RMBS/Spain
Presale Report

Fondo de Titulización de Activos, UCI 14

Expected Ratings*

Class	Amount (m)	Final Maturity	Rating	CE (%)
A	1,377.5	Jun. 2043	AAA	6.50
B	34.1	Jun. 2043	A+	4.15
C	38.4	Jun. 2043	BBB+	1.50

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* Expected ratings do not reflect final ratings and are based on information provided by the originator as of 12 August 2005 and are subject to final documentation.

■ Summary

This transaction is a securitisation of a pool of first-ranking residential mortgage loans originated in and secured on property located in Spain, and unsecured personal loans associated with some of the mortgage loans included in the pool (the “personal loans”). Fitch Ratings has assigned expected ratings to the class A, B and C notes to be issued by Fondo de Titulización de Activos, UCI 14 (“UCI 14” or “the fund”) as indicated at left.

At closing, UCI 14 will issue the notes backed by a EUR1.5 billion portfolio of residential mortgage loans and personal loans (together “the collateral”) originated by Union de Creditos Inmobiliarios E.F.C. S.A. (“UCI” or “the seller”). UCI 14 will be regulated by Spanish Securitisation Law 19/1992 and Royal Decree 926/1998. Its sole purpose is to convert UCI’s mortgage participations, mortgage transfer certificates (*Participaciones Hipotecarias* or “PHs” and *Certificados de Transmisión de Hipoteca* or “CTHs”) and personal loans into fixed-income securities. The certificates will be subscribed and the personal loans acquired on behalf of UCI 14 by Santander de Titulización S.A. S.G.F.T. (“the *Sociedad Gestora*”), whose activities are limited to the management of mortgage and asset-backed securities.

The originator of the assets, UCI, is an established mortgage lending company with operations in Spain and a presence in Portugal and Greece. UCI is equally-owned by Banco Santander Central Hispano (“SAN”, rated ‘AA-’/‘F1+’) and 50% by BNP Paribas (rated ‘AA’/‘F1+’). This is UCI’s 13th securitisation but the first in the series rated by Fitch.

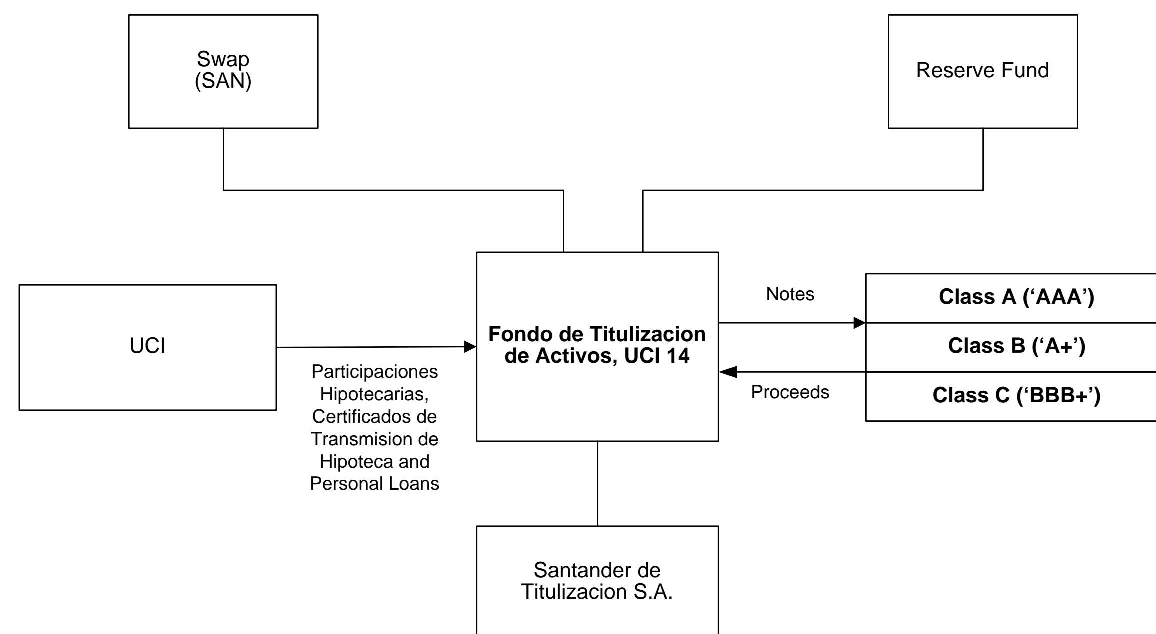
The expected ratings are based on the quality of the collateral, the underwriting and servicing of the mortgage loans, available CE and the sound legal and financial structure of the transaction. Initial CE, provided by the subordinated tranches and a reserve fund, will total 6.50% for the class A notes, 4.15 % for class B and 1.50% for class C.

To size credit enhancement (“CE”) for each class of notes, Fitch analysed the collateral using a loan-by-loan mortgage default model specific to Spain. The agency also modelled the cash flow contribution from excess interest using the stress scenarios determined by its default model. The cash flow test showed that each class of rated notes, taking available CE into account, could withstand loan losses at a level corresponding to the related stress scenario without incurring any principal loss or interest shortfall.

Credit Committee Highlights

- UCI is an established mortgage loan underwriter and servicer, and this is its 13th securitisation.

Structure Diagram



Source: Transaction documents

- As of the pool's cut off date (12 August 2005), the provisional pool consisted of 18,273 loans, 12,381 of which are first-ranking mortgage loans (93% by value). The remaining 5,892 are unsecured loans granted to some of the borrowers in the pool to complete the financing for the acquisition of residential properties in Spain, when the borrower needs a loan with a loan-to-value ("LTV") ratio above 80%[1].

- Collateral Highlights (please also see *Credit Analysis* below):

  — 41% of the borrowers in the pool by loan value benefit from mortgage insurance ("the MIG") provided by General Electric Mortgage Insurance Limited (rated 'AA'), the European mortgage insurance arm of Genworth Financial Inc. ("Genworth"). All such obligors contracted both a mortgage and a personal loan with UCI. Fitch gave partial credit for the MIG in its recovery rate calculation in all rating scenarios.

  — 6% of the borrowers by loan value have contracted both a mortgage and a personal loan, but did not take out mortgage insurance.

  — 18% of the mortgage loan pool by value corresponds to *Cambio de Casa* or bridging loans granted to borrowers purchasing a new home but who have not yet sold their current residence. As of the date of loan origination, all such loans benefit from a first-ranking mortgage over both the borrower's current and new property. Once a borrower sells their current property it is expected that they would pay-down the original loan allocated to the mortgage using the proceeds from the property sale. In some cases, these loans may have both partial interest and principal grace periods during the first two years.

  — 30% of the mortgage pool by value takes the form of *Cuota Fácil* loans. These allow a borrower to set their repayment schedule during the first three years of the loan, including a portion of accrued interest and principal amounts. As a result, interest on such loans may be capitalised during such period.

  — 7% of the portfolio incorporates a "joker option" whereby the borrower, once a year during the first three years of the life of the loan, can elect to take a payment holiday. Amounts not paid on such payment dates are capitalised. All such options expire three years after the loan closing date (most

[1] This information may defer from that included in the transaction documents.

will expire two years after closing date of this transaction). Historically, less than 10% of all UCI's clients taking this product have exercised their option.

— 68% of the portfolio benefits from an inflation-linking option whereby borrowers, depending on the terms and conditions of the loan agreement, may limit the increase in their instalments to the national inflation rate or double the figure, as published by the National Statistics Institute for annual, semi-annual or quarterly periods (according to the corresponding loan coupon-setting period). These options expire three years after the loans close (most will expire two years after closing date of this transaction). If more than 7% of the borrowers exercise their option, cash will be trapped in the treasury account and only released subject to rating agency confirmation.

— Around 10% of the pool by value (including the 7% of *Tipo Fijo 3 años* loans) currently accrues a fixed interest rate, reverting to floating during the three years following closing according to an established schedule. The interest rate hedging mechanisms in place during the first three years of the transaction will mitigate the risk associated with the mismatch between the fixed-rate portion of the pool and three-month EURIBOR (Euro Interbank Offered Rate), the benchmark on the bonds. Fitch has incorporated this feature into its cash flow model analysis.

— Some 12% of the loans by value are backed by a *Viviendas de Protección Oficial* ("VPO") and are subsidised by the Spanish local governments. Fitch did not give credit for this price indexation in its recovery rate calculations.

- The issuer will not enter into a basis swap agreement; therefore, basis risk between the note index and the collateral index will be passed to investors. The hedging agreement will cover the exposure to a mismatch between fixed-rate loans and EURIBOR before they convert to floating, approximately three years after the closing date of this transaction. Around 84% of the pool is indexed to the IRPH (*Índice de referencia de préstamos hipotecarios conjunto de entidades and cajas)*, and the remainder to 12-month EURIBOR (all three indices are published by the Bank of Spain). To mitigate this risk, Fitch has reduced the interest rate earned on the collateral by 0.20% annually during the life of the transaction, on top of stressed coupon compression assumptions (please see *Interest Rate Risk* below).

- UCI, besides having a broad diversity of clients will also target young households with a fairly short employment history and other clients usually not well served by the traditional banks and typically will charge a higher interest rate to that offered by the average Spanish bank. As a result, UCI's portfolios exhibit higher prepayment rates than its competitors'. As a result, Fitch has used 'AAA' prepayment rate stresses to model the cash flows in all its rating scenarios.

- According to Fitch's criteria, commingling risk exists as UCI is an unrated entity. This risk is mitigated by a guarantee provided by SAN. Furthermore, under the terms of the guarantee, in the event UCI is declared insolvent, SAN will cover losses that may result from UCI's default as part of its obligation to service the loans.

- The calculated debt-to-income ("DTI") ratio is 38.3% for the provisional pool.

- As of the closing date, the average seasoning of the provisional pool will be 11 months, while the weighted average original loan to value ratio per borrower ("WACLTV") is 76.9%[2]. This contributed to a weighted average indexed current LTV per borrower ("WAICLTV") of 73.2%. As of the pool cut-off date, the pool weighted average coupon was 4.1%.

Financial Structure

Collections from the mortgages will be transferred from UCI's collection accounts into the fund's treasury account held by SAN on a daily basis.

Amounts standing to the credit of the treasury account will receive a guaranteed interest rate equal to three-month EURIBOR. In the event SAN is downgraded below 'F1', the *Sociedad Gestora,* within 30 working days, will transfer the reinvestment account to a counterparty rated at least 'F1'.

All the notes will pay interest quarterly in arrears based on three-month EURIBOR plus a margin.

[2] Includes personal loans

Key Information

Provisional Portfolio Characteristics

Total Amount at Closing: EUR1,660m as of 12 August 2005 (of which EUR1,450m will be selected at closing)

WA Original LTV per Borrower: 76.9%

WA Current LTV per Borrower: 75.9%

WA Indexed Current LTV: 73.2%

WA Remaining Maturity: 355.6 Months

WA Seasoning: 7 Months (12 months at the closing date).

Structure

Originator and Seller: Unión de Créditos Inmobiliarios S.A. E.F.C. ("UCI", 'NR')

Servicer: UCI

Fund: Fondo de Titulización de Activos, UCI 14 ("UCI 14")

Sociedad Gestora: Santander de Titulización S.A., S.A., S.G.F.T.

Swap Counterparty: Banco Santander Central Hispano ("SAN", rated AA-/F1+)

Mortgage Insurance Provider: GE Mortgage Insurance Limited (rated AA)

Final Legal Maturity: 20 June 2043

Servicing of the Securitised Portfolio

The mortgages will continue to be serviced by UCI in its role as servicer.

RD 685/82, which governs the issuance of the PHs and CTHs that will be subscribed by UCI 14, indicates that the issuer of the mortgage participations and mortgage transfer certificates must service the mortgage loans (which, in turn, back the notes), and does not envisage the possibility of replacing the PH and CTH issuer as servicer of these loans.

However, the transaction has certain mechanisms in place whereby the *Sociedad Gestora* may be able to replace the servicer upon any breach of the terms of the servicing contract regulated by the fund's deed of incorporation, if current legislation allows.

Priority of Payments ("Waterfall")

Prior to enforcement, portfolio income will be allocated on each payment date according to the following priority of payments:

1. senior fees and expenses;
2. payments due under the interest rate swap agreements (see *Swap Agreement*);
3. interest due on the class A notes;
4. interest due on the class B notes, unless deferred;
5. interest due on the class C notes, unless deferred;
6. note redemption (see *Principal Redemption)*;
7. replenishment of the reserve fund (see *Reserve Fund*); and
8. subordinated amounts, including interest and principal due on the initial expenses loan extended to the fund by the SAN and Union de Crédit pour le Batiment, SA (,"**UCB**", a subsidiary of BNP Paribas) at closing.

On each payment date, available funds to be applied to the waterfall include: (i) principal collected on the collateral; (ii) interest collected on the collateral (including penalty interest); (iii) interest accrued in the reinvestment account; (iv) the Reserve Fund; (v) recoveries of defaulted loans and; (vi) net amounts paid by the swap counterparty (if any).

Interest due on the class B notes will be partially deferred if the note's principal deficiency ledger reaches 100% of its current outstanding balance. Similarly, interest due on the class C notes will be partially deferred if the class B and C principal deficiency ledgers reach 100% of the current class B and C note balance respectively.

According to the interest deferral mechanisms, the interest component of the collateral, defined as interest collected on the collateral and interest accrued on the reinvestment account, will always be paid senior to principal redemption, unless the cumulative default ratio reaches 9.6%

The cumulative default ratio is defined as the balance of loans more than 18 months in arrears gross of recovery proceeds over the initial outstanding balance of the collateral.

Principal Redemption

Funds available for amortisation will initially be allocated to the redemption of the class A notes until fully amortised, and will subsequently be allocated to the class B notes. Once the B notes are fully amortised, the class C notes will begin to amortise.

The class B, and C notes will be redeemed sequentially only after full repayment of the class A notes. Redemption of the C notes will commence only when the B notes are fully amortised. The legal final maturity date for the notes will be June 2043, 36 months after the final scheduled maturity date for all the loans in the collateral pool. This timing is deemed adequate to ensure that collections on the mortgages will be sufficient to meet the fund's obligations in respect of any defaulted loans.

Other Redemption Rules

The following redemption rules also apply:

- the class B and C notes will be redeemed *pro rata* with the series A notes if:

    a. CE for the class A notes has doubled since closing;
    b. the outstanding balance of mortgages more than 90 days in arrears does not exceed 1.5% of the then-outstanding collateral balance; and
    c. the reserve fund is at its required level;

- all the notes are subject to a clean-up call when less than 10% of the initial collateral remains outstanding.

Provisioning for Defaults

Loans in arrears will be written off using available excess spread depending on the CLTV and according to the months in arrears as summarised below:

Provisioning Mechanism for Mortgage Backed Loans

LTV/(Months in Arrears)	18	24	36	48
>80	100	-	-	-
80-60	50	25	25	-
60-40	25	25	25	25
<40	0	0	25	50

Source: Transaction documents

Provisioning Mechanism for Personal Loans

Loan Characteristics (Months in Arrears)	18	24	36	48
Without MIG	100	-	-	-
With MIG	25	25	25	25

Source: Transaction documents

Swap Agreement

The fund will enter into interest rate hedging agreements with SAN ("the swap counterparty") to hedge the interest rate risks arising from the loans currently in their fixed-rate phase and the three-month EURIBOR payable on the notes.

Under the swap agreements, the fund will pay the swap counterparty 2.20% (quarterly basis 360); in return, it will receive three-month EURIBOR over a defined schedule.

The swap agreements will mitigate the basis risk attached to the collateral, but will guarantee only marginal excess spread to the fund during the life of the transaction (and may even reduce that available). Therefore, the fund will assume any risk of margin and loan coupon compression on the collateral (please see *Cash Flow Analysis* below).

In the event the swap counterparty is downgraded below 'A'/'F1', it will, within 30 days, effect one of the following:

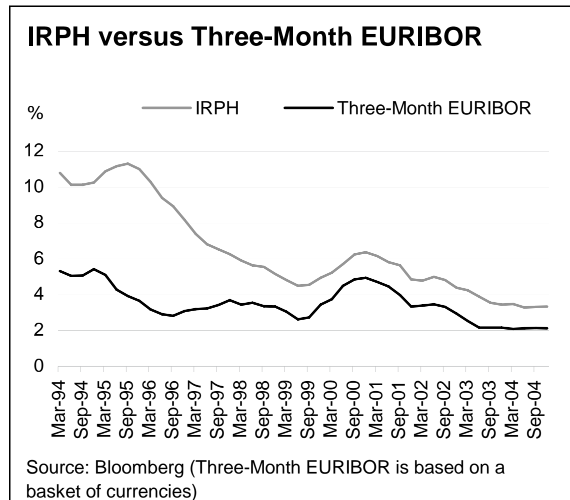
- find a replacement counterparty rated at least 'A'/'F1';
- find an entity rated at least 'A'/'F1' to guarantee its obligations under the swap agreement; or
- cash- or security-collateralise its obligations in an amount sufficient to satisfy existing Fitch criteria.

Interest Rate Risk

The issuer will not enter into a basis swap agreement; therefore, basis risk between the note index and the collateral index will be passed to investors. Around 84% of the pool by value is indexed to the IRPH plus a weighted average margin of 0.49%, while the remainder accrues at 12-month EURIBOR plus an average margin of 0.96%.

The IRPH is calculated by the Bank of Spain as the simple mean of the interest rate accrued by unsecured personal loans outstanding with a maturity within three years and those mortgage loans outstanding with a remaining term of over three years, referenced to IRPH, EURIBOR or other indexes, as the case may be. Over the long run, assuming that mortgage markets become more competitive and fewer new mortgage loan originations are referenced to the IRPH, the IRPH rates will converge with EURIBOR plus the average margin over such index.

IRPH versus Three-Month EURIBOR



Source: Bloomberg (Three-Month EURIBOR is based on a basket of currencies)

To mitigate this risk, in addition to assuming that high interest rate loans will prepay or default during the first few months of the transaction, Fitch has reduced the interest rate on the collateral by 0.20% annually during the life of the transaction, on top of

stressed coupon compression assumptions, sizing the reserve fund accordingly.

Credit Enhancement

In addition to excess spread, the transaction will benefit from initial CE provided by subordination and a reserve fund. This will total 6.50% for the class A notes, 4.15% for class B and 1.50% for class C.

Reserve Fund

A reserve fund in an amount equivalent to 1.50% of the original note balance will be created at closing using the proceeds of the subordinated loan that will be credited to the fund accounts.

Subject to the following conditions, the reserve fund may amortise to the greater of: i) 3% of the then-outstanding note balance; and ii) the following schedule according to arrears levels in the portfolio:

Reserve Fund Floor

Reserve Fund Floor	90 Days + Arrears Levels Over Current Balance (%)
0.4% of the Initial Note Balance	<0.75
2.3% of Current Note Balance or 0.70% of the Initial Note Balance	0.75 - 1.25
3% of Current Note Balance or 0.80% of the Initial Note Balance	>1.25

Source: Transaction documents

Additional conditions need to be met to allow amortisation of the reserve fund:

- no amortisation deficit exists;
- the weighted average coupon of the pool is at least 0.40% above that on the notes; and
- at least three years have lapsed since transaction close.

Representations and Warranties

The seller will provide representations and warranties in relation to the collateral, including:

- each mortgage loan is registered in the relevant property register and represents a first-ranking claim on the corresponding property;
- each mortgage loan finances the purchase, refurbishing or building of a residential property in Spain;
- all loans have been fully disbursed;
- the seller has full right and title to, and the power to sell and transfer, the mortgages;
- the seller has not been made aware of any of the underlying properties becoming subject to a reduction in value of more than 20% since acquisition;
- none of the mortgage loans is more than 30 days delinquent at closing; and
- all properties have undergone a valuation by a property appraiser registered with Bank of Spain,

Neither the fund nor any other transaction parties will conduct a search of title; rather, they will rely on the above-mentioned representations and warranties provided by UCI in relation to the collateral. Following an irremediable breach of any of the representations or warranties, UCI will replace or repurchase the loan(s) in question as per the terms and conditions of the documentation.

Legal Structure

At closing, the seller will transfer the mortgage and personal loans to the *Sociedad Gestora* on behalf of the fund. The *Sociedad Gestora* is a special-purpose, limited-liability company incorporated under the laws of Spain. Its activities are limited to the management of asset-backed notes.

Provisional Collateral

The provisional pool consists of 18,273 loans, 12,381 of which are first-ranking mortgage loans (93% by value). The remaining 5,892 are unsecured loans granted to some of the borrowers in the pool to complete the financing for the acquisition of residential properties in Spain when the borrower requires a loan with an LTV ratio above 80%. 54% of clients in the pool only have a mortgage loan; 46% have both mortgage and unsecured loan (of which, 87% are covered by a Genworth MIG).

The portfolio has an original WA LTV per borrower of 76.9% and a WACLTV per borrower of 75.9%. In its recovery calculations, Fitch used an indexed valuation of the underlying properties based on regional residential indices, giving 50% credit to increases in property prices; the WA indexed CLTV of the pool is 73.2%. Loans concentrated in the above-80% original LTV bucket represent 35% of the pool.

The portfolio has a WA seasoning of seven months (which will be 12 months as of the closing date) and a WA current remaining maturity of 29.6 years. Nearly 84% of the loans are floating-rate referencing the IRPH; the remainder are indexed to 12-month EURIBOR. At closing, none of the loans will be more than 30 days in arrears.

Description of UCI's Loan Products

93% of the pool comprises mortgage loans, approximately 44% of which, by value, are standard amortising loans with no special features apart from the "joker option" and the "index-linked" option described above.

"Cuota Fácil" Loans
(30% of the Mortgage Loan Pool by Value)
During the first three years of the loan, borrowers can set the payment schedule, including a portion of the accrued interest and principal amounts. As a result, interest on the loan may be capitalised during such period.

"Cambio de Casa" Loans
(18% of the Mortgage Loan Pool by Value)
These are bridging loans granted to borrowers purchasing a new home but who have not yet sold their current residence. As of the date of loan origination, such loans benefit from a first-ranking mortgage over both the borrower's current and new properties. Once the borrower sells their current property, it is expected that they would pay-down the original loan amount allocated to the mortgage using proceeds from the property sale. In some cases, these loans may have both partial interest and principal grace periods during the first two years. The borrower also contracts to sell their current property within two years, if the borrower cannot sell the property during such period, they will begin to pay down the outstanding mortgage loan (which at that time will be backed by the two properties). According to UCI's experience, the average time to sell a property is nine months.

"Tipo Fijo 3 años "Loans
(10% of the Mortgage Loan Pool by Value)
This is a fixed-to-floating-rate product, with the fixed-rate period lasting three years. All such loans in this pool are still in their fixed-rate phase.

"Internet " Loans
(1% of the Mortgage Loan Pool by Value)
Loans originated via the Internet or telephone banking. These are typically sold at very tight spreads (0.50% over EURIBOR) and a maximum OLTV of 60%

Personal Loans
7% of the Pool by Value
All the personal loans have been granted to mortgage loan borrowers in the pool to complete the funding for the acquisition of a property in Spain. In no cases, the current sum of the original mortgage loan and the personal loan is higher than 100% of the value of the collateral. 68% of these loans are fixed- rate but will revert to floating-rate five years after origination.

Mortgage Insurance
41% of the Pool by Value
41% of the borrowers in the pool by value benefit the MIG provided by GE Mortgage Insurance Limited, an indirect wholly-owned subsidiary of Genworth, a leading insurance holding company in the United States. On 24 May 2004, General Electric Company floated 30% of Genworth, reducing its ownership to 27%. All loans in pool covered by the MIG have a mortgage and a personal loan component.

All such obligors contracted both a mortgage and a personal loan with UCI.

Main Characteristics of the Master Insurance Policy between GE Mortgage Insurance Ltd and UCI

- Coverage excludes losses due to fraud or *force majeur* events.

- Loans must comply with the eligibility criteria set out in the master insurance policy agreement. The eligibility criteria and UCI's representations and warranties under the terms of the policy are consistent with those included in typical securitisation transactions:

  - On a monthly basis UCI will send GE Mortgage Insurance Ltd. all the files in electronic format, on which GE Mortgage Insurance Ltd. will run an initial audit. Additionally, on a quarterly basis and based on statistical samples, GE Mortgage Insurance Ltd. will ensure the loans comply with the eligibility criteria.

  - Calculation of the maximum claimable amount:

    A + B - C - D - E - F - G

    A+ B = Loan principal plus loan interest up to 48 months in arrears

    C= Auction proceeds

    D=Amounts received from borrowers' guarantors

    E=additional amounts received by UCI to reduce losses

    F= set-off amounts (if any)

    G=Indemnity amounts received from property insurance (if any)

    The maximum claimable amount equals (Original LTV-78%) x the original appraised property value.

    A claim will be due when the loss is crystallised (this could occur at the latest after UCI's disposal of the property, if the loan is foreclosed and UCI takes the property as a result of the auction process).

Legal expenses will be excluded from the maximum claimable amount.

Mortgage Loans included in the Fondo de Titulizacion Hipotecaria, UCI 3 transaction ("UCI 3")

Some EUR7.3 million (350 loans) have been transferred from the UCI 3 issued in February 1997 (EUR87.15 million) with a WA CLTV of 35% (maximum 72%). Such transaction will be called by the management company on 18 October 2005.

Origination and Servicing

As part of its analysis, Fitch has reviewed and analysed UCI's origination and servicing guidelines. It visited UCI's premises and met the origination and servicer managers responsible for the mortgage loan department.

The originator of the assets is UCI, which was incorporated in 1989 as a specialised mortgage lending company. UCI is equally-owned by SAN and BNP Paribas. In 1999 it began an international expansion commencing in Portugal and then in Greece, where it started its lending operation in 2003.

UCI originates residential mortgage loans to individuals through a network of Spanish real estate agents that brings business to UCI via one of its 52 branches around Spain. Mortgage servicing and risk decision-taking is centralised in Madrid. As of end-June 2005, UCI managed some EUR6.5 billion of assets in Spain, of which 54% had been securitised.

UCI is the leader in mortgage loan marketing and origination via real estate professionals and intermediaries in Spain's property sector, called "APA" according to UCI's terminology (some of them are associated to *Agentes de Propiedad Inmobiliaria* – "API", real estate agent's trade association which whom UCI has certain collaboration agreements). The company has an alliance with the APIs' for the purposes of marketing properties via the internet (Comprarcasa.com). Eventually, Comprarcasa property sales will be financed by a UCI mortgage loan. UCI is also a pioneer and specialist in the low equity segment, a niche that universal banks are starting to exploit in Spain.

Origination and Underwriting

The main responsibility of the company's 52 offices in Spain is to manage relationships with the APAs. The commercial offices do not participate in the loan approval process. 90% of loan originations are performed via intermediaries; the remaining 10% are originated through: (i) loan subrogations from real estate development ("RED") loans (as UCI only began granting RED loans in 2002, none of this are included in this transaction); (ii) new mortgage loans from existing clients; (iii) the internet; and (iv) through special agreements with financial institutions.

UCI Financials and Performance Indicators

(EURm)	2004	2003
Loan Originations (Spain)	2,300	1,756
Assets Under Management (Includes on Balance Sheet and Securitised Assets)	6,006	4,766
Assets on Balance Sheet	2,955	2,567
No of Loans Under Management (App)	95,000	85,000
Equity	176	142
Operating Profit (before taxes)	46.88	38.46
Net Income	27.7	20.5
ROE (%)	27.7	23.9
ROE (Spanish Operation) (%)	37.7	29.5

Source: UCI's 2004 Annual Report

In addition to a diversified client base, UCI targets young households with a limited employment history and other clients usually not well served by the traditional banks and typically will charge a higher interest rate to the borrowers compared to that offered by the average Spanish bank. Around 20% of new loan originations correspond to foreigners who have obtained a Spanish residency permit.

UCI sells loans through its own sales force (370 individuals) and contracted personnel (47). The number of contracted sales staff has reduced proportionally over time, from 50% of the total sales team to the current 10%-12%. The salaries of the in-house sales team comprise fixed and variable elements. The variable element is based on number of loan agreements signed and expected earnings on outstanding loan balances. No checks on origination quality are made when calculating this variable component although a thorough quality check is conducted on documentation received from the applicant to avoid incidents of fraud.

Sales staff is responsible for completing the borrower files and scanning them ready for entry into the data storage system. Borrower data is ultimately entered into UCI's system by a third party, Konnecta, (a company owned by SAN's subsidiary Santander Consumer Finance rated ('AA-'/'F1+') among others) enabling transactions to be analysed by the analysts at Central de Autorizaciones Nacional ("CAN"), UCI's underwriting department. CAN analysts are in charge of auditing the information input by Konnecta.

The credit approval process is fully centralised at CAN. Analysts, (all of whom have been delegated approval authorities according to their experience and have spent at least five years in a similar position), verify the relevant documents and

borrower income, check references and, depending on their status, can ultimately approve transactions. Special cases, such as large loans, are approved by credit committees. Final loan approvals are subject to final documentation and loan appraisal. UCI indicated that it is moving to decentralise credit approvals to the regional offices, particularly the most straightforward cases in order to speed up the process.

Characteristics of UCI's credit process include:

Analysis of Borrowers' Profile
Employment history of the applicant is analysed (self-employed/employed, if employed, years in current employment and track record in the professional field, etc). If this analysis indicates an unacceptable or erratic employment history, additional guarantees will be required (e.g. third-party personal guarantees).

Segmented LTV Criteria
The maximum LTV for freelance professionals (e.g. doctors, lawyers, consultants, etc) is 70%, and for the self-employed who do not fall into this category, is 60%. Civil servants can get up to 105% LTVs (across their mortgage and personal loans advanced by UCI).

Scoring
All loans are supported by a credit score. In 2002, UCI launched the fourth version of it is scoring system (the first was launched in 1993, in the middle of the last recession in Spain). This version defines seven scoring scales. UCI was one of the first entities to validate its scoring model (at the end of 1999) for statistical provisioning purposes with the Bank of Spain.

Credit Checks
Borrower and guarantor credit histories are systematically verified with credit bureaus (ASNEF and CIRBE) if the applicant approves this in writing.

Income Verification
i. Those in full-time employment: last three pay slips and most recent tax return).
ii. Self-Employed: the most recent tax return.

"APAs" Appraisal
The performance of loans originated by each APA is monitored by CAN analysts. An adverse trend will influence the credit decision of the analysts.

Property Valuations
Appraisals are conducted on an exclusive basis by Valtecnic (Sociedad de Tasacion), a Bank of Spain-registered company.

UCI has obtained an ISO 9001 certification for its underwriting process.

Servicing
All loans repayments are made via direct debit the 5th of each month; around 90% of the borrowers in the pool have an account with SAN, the fund's account bank.

Early Arrears Management
Any unpaid instalment will automatically trigger the following:

- immediate re-debiting of the unpaid amount;
- if rejected, the instalment will keep up being charged UCI will continue to try collecting any missed payment or payments until the seventh consecutive rejection.

Around 80% of delinquencies to date have been resolved in the same month they occurred.

Once a borrower has missed more than one instalment, the personalised recovery actions department (PAR) will contact the borrower to resolve the default as soon as possible, based on his or her current financial means. The PAR may contact third-party guarantors at this stage.

Once the borrower has more than three unpaid instalments, contact tailored for each borrower. The PAR will investigate the reasons behind the debtor's liquidity problems. A new payment plan will be proposed once the issues have been identified. To qualify, the borrower will be required to reimburse some of the owed amounts. Typically, the payment plan arrangement is six months

Serious Arrears Management
At four missed instalments, a case is transferred to the litigation department ("JUR"). At this stage an amicable solution is usually possible: around 70% of cases at this stage of delinquency have been resolved. Solutions have included:

- reimbursement of unpaid instalments : **41%** of cases; and
- private sale of the financed property : **32%** of cases.

Less than 1**%** of the loans dealt with by the PAR generally have to be passed to the JUR each month.

Foreclosure Process
UCI has indicated that, on average, the litigation process takes 15 months to foreclosure.

UCI will either repossess the related property and sell it at a profit (depending on market conditions in

Provisional Portfolio Summary

Pool Characteristics	
Current Principal Balance (EURm)	1,660
Average Current Loan per Borrower (EUR)	130,335
Average Original Loan per Borrower (EUR)	137,730
Oldest Loan in Portfolio	February 1997
Most Recent Loan in Portfolio	May 2005
Interest Rate Type	
Floating-Rate Loans (%)	100
WA Interest (%)	4.12
Interest Index (%)	84% IRPH, 16% 12M EURIBOR
Payments	
Payment Method	Direct Debit
Loans >30 Days in Arrears (%)	0
Regional Concentration (%)	
Region of Andalusia	22.6
Region of Madrid	16.8
Region of Catalunya	15.7
Lien Position (%)	
First-Ranking	93
Personal Loans	7

Source: Fitch, this information may differ from that included in the Transaction documents

Spain) or hire a real estate agent to sell the property to a third party.

Credit Analysis

Fitch analysed the collateral for UCI 14 by subjecting the mortgage loans to stresses resulting from its assessment of historical home price movements and defaults in Spain. Its analysis is based on the probability of default and expected recoveries for the portfolio's individual loans (see *Appendix 1*).

Default Probability

Generally, the two key determinants of default probability are a borrower's willingness and ability to make their mortgage payments. Willingness to pay is usually measured by LTV. Fitch assumed higher default probabilities for high-LTV loans and lower default probabilities for low-LTV loans. The main reason for this is that, in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low-LTV loans) have an incentive to sell and maintain/protect their equity, thereby eliminating the need for the lender to repossess the property.

Ability to pay is usually measured by the mortgage payment in relation to the borrower's net income. Fitch estimations indicate that the DTI ratio of the pool is around 38.3%.

Fitch considered the specific characteristics of the product in its default probability analysis of the portfolio. The LTV based on the original balance of the loan is used as the main measure of a borrower's willingness to pay.

Considerations for Loans With Special Features

In general, Fitch has increased the default probabilities by 5% on loans incorporating a joker or indexed linked option, as well as the *Cuota Fácil* loans, as borrowers utilising such features may experience a payment shock once the flexible period expires as a result of interest capitalisation, particularly during a period of rising interest rates.

Cambio de Casa loans also may allow for interest capitalisation during the first year of the life of the loan. For assessing the base default probabilities of such loans, Fitch utilised the higher of the original LTV ratio, current LTV ratio and original LTV ratio after the sale of the property, as provided by UCI.

Loans in the pool may be collateralised by more than one property. Except for those that are backed by a first home property, the default probability for loans financing second homes (4.27% of the pool by value) were increased by 15%.

Recovery Proceeds

Market Value Decline

To estimate recoveries on the mortgage loans, Fitch examined house price movements in Spain on a regional basis from 1987-2004 and found significant differences – most notably between Madrid, Cataluña and País Vasco and the other regions. Cities in these three regions have experienced higher price increases than elsewhere in Spain. Based on its analysis of the real estate market, Fitch assumed marginally larger market value declines ("MVDs") for certain regions and for some large urban areas. Although price growth was stable in the period examined, it has recently increased in the regions of Valencia, Andalusia and Murcia.

Recovery Rates

UCI reported the value of each of the properties backing the loans. Asset recovery rates were calculated for collateral property and grouped on a loan-by-loan basis using Fitch's standard RMBS methodology.

Fitch has increased MVDs for higher-value and lower-value properties. These are generally subject to greater MVDs in a deteriorating market than homes with average or below-average market values for reasons of limited demand. Approximately 10% of the provisional pool is considered by Fitch to be secured on such illiquid properties.

Some 12% of the loans in the pool may be backed by VPO properties. These are targeted at low-income individuals and their value set by the relevant local housing authorities (the "legal appraised value"). Unless the property is de-classified as such by the owner (in which case, he or she must repay certain amounts to the relevant housing authority) or the VPO classification period has expired (which can take up to 25 years in certain regions), the price at which the property can be re-sold in the open market is capped at the legal appraised value which may be reviewed every year according to the CPI index. Fitch has not given any credit to property price indexation when calculating the recovery rate of such loans.

Personal Loan Recovery Rates and Mortgage Insurance Treatment

In this transaction, the personal loan agreements contain cross-default clauses with the related mortgages in favour of the lender.

Under the Spanish Civil Code, whether the loans are performing or in arrears, the borrower's payments will be applied first to the personal loan and then to the mortgage loan, unless the borrower is declared insolvent or does not agree with such procedure.

Recovery proceeds following mortgage enforcement can only be applied to the personal loans if the borrower has not been declared insolvent. Under the terms of the new insolvency regime enacted in 2003, Fitch understands that set-off rights between the parties expire if one is declared insolvent. That is, if the borrower is insolvent, the lender does not have the right to set-off any residual amounts from the proceeds of the mortgage enforcement to the personal loan. UCI is not a deposit-taker. According to information received from legal counsel, very few retail borrowers apply for personal insolvency in Spain

Moreover, some 41% of the pool by value benefits from the MIG provided by GE Mortgage Insurance Ltd.; all borrowers covered by the MIG have contracted both a mortgage and a personal loan with UCI.

Fitch's calculation of the weighted average recovery rates on the pool is neutral to the assumptions of whether the borrowers apply for insolvency at loan foreclosure, as the recovery rates related to the MIG increase if recovery proceeds are not applied to the personal loans.

Although UCI currently reports a recovery period of 15 months from the launch of the foreclosure process, Fitch assumes a time to foreclosure of three years.

Cash Flow Analysis

To evaluate the contribution of structural elements such as excess spread, the reserve fund and other factors, Fitch modelled the cash flows from the mortgages based on the WA recovery rate ("WARR") and WA frequency of foreclosure ("WAFF") provided by the loan-by-loan collateral analysis. Recoveries included both interest and principal.

The cash flow model assumes that defaults are spread over the first seven years following the closing date of the transaction. The analysis simulates the cost of carrying defaulted loans as the difference between the performing balance of the mortgages and the notional note balance. Excess spread, the reserve fund and principal must be sufficient to cover the cost of carry until recoveries are received after 36 months. Variable interest rates are stressed upwards over time; however, the effect of this factor is limited because of Fitch's conservative assumptions to account for basis risk (please see *Interest Rate Risk* above).

According to the terms and conditions of this transaction, interest due but not paid on the notes will be capitalised at the corresponding note's interest rate, a feature that is not common in Spanish RMBS transactions. This feature is included in Fitch's cash flow model.

Collateral Revenue Modelling

As of the closing date, the provisional pool consists of 10% by value of fixed-rate amortising loans. Fitch has modelled the conversion schedule of such loans from Fixed to Floating rate in its cash flow model.

The cash flow analysis assumes a high level of annual prepayments on the mortgages, of 25% in all rating scenarios, as, UCI's securitised portfolios exhibit higher prepayment rates than those from its competitors

Finally, to mitigate the potential impact of a borrower exercising their Joker or inflation-linked option, or interest capitalisation, as per the terms and conditions of some of the loans, Fitch has stressed the liquidity of the transaction using stressed delinquency and back to performing timing assumptions.

The CE levels reflect the severest stress assumptions under the terms and conditions of the transaction. The cash flow test showed that each class of rated notes, taking available CE into account, could withstand loan losses at a level corresponding to the related stress scenario without incurring any principal loss or interest shortfall.

Performance Analytics

Fitch will monitor the transaction on a regular basis and as warranted by events. Its structured finance surveillance team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk. Details of the transaction's performance are available to subscribers at www.fitchresearch.com.

Issuer Report Grade

Fitch has recently introduced Issuer Report Scores as part of an ongoing effort to improve the transparency of transaction performance to investors. Transactions are scored on a system ranging from one star (meets basic requirements) to five stars (outstanding). For further information on the agency's Issuer Report Scores, please see the reports "*Fitch Issuer Report Grades*", dated 25 November 2004 and "*Rising Stars? Fitch Issuer Report Grades H1 2005 Update*", dated 7 June 2005, both of which are available at www.fitchratings.com.

Appendix I: Rating Methodology

To determine appropriate levels of credit enhancement, Fitch analyses the collateral for Spanish residential transactions using a loan-by-loan mortgage default model. The model subjects the mortgage loans to stresses resulting from its assessments of historical home price movements and defaults. Fitch's study showed that the LTV, reflecting the size of the borrower's down payment, and the borrower's income multiple (original loan advanced divided by income) are the primary indicators of default risk in Spain. Fitch also modelled the cash flow contribution from excess interest using stress scenarios determined by its default model. The cash flow test showed that each class of rated notes, taking available credit enhancement into account, can withstand loan losses at a level corresponding to the related stress scenario without incurring any principal loss or interest shortfall.

Default Probability

Generally, the two key determinants of default probability are the borrower's willingness and ability to make the mortgage payments. The willingness of a borrower to pay is usually measured by the LTV. Fitch's model assumes higher default probabilities for high-LTV loans and lower default probabilities for low-LTV loans. The main reason is that in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low-LTV loans) have an incentive to sell and maintain/protect their equity, eliminating the need for the lender to repossess the property.

The ability to pay is usually measured by the borrower's net income in relation to the mortgage payment. Historical data available for Spain shows low levels of default. Base default probabilities are determined using a matrix which considers each loan's affordability factor and LTV. The matrix classifies affordability into five classes, the lowest of which (Class 1) encompasses loans with DTIs of less than 20% and the highest of which (Class 5) encompasses all loans with DTIs exceeding 50%. The average DTI for the mortgage market in Spain is c. 27%-33%.

Adjustments

Fitch adjusts the base default rates on a loan-by-loan basis to account for the individual loan characteristics of the collateral across all rating levels. In the absence of case-by-case specific mitigants, Fitch conducts the following adjustments:

- **Product Type:** Fitch may increase default probability assumptions by 0%-20% for loans that have riskier profile (i.e. flexible products) *vis a vis* standard variable rate amortising loans.

- **Repayment Type:** Mortgage payments by Spanish borrowers are generally made monthly by direct debit. Fitch will increase base default rates by 5% for quarterly payments and 10% for biannual or annual payment frequencies. Interest-only mortgages may be included in Spanish transactions at some point in the future. Fitch increases the default assumptions for these loans by up to 25% to take into account the balloon risk to the borrower and the strong reliance on the borrower's equity in the property.

- **Loan Purpose:** Fitch believes that a financially distressed borrower is more likely to default on a second home or investment property than on a primary residence. Accordingly, Fitch will increase by 15% to 50%. If the purpose of the loan is not the acquisition of a property in Spain, Fitch will increase the default probability by 50%-100%.

- **Borrower Profile:** Fitch increases the default probability on loans to self-employed borrowers by 20%-50% to account for their lack of a fixed annual salary and for non-Spanish residents as presumably such population may have less incentive to repay a mortgage loan in periods of stress.

- **Arrears Status:** when rating portfolios combining current and arrears mortgages, Fitch increases base default rates for mortgages in arrears by 1-30, 31-60, and 61-90 days by 25%, 50% and 70%, respectively. Fitch assumes that mortgages over 91 days in arrears (non-performing status) will have a 100% probability of default.

- **Underwriting Quality:** Fitch's review and analysis of the origination process determines whether the agency decreases default rates by up to 25% or increases them by 0%-200%.

Loss Severity

To estimate loss severity on mortgage loans in Spain, Fitch examined home price movements in Spain on a regional basis from 1987–2004. The agency found significant differences in price development among the regions – mainly between the regions of Madrid, Cataluña, País Vasco and the rest of the regions in Spain. More recently, prices have increased significantly in certain coastal areas (including Cantabria, Valencia, Andalusia and Murcia). The cities of these regions have experienced higher price increases than other cities in Spain. As in most other countries, rural areas tend to develop on a more stable basis. Based on its analysis of the real estate market, Fitch assumed slightly higher MVD for certain regions and for some large urban areas.

To derive MVDs for the respective stress scenarios, Fitch then compared the characteristics of the Spanish real estate market with markets in other European countries. As with its other European mortgage default models, Fitch has increased MVDs for lower and higher-value properties. These properties are generally subject to larger MVDs in a deteriorating market than homes with average market values owing to limited demand for such properties.

When calculating recovery value, Fitch's model reduces each property value by the MVD, external foreclosure expenses, and the cost to the servicer of carrying the loan from delinquency through to default. For Spain, Fitch assumes that external foreclosure costs represent €6500 plus 4% of the realised value of the collateral at the time of default. Loss severity also incorporates the fact that in a recession period, the length of time to foreclosure may be longer than is currently the case. To calculate carrying costs, Fitch uses a worst-case scenario analysis which assumes that the borrower does not pay any interest and the collateral is not realised for a period of three years.

Additional stresses to property values may be conducted *vis a vis* residential properties, on a case by case basis, if the mortgage loans are backed by commercial properties or subsidised properties (i.e *Viviendas de Proteccion Oficial*) or in transactions where relatively strong geographical concentration and large proportion of second home properties are observed.

Mortgage Insurance

Mortgage insurance will typically cover losses up to a maximum cover amount incurred by a lender on loans that are advanced in excess of a certain LTV threshold attachment point. Lenders can insure borrowers who meet certain eligibility criteria and, in the event of a default on the loan, the insurers will cover a pre-agreed amount (not typically 100%) – generally covering principal, unpaid accrued interest and repossession costs in the event of a loss by the lender. However, the insurance is not fully guaranteed and is subject to an assessment to determine the validity of the claim. Failure to comply with the agreed policy can lead to a reduction or denial of the claim. An efficient and timely servicer that minimises claims errors – and, therefore, the potential for claims to be rejected – is essential in this process.

Fitch gives credit to mortgage insurance in its analysis on a case-by-case basis as no two mortgage insurance policies are the same. The analysis will focus on the following aspects, among others: (i) the credit ratings of the mortgage insurance provider; (ii) an assessment of the servicer's ability to claim loss amounts under the policy; (iii) the terms and conditions of the insurance policy; and (iv) the history of claim payouts by the mortgage insurance provider.

Appendix II: Summary

Fondo de Titulización de Activos, UCI 14 — RMBS/Spain

Capital Structure

Class	Amount (m)	Final Maturity	Rating	CE (%)	Spread (Expected, %)	I/P PMT Freq	Coupon
A	1,377.5	June.2043	AAA	6.50	TBC	Quarterly	TBC
B	34.1	June 2043	A+	4.15	TBC	Quarterly	TBC
C	38.4	June 2043	BBB+	1.50	TBC	Quarterly	TBC

	Size (%)	Size (EURm)
Initial Reserve Fund	1.50	21.75

95.00% 'AAA' 2.35% 'A+' 2.65% 'BBB'

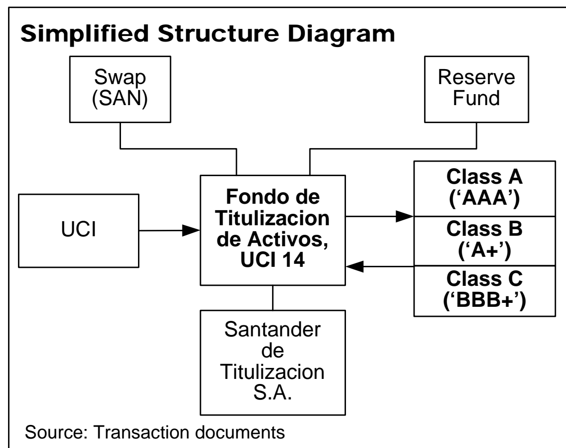
Key Information

		Role	Party (Trigger)
Expected Closing Date	November 2005	**Seller/Originator**	UCI
Country of Assets	Spain	**Structurer**	Santander de Titulizacion S.A. S.G.F.T. / UCI
Structure	Pass Through	**Issuer**	Fondo de Titulizacion de Activos, UCI 14
Type of Assets	Residential Mortgages	**Lead Manager**	BNP Paribas and SAN
Currency of Assets	EUR	**Trustee**	Santander de Titulizacion S.A. S.G.F.T.
Currency of Notes	EUR	**Swap Provider**	SAN ("F1")
Primary Analyst	gustavo.celi@fitchratings.com	**Financial Agent**	SAN ("F1")
Secondary Analyst	Pablo.perez@fitchratings.com		
Performance Analyst	charlotte.eady@fitchratings.com		

Fitch Default Model Outputs

Rating Level	AAA	A+	BBB+	BB
WAFF (%)	14.69	9.77	6.87	2.90
WARR (%)	66.81	77.17	81.43	86.40
WALS (%)	48.20	37.83	33.57	28.60
WAMVD (%)	44.80	36.80	32.80	27.90

Simplified Structure Diagram



Source: Transaction documents

Collateral

Pool Characteristics as of 12 August 2005

Current Principal Balance (EURm)	1,660	**Regional Concentration (%)**	
Average Current Loan per Borrower (EUR)	130,335	Region of Andalusia	22.6
Average Original Loan per Borrower (EUR)	137,730	Region of Madrid	16.8
Number of Loans	18,780	Region of Catalunya	15.7
Number of Borrowers	12,740		
WA Seasoning (Months)	7 months (12 months as of the closing date)	**Mortgage Characteristics (%)**	
Oldest Loan in Portfolio	February 1997	First Ranking	93%
Most Recent Loan in Portfolio	May 2005	Personal Loans	7%
> 30 Days in Arrears (%)	0		
Interest Rate Type (%)		**Loan to Value (LTV) (%)**	
Variable	100%	WA Original LTV per Borrower	76.9
Fixed	10% will convert to Floating three years after the closing date	WA Indexed Current LTV per Borrower	73.2
WA Interest	4.12%	WA Current LTV per Borrower	75.9
Interest Index	84% IRPH, 16% EURIBOR		

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