STANDARD & POOR'S

STRUCTURED FINANCE

Publication Date: April 20, 2004

RMBS Presale Report

Fondo de Titulización Hipotecaria UCI 10

€700 million mortgage-backed floating-rate notes

Analysts: Jerome Cretegny, London (44) 20-7176-3614, José Ramón Torá, Madrid (34) 91-389-6955, and Andrea Quirk, London (44) 20-7176-3736
Surveillance analyst: Sean Hannigan, London (44) 20-7176-3783

This presale report is based on information as of April 20, 2004. The credit ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final credit ratings that differ from the preliminary credit ratings. For further ratings information, call one of the following Standard & Poor's numbers: London Ratings Desk (44) 20-7176-7400; London Press Office Hotline (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5916; or Moscow (7) 095-783-4017. Members of the media may also contact the European Press Office via e-mail on: media_europe@standardandpoors.com.

(Editor's note: This presale was originally published April 19, 2004. It is being republished to reflect various corrections to the third and sixth bullet points under "Strengths", to the chart, and to the exact shareholding of UCI. A corrected version follows.)

Class	Prelim. rating*	Prelim. amount (Mil. €)	Recommended credit support (%)	Interest	Legal final maturity
A	AAA	679	3.95	To be determined	June 22, 2036
B	A-	21	0.95	To be determined	June 22, 2036

**The rating on each class of securities is preliminary as of April 19, 2004 and is subject to change at any time. Final credit ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinion, and completion of a corporate overview. Standard & Poor's ratings address timely interest and ultimate principal.*

Transaction Profile	
Expected closing date	April 26, 2004
Originator and servicer	Unión de Créditos Inmobiliarios Establecimiento Financiero de Crédito (UCI)
Underwriters	Banco Santander Central Hispano S.A. and BNP Paribas
Mortgage administrator ("Sociedad Gestora")	Santander Central Hispano S.G.F.T. S.A.
Interest swap counterparty	BNP Paribas
GIC provider and transaction account provider	Banco Santander Central Hispano S.A.

Supporting Ratings	
Institution/role	Rating
Banco Santander Central Hispano S.A. as GIC provider and account bank (must be at least 'A-1')	A+/Stable/A-1
BNP Paribas as interest swap provider (must be at least 'A-1')	AA-/Positive/A-1+

Transaction Key Features	
Collateral	Mortgage loans secured by first-ranking mortgages on residential properties with an LTV < 80%, including 72% of mortgages with floating interest rates and 28% of mortgages with interest rates fixed for the first three years then floating.
Principal outstanding (Mil. €)	700
Country of origination	Kingdom of Spain
Geographic concentration	Madrid (26.43%), Andalucia (19.10%), Catalonia (18.59%)
Weighted-average LTV ratio (%)	60.44
Average loan size balance (€)	83,181
Loan size range (€)	15 to 400,204
Weighted-average seasoning (months)	21.6
Weighted-average asset life remaining (years)	25.7
Weighted-average mortgage interest rate (%)	3.91
Arrears (%)	None
Redemption profile	Amortizing
Excess spread at closing (%)	1.40 until 2006 (guaranteed by swap) and 1.20 thereafter
Cash reserve (€)	6,650,000 (0.95%)
Mortgage priority	First-lien
Maximum LTV ratio (%)	79.97
Jumbo loan > €400,000	1

Transaction Summary

Preliminary credit ratings are assigned to the €700 million mortgage-backed floating-rate notes to be issued by Fondo de Titulización Hipotecaria UCI 10 (UCI 10).

The purpose of UCI 10 as issuer is to acquire mortgage loan participations from the originator, Unión de Créditos Inmobiliarios Establecimiento Financiero de Crédito (UCI), and to issue two classes of floating-rate notes backed by them.

The notes are ultimately backed by a pool of first-ranking mortgages secured over owner-occupied residential properties located in Spain.

Notable Features

Besides being an FTH (closed-end fund), this 10th securitization of UCI's portfolio of Spanish residential mortgages uses a similar structure to earlier transactions, except for the write-off rules. In previous transactions, the issuer had to amortize the full amount of any loan that had been delinquent for more than 18 months or when being foreclosed. In UCI 10, the percentage of the loan that will trigger amortization will be a function of the delinquency period and LTV.

Write-off Trigger Levels

	18 months	24 months	36 months	48 months
LTV > 80%	100%	100%	100%	100%
LTV 60 – 80%	50%	75%	100%	100%
LTV 40 – 60%	25%	50%	75%	100%
LTV < 40%	0%	0%	25%	50%

Strengths, Concerns, and Mitigating Factors

Strengths

- The credit quality of the collateral is strong.
- All loans consist of first-charge mortgage loans.
- The pool is well seasoned, the weighted-average seasoning being 21.6 months.
- Of the pool, 1.8% will be made up of the outstanding loans remaining in UCI 2, which is highly seasoned (more than 10 years seasoning).
- The weighted-average LTV ratio of the pool is at a low 60.44%. Mortgage loans in "*fondo de titulización hipotecarias*" (FTHs) cannot have an LTV ratio above 80%.
- Protection for the noteholders is provided by credit enhancements including subordination, 198 basis points (bps) (before stresses) excess spread, a 0.95% initial cash reserve, and an interest rate swap.
- A fully funded cash reserve will be provided at closing.
- The loans have a low average amount around €83,000.
- There is a varied geographical distribution (more than 80% in six provinces), with the largest concentrations being Madrid (26.4%), Andalucía (19.1%), and Catalonia (18.6%).
- Write-off of the mortgages can start to take place when loans are in arrears from 18 to 24 months and the write-off ratio is a function of the LTV ratio.
- There is no setoff risk since UCI is not a deposit taker.

Concerns

- Of the mortgage loans, 12.5% have an associated loan, although none is being securitized in this transaction. Standard & Poor's considers, however, that this raises the foreclosure risk for these loans in the portfolio.
- Of borrowers, 47% can limit the increase in their installments to a maximum of 200%, 100%, or 50% of the Spanish inflation rate, and can exercise this option once a year in the first three years of the loan's life (the other 53% cannot exercise the option due to seasoning or the type of product offered to the borrower).
- Of borrowers in the pool, 15% may use a *"cuota comodín"* (joker payment), although the other 85% cannot exercise the option due to seasoning. This feature allows borrowers to defer one payment on their mortgages (principal and interest) once a year during the first three years of their mortgage.
- There is basis risk since the portfolio is made up of seven different indices, and also interest-rate risk with 78% of mortgage loans fixed during first three years.
- The reserve fund can start to amortize when it reaches 1.9% of the initial mortgage balance.
- The class B notes will start to amortize pro rata with the class A notes once the principal outstanding of the class B notes is double as a percentage of the starting balance of the total rated debt.
- There is commingling risk since collections will be trapped in the originator's account for 24 hours.

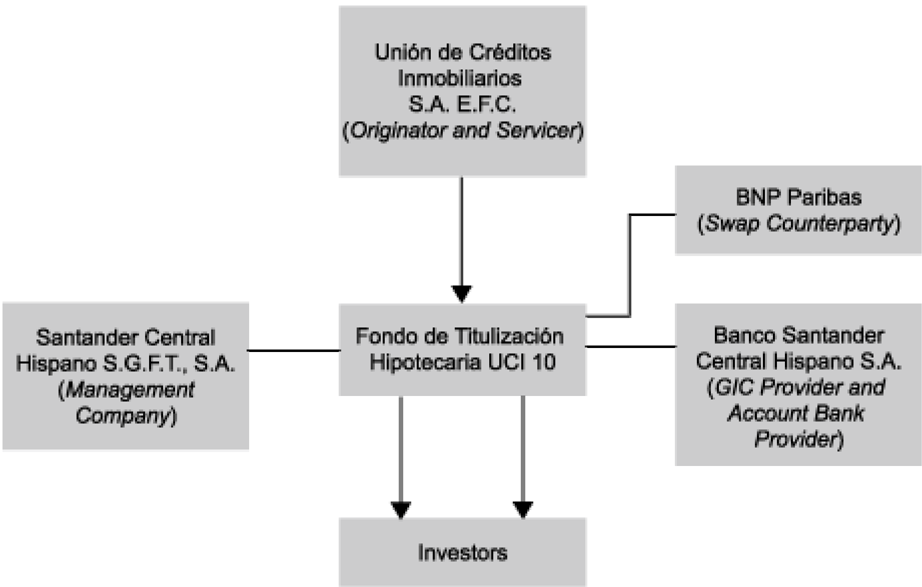
Mitigating Factors

- Standard & Poor's has stressed the available margin in the cash flow analysis. A swap agreement mitigates the interest risk of having 28% of the pool paying fixed interest during the first two years, trapping an excess spread of approximately 2% during that period.
- All special features of the loans in the pool have been taken into account when calculating credit enhancement levels for the transaction.
- Fewer than 10% of UCI's clients have exercised a joker payment in the past. Any sums that are deferred are fully capitalized and the original term of each loan could be extended by up to seven years to allow the capitalized sums to be paid off. UCI has the right not to accept the exercise of this option in case there have been recent defaults on payments.
- Of the 47% of the loans that still carry the option to apply the cap to their interest payments, five percentage points can apply the cap in the next year, 39 percentage points in the next two years, and finally in approximately three percentage points of the loans, the borrower has the right to apply the cap once a year when renewing his installment for the whole life of the loan. Fewer than 2% of UCI's clients have exercised this option in the past.
- The reserve fund will be subject to a floor, which will vary depending on the number of mortgages in arrears. Above a certain level of delinquent loans, the reserve fund will stop amortizing.
- Pro rata amortization between the class A and B notes has been modeled. Pure sequential amortization will revert if arrears over 90 days amount to more than 2.25% of the outstanding pool.
- Monthly collections will not be higher than 20% of the outstanding note balance, and the originator's account is held with an 'A-1' rated financial institution (Banco Santander Central Hispano S.A.; A+/Stable/A-1).

Transaction Structure

Spanish mortgage securitization law requires the notes to be issued by a "*fondo*", or fund, whose activities are managed by a fund manager, in this case Santander Central Hispano Titulización S.G.F.T. S.A. (SCH Titulización), an independent management company authorized by the Ministry of Economy and Treasury. The fund's sole purpose is to purchase the mortgage participations, issue the notes, and conduct related activities (see chart below). The fund manager will represent and defend the interests of the noteholders and will enter into the various contracts for the issuer.

Fondo de Titulización Hipotecaria UCI 10 Structure



The credit rights will be issued and serviced by UCI. As servicer, UCI will be responsible for the day-to-day administration and ongoing servicing of the underlying portfolio of loans. SCH Titulización will be responsible for producing all reports and accounts for the fund and Standard & Poor's in connection with the performance of the mortgages.

Borrowers will make their payments directly to UCI in an SCH Titulización bank account, which will then pay these amounts to the issuer's bank account at SCH Titulización. If the short-term rating on SCH Titulización falls below 'A-1', the issuer's account will be transferred to an appropriately rated institution.

Standard & Poor's review of UCI's origination process, and collection and default management procedures, indicates that UCI is capable of performing the functions necessary to ensure the collection of borrower payments and the management of arrears and repossessions.

The class A noteholders are protected from potential credit losses on the underlying mortgages by the 3% subordination of the class B notes and a 0.95% fully drawn subordinated loan as a reserve fund, and excess spread between the fund's revenue and expenses, while the class B noteholders are protected from potential credit losses by the 0.95% reserve fund and excess spread.

Revenue shortfalls, resulting from defaults, should not impair the issuer's ability to meet full and timely interest payments on the class A notes. The reason is that the issuer may use principal receipts (if not yet needed to redeem note principal) to fund interest payments on the notes.

Main Transaction Parties

Fondo de Titulización de Hipotecaria UCI 10 (Issuer)

The issuer, UCI 10, is an FTH, a mortgage backed securitization fund, created for the sole purpose of purchasing the mortgage participation from UCI, issuing the notes, and carrying on related activities. The issuer is not an entity at law but will hold a distinct and closed pool of assets available for distribution to the noteholders. The assets will be insulated from the insolvency of the originator and *"sociedad gestora"* (fund manager).

Unión de Créditos Inmobiliarios Establecimiento Financiero de Crédito (Originator and Servicer)

The originator of the assets is UCI, which was incorporated in 1989 as a specialized mortgage lending company. The capital in its immediate holding company (Unión de Créditos Inmobiliarios), which holds 100% of the shares in the originator, is owned 50% by Banco Santander Central Hispano and 50% by BNP Paribas.

UCI originates residential mortgage loans to individuals through a network of Spanish real estate agents that brings business to UCI via one of UCI's 37 branches around Spain or through about 60 agents covering other areas of Spain. Mortgage servicing and risk decision-making is centralized in Madrid. As of March 31, 2004, UCI managed in Spain some €4.5 billion of mortgage loans, of which 45% has been securitized in nine Spanish RMBS transactions.

All of UCI's mortgage properties have been valued by a unique appraising entity duly registered in the official Register of the Bank of Spain, giving a homogeneous value to the LTV ratio calculation.

Santander Central Hispano Titulización, S.G.F.T. S.A. (SCH Titulización; Fund Manager)

The fund manager is SCH Titulización. The creation of the fund manager was authorized by the Ministry of Economy and Treasury in December 1992. Under Spanish mortgage securitization law, the day-to-day operations of the issuer are managed by a fund manager, who will represent and defend the interests of the noteholders. The manager, on behalf of the issuer, will enter into certain contracts (in this case a GIC agreement) needed to protect it against certain credit losses and liquidity shortfalls assumed to arise in connection with holding the credit rights.

Banco Santander Central Hispano S.A. (Account Bank)

The collection account will be held with Banco Santander Central Hispano S.A. as long as it has the required short-term rating of 'A-1'.

Collateral Description

At the sale date of the notes, none of the mortgages will have been delinquent longer than one month.

All of the loans in the portfolio are fully amortizing mortgage loans with monthly installments, due on the fifth day of each month. The average LTV ratio is expected to be 60.44% at closing. No loan has an LTV ratio above 80% (the maximum is 79.97%).

The pool is made up of mortgage loans with seven different indices, including 74% indexed to the Bank of Spain's EURIBOR or MIBOR, 22% indexed to IRPH (average rate of Spanish lending institutions calculated by the Bank of Spain), and the other 4% split between six-month LIBOR, six-month EURIBOR, Deuda Publica, and fixed rate (< 1%). This was addressed by stressing the excess spread based on an historical maximum between each index and three-month EURIBOR, which is the index of the notes.

Collateral Risk Assessment

Standard & Poor's conducted a loan-level analysis to assess the credit risk of a pool of mortgages, following the methodology explained in the criteria piece "Criteria for Rating Spanish Residential Mortgage-Backed Securities" published in March 2002. Standard & Poor's ratings criteria can be found on RatingsDirect, Standard & Poor's on-line credit analysis system, at www.ratingsdirect.com, under Criteria. The published criteria are also available on Standard & Poor's Web site at www.standardandpoors.com. Under Credit Ratings, select Ratings Criteria, then Structured Finance.

Standard & Poor's collateral risk assessment analyzes the foreclosure frequency and loss severity of each loan in the collateral pool. These depend on the characteristics of the borrower, the loan, and the rating on the notes.

The potential loss associated with a loan can be calculated by multiplying the foreclosure frequency by the loss severity.

To quantify the potential losses associated with the entire pool, Standard & Poor's calculates a weighted-average foreclosure frequency (WAFF) and a weighted-average loss severity (WALS) at each rating level.

The product of these two variables estimates the required loss protection during the life of the collateral in the absence of additional mitigating factors. The higher the targeted rating, the higher will be the required enhancement level.

Credit Structure

Reserve Fund

The issuer will establish a fund on the closing date with the proceeds from the subordinated loan. It may be replenished on each interest payment date.

The subordinated loan will be fully drawn at closing to fund the reserve fund in an amount equal to 0.95% of the initial outstanding balance of the loans. The reserve fund may decrease, however, once it reaches 1.90% of the outstanding balance of the loans, but depending on the level of arrears (defined as greater than 90 days), there will be a floor to the reserve fund. The lowest floor will be 0.40% of the initial outstanding balance of the loans (if loans with arrears greater than 90 days is lower than 0.75% of the outstanding balance). There may be no decrease:

- If 1.25% of the mortgages are at least 90 days delinquent. (If the delinquency levels fall below 1.25% again, the reserve fund will revert to amortizing.);
- If the weighted-average interest rate on the loans is less than the weighted-average interest rate on the notes plus 0.40%; or
- If there is any deficit of amortization as defined in the documents.

Interest Swap Agreement

An interest rate swap agreement between UCI 10 and BNP Paribas will convert during the first three years of the loans (until 2006) the fixed interests payments on the 28% mortgage participations that will pay fixed interest during the first three years of the transaction (4.50% being the average interest rate of those loans and 2.52% being the fixed interest rate on the swap, trapping by this structure an average margin of 1.98%). In return, BNP Paribas will pay the variable rate payable on the notes (the payment dates of the swap and the notes will coincide).

Upon downgrade of the swap counterparty below 'A-1', the counterparty will have 30 days either to seek a guarantee from an 'A-1' rated entity, post collateral, or find a new 'A-1' rated swap counterparty, all subject to confirmation by Standard & Poor's. All costs will be borne by BNP Paribas.

Redemption

Unless redeemed earlier, the notes will be redeemed at their maturity 30 months after the maturity of the longest-term loan in the pool (maximum term is to November 2033, legal maturity is to June 2036).

The notes may be fully redeemed if:

- The balance of the collateral falls below 10% of its original balance; or
- The fund manager becomes bankrupt or its authorization is revoked and no replacement can be found.

Principal will be passed through to the class A and B noteholders on the interest payment dates. All available principal will be used to redeem the class A notes until the ratio of the class B notes to the initial issuance is 6%. Once these ratios have been reached, principal will be allocated pro rata to both classes until the aggregate of both classes equals 10% of the initial balance of the mortgage participation. At this point, all principal will be used to redeem the class A notes. However, redemption of the class B notes will be interrupted if 2.25% or more of the mortgages are at least 90 days delinquent, or if there is any amortization deficit. Once the class A notes have been fully redeemed, the class B notes will start to amortize. If the delinquency levels are again below 2.25%, the class B notes will revert to amortizing.

Interest Rate on Notes

Interest will be paid quarterly at a rate equal to three-month EURIBOR plus a spread yet to be determined (between 0.15% and 0.18% on the class A notes and between 0.50% and 0.60% on the class B notes).

Standard & Poor's Stress Test

Standard & Poor's analysis included a conservative assessment of the credit risk inherent in the transaction, as described in the section titled *"Collateral Risk Assessment"*. The credit enhancement levels have been sized after analyzing the impact that severe stress scenarios would have on the mortgage loan collateral. As a result of this analysis, Standard & Poor's estimated the largest amount of potential losses that could occur as a result of these stress scenarios and set the amount of loss protection required on the notes.

Specific penalties were applied with respect to the levels of aggregate defaults expected on the pool to reflect the foreclosure frequency attached to specific assets and/or the assets' location, and any terms and conditions that might increase or decrease credit risk. The analysis fully reflects the specific features of the Spanish market with respect to loss severity, foreclosure costs, and foreclosure periods.

A cash flow model simulating the portfolio's performance within the transaction's documented structure was run under certain rating scenarios to stress liquidity and the level of excess spread in the transaction.

Prepayment levels, fees and expenses paid by the issuer, and delinquencies were the most important parameters stressed in all the runs.

Key Performance Indicators

Continual surveillance will be maintained on the transaction until the notes mature or are otherwise retired. To do this, regular servicer reports detailing the performance of the underlying collateral will be analyzed. Cash flow triggers will be checked to ensure the postponement of interest in case of worsening performance of the pool. Besides the reports, supporting ratings will be monitored and regular contact will be made with the servicer to ensure that minimum servicing standards are being sustained and that any material changes in the servicer's operations are communicated and assessed.

Criteria Referenced

- "Guidelines for the Use of Automated Valuation Models for U.K. RMBS Transactions" (published on Feb. 20, 2004).
- "Criteria for Rating Spanish Residential Mortgage-Backed Securities" (published on March 1, 2002).

Related Articles

- "Ratings Transitions 2003: Upgrades on the Rise as European Structured Finance Ratings' Stability Continues" (published on Jan. 15, 2004).

All criteria and related articles are available on RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. The criteria can also be found on Standard & Poor's Web site at www.standardandpoors.com.

Analyst E-Mail Addresses

jerome_cretegny@standardandpoors.com
jose_tora@standardandpoors.com
andrea_quirk@standardandpoors.com
StructuredFinanceEurope@standardandpoors.com