MOODY'S
INVESTORS SERVICE

Rating Action: Moody's takes multiple actions on Spanish multi-cedulas

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Actions follow sovereign rating announcement

Madrid, October 25, 2012 -- Moody's Investors Service has today maintained the review for downgrade placements of 51 Spanish multi-issuer covered bonds covered bonds (SMICBs) and confirmed the rating of one series. At the same time, Moody's has downgraded nine series and has placed 12 series on review with direction uncertain.

Today's actions follow (1) the conclusion of the rating reviews of several Spanish issuers' unsecured ratings; and (2) Moody's confirmation on 16 October of Spain's government bond rating at Baa3 (negative) from Baa3 (on review for downgrade).

Please click this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF304339 for the List of Affected Credit Ratings. This list is an integral part of this press release and identifies each affected issuer.

For further details on the confirmation of Spain's sovereign rating, please refer to the special comment published on 16 October 2012 (http://www.moodys.com/research/Moodys-confirms-Spains-government-bond-rating-at-Baa3PP-3-assigns--PR_257500).

For more information on the rating actions taken by Moody's Financial Institutions Group, see the press release published on 24 October 2012. (http://www.moodys.com/research/Moodys-concludes-rating-reviews-on-majority-of-Spanish-banks-after--PR_256561?WT.mc_id=BankRatings2012).

For additional information on covered bond ratings, please refer to the webpage containing Moody's related announcements http://www.moodys.com/eusovereign.

RATINGS RATIONALE

Moody's has maintained the review for downgrade placements of 51 SMICBs, following the maintenance of the review for downgrade placements of some of the participating underlying issuers' unsecured ratings in those series.

The confirmation of one series follows the confirmation of the ratings of all of the underlying participants in that series.

Moody's has downgraded nine series and kept them on review for downgrade. This follows the deterioration of the credit strength and subsequent downgrade of some of the underlying participants since Moody's last review in June 2012.

Moody's has decided to place certain series on review with direction uncertain in instances where the expected loss of the series has improved since Moody's last review, mainly due to the absorption of weaker participants with stronger names. Moody's notes that in these cases, some of the underlying participants' rating remain on review for downgrade.

Following the confirmation of Spain's sovereign, Spain's country ceiling remains at A3. As a result, the highest achievable rating for Spanish covered bond also remains at A3.

KEY RATING ASSUMPTIONS/FACTORS

SMICBs can be considered as a repackaging of a pool of Spanish covered bonds. Each SMICB is backed by a group of Spanish covered bonds (Cédulas Hipotecarias, CHs) that are bought by a Fund, which in turn issues SMICBs. Moody's rating for any SMICB is determined after applying a two-step process:

--- FIRST STEP: MOODY'S DETERMINES A RATING BASED ON THE EXPECTED LOSS ON THE SMICB

The main driver of the expected loss (EL) of a SMICB is the credit strength of the CHs backing the SMICBs. If the CHs perform, the SMICBs will be fully repaid. CHs are rated according to Moody's published covered bond methodology. In the absence of any other support (for example, such as a reserve fund), the EL of the SMICB is determined directly from the weighted-average EL (weighted by their outstanding amounts) of the CHs backing the SMICB.

The primary model used is Moody's Covered Bond Model (COBOL), which determines EL as a function of (1) the issuer's probability of default (measured by its long-term rating); and (2) the stressed losses on the cover pool assets, following issuer default.

--- SECOND STEP: A SECONDARY RATING TARGET FOR SMICBs IS THE TIMELY PAYMENT

Under the SMICB rating approach, Moody's gives value to two primary liquidity supports that improve the probability of timely payment if any CH backing the SMICBs fails to make a payment on a scheduled payment date.

These are (1) the maturity extension on the SMICBs, which should ensure that a period of at least two years is available following any default on the CH (this period would be available to realise the value of the assets backing the CH); and (2) a liquidity facility (LF) that is available to cover interest payments on the SMICBs. Under the SMICB rating method, the LF benefiting any SMICB can be sized to improve the timely payment of the SMICB to a level commensurate with the SMICBs' ratings.

Irrespective of the size of the reserve or the liquidity facility, Moody's limits the maximum rating uplift of an SMICB over and above the ratings of the weakest issuers within a series. As a result of the downgrade of some of the underlying participating issuers, the SMICBs ratings have been negatively affected.

The ratings assigned by Moody's address the expected loss posed to investors. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

SENSITIVITY ANALYSIS

The robustness of a covered bond rating largely depends on the underlying issuer's credit strength.

A multiple-notch downgrade of the covered bonds might occur in certain limited circumstances, such as (1) a sovereign downgrade negatively affecting the issuers' senior unsecured rating; (2) a multiple-notch downgrade of the issuers or downgrade to low sub-investment grade; or (3) a material reduction of the value of the cover pool.

On 21 August 2012, Moody's released a Request for Comment seeking market feedback on proposed adjustments to its modelling assumptions. These adjustments are designed to account for the impact of rapid and significant country credit deterioration on structured finance transactions. If the adjusted approach is implemented as proposed, the rating of the notes affected by today rating action may be negatively affected. See "Approach to Assessing the Impact of a Rapid Country Credit Deterioration on Structured Finance Transactions", (http://www.moodys.com/research/Approach-to-Assessing-the-Impact-of-a-Rapid-Country-Credit--PBS_SF294880) for further details regarding the implications of the proposed methodology changes on Moody's ratings.

RATING METHODOLOGY

The methodologies used in these ratings were "Moody's Approach to Rating Covered Bonds" published in July 2012, and "Moody's Approach to Rating Spanish Multi-Issuer Covered Bonds" published in September 2009. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The ratings have been disclosed to the rated entities or their designated agent(s) and issued with no amendment resulting from that disclosure.

Information sources used to prepare the ratings are the following: parties involved in the ratings, parties not involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's did not receive or take into account a third-party assessment on the due diligence performed regarding the underlying assets or financial instruments related to the monitoring of these transactions in the past six months.

Moody's considers the quality of information available on the rated entities, obligations or credits satisfactory for the purposes of issuing these ratings.

Moody's adopts all necessary measures so that the information it uses in assigning the ratings is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Moody's Investors Service may have provided Ancillary or Other Permissible Service(s) to the rated entities or their related third parties within the two years preceding the credit rating action. Please see the special report "Ancillary or other permissible services provided to entities rated by MIS's EU credit rating agencies" on the ratings disclosure page on our website www.moodys.com for further information.

Please see the ratings disclosure page on www.moodys.com for general disclosure on potential conflicts of interests.

Please see the ratings disclosure page on www.moodys.com for information on (A) MCO's major shareholders (above 5%) and for (B) further information regarding certain affiliations that may exist between directors of MCO and rated entities as well as (C) the names of entities that hold ratings from MIS that have also publicly reported to the SEC an ownership interest in MCO of more than 5%. A member of the board of directors of this rated entity may also be a member of the board of directors of a shareholder of Moody's Corporation; however, Moody's has not independently verified this matter.

Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moodys.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on www.moodys.com for the last rating action and the rating history.

The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com for further information.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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