001) affirmed at 'AAA'

Class B (ISIN ESO338177019) upgraded to 'AA' from 'AA-' (AA minus)