FitchRatings
KNOW YOUR RISK

FITCH DOWNGRADES FOUR FTA UCI DEALS

Fitch Ratings-London-11 March 2009: Fitch Ratings has today downgraded 18 tranches and assigned five Recovery Ratings to four RMBS transactions from the Fondo de Titulizacion de Activos UCI series (UCI transactions). Thirteen tranches are currently on Outlook Negative. A full list of rating actions is provided at the end of this comment.

The negative rating actions taken on the four UCI transactions reflect Fitch's ongoing concern about the performance of the deals, which substantially deviates from the agency's initial expectations, particularly for loans in arrears by more than three months. The performance of the four UCI pools reflect the higher risk profile of the underlying collateral, which includes more aggressively underwritten loans with greater risk layers (i.e. younger households with limited employment history, flexibility products, and broker originations). In the more challenging macroeconomic environment and housing market, these portfolios have significantly underperformed relative to rest of the Spanish mortgage market and are expected to remain under pressure over the medium term.

Founded in 1988 and equally owned by Banco Santander (rated 'AA'/Rating Watch Negative/'F1+') and BNP Paribas (rated 'AA'/Outlook Negative/'F1+'), UCI is the largest mortgage specialty lender operating in Spain. The company's origination strategy has targeted younger households with a limited employment history and other clients that are usually not well served by traditional banks. Loans are mainly marketed through a network of approximately 12,000 real estate professionals and intermediaries.

As of the last payment date (PD), the three most recent transactions, UCI 15, 16 and 17 drew on their reserve funds, as a result of provisioning for defaulted loans which are defined as loans in arrears by more than 18 months. As of the December 2008 IPD, reserve fund draws amounted to 3.63%, 12.96% and 6.69% of the target amounts of UCI 15, 16 and 17 respectively. Fitch expects significant further reserve fund draws in all four transactions due to the large pipeline of late stage arrears that will need to be provisioned for in the upcoming PDs.

According to the latest investor reports, loans in arrears by more than three months continued to increase across all four transactions ranging from 9.09% in UCI 14 to 11.3% in UCI 16. These are some of the highest levels seen in any Spanish RMBS transaction. According to a loan-by-loan analysis of the four pools, the agency found that the four portfolios all contain a high volume of loans that are in the 15-to-18 months arrears bucket, indicating that the volume of provisions to date are likely to continue at the current pace.

The four transactions contain a high percentage of loans linked to the IRPH/IRPC rates, while notes issued by UCI are linked to three month Euribor. The first three transactions transferred the risk of the basis rate mismatch to the noteholders. However the issuer of the fourth deal, UCI 17, entered into a basis rate swap at close. ECB rate cuts in the past few months have led to a mismatch of over 200bps between the IPRH or IPRC rates and three month Euribor. At present, the three un-hedged transactions, UCI 14, 15 and 16 benefit from this mismatch, increasing the levels of gross excess spread in the deals. Despite this, the volume of arrears means there is a significant cost of carry, which combined with the level of newly defaulted loans expected each period mean that excess spread will continue to be squeezed resulting in reserve fund draws.

Fitch also has concerns about the speed of repossession and sale of properties by the servicer given the deteriorating Spanish housing market. Fitch's house price expectations for Spain are for a 20% peak to trough decline, and therefore delays in the repossession and sale of properties are likely to result in lower recovery levels than may be achieved if properties are disposed of more quickly.

The rating actions are as follows:

Fondo de Titulizacion de Activos UCI 14:

Class A (ISIN ES0338341003) downgraded to 'AA' from 'AAA'; Outlook revised to Negative from Stable
Class B (ISIN ES0338341011) downgraded to 'BBB' from 'A+'; Outlook Negative
Class C (ISIN ES0338341029) downgraded to 'BB-' (BB minus) from 'BBB-' (BBB minus); Outlook Negative

Fondo de Titulizacion de Activos UCI 15:
Class A (ISIN ES0380957003) downgraded to 'AA' from 'AAA'; Outlook revised to Negative from Stable
Class B (ISIN ES0380957011) downgraded to 'BBB' from 'A+'; Outlook Negative
Class C (ISIN ES0380957029) downgraded to 'BB-' (BB minus) from 'BBB-' (BBB minus); Outlook Negative
Class D (ISIN ES0380957037) downgraded to 'CC' from 'CCC-' (CCC minus); assigned a 'RR5' Recovery Rating

Fondo de Titulizacion de Activos UCI 16:
Class A1 (ISIN ES0338186002) downgraded to 'AA-' (AA minus) from 'AAA'; Outlook revised to Negative from Stable
Class A2 (ISIN ES0338186010) downgraded to 'AA-' (AA minus) from 'AAA'; Outlook revised to Negative from Stable
Class B (ISIN ES0338186028) downgraded to 'BB+' from 'A-' (A minus); Outlook Negative
Class C (ISIN ES0338186036) downgraded to 'B' from 'BB+'; Outlook Negative
Class D (ISIN ES0338186044) downgraded to 'CCC' from 'BB-' (BB minus); assigned a 'RR3' Recovery Rating
Class E (ISIN ES0338186051) downgraded to 'CC' from 'CCC'; assigned a 'RR5' Recovery Rating

Fondo de Titulizacion de Activos UCI 17:
Class A1 (ISIN ES0337985008) downgraded to 'AA-' (AA minus) from 'AAA'; Outlook revised to Negative from Stable
Class A2 (ISIN ES0337985016) downgraded to 'AA-' (AA minus) from 'AAA'; Outlook revised to Negative from Stable
Class B (ISIN ES0337985024) downgraded to 'BB' from 'A-' (A minus); Outlook Negative
Class C (ISIN ES0337985032) downgraded to 'CCC' from 'BB+'; assigned a 'RR3' Recovery Rating
Class D (ISIN ES0337985040) downgraded to 'CC' from 'CCC'; assigned a 'RR5' Recovery Rating

Fitch will continue to monitor the performance of the transaction, which might result in further rating actions, if deemed necessary. More details on the performance of the four transactions will be covered in a Special Report, "Fondo de Titulizaction de Activos UCI, Performance Update", which will be published shortly. Further commentary and performance data on these transactions are available on the agency's subscription website, www.fitchresearch.com.

The rating of the class D note of UCI 15 will be posted on Fitch's website for the first time. Fitch has rated the note since closing, when it was assigned a 'CCC-'(CCC minus) rating with a Stable Outlook, but had not subsequently published the note's rating on its website until today.

Contact: Sanja Paic, London, Tel: +44 (0) 20 7682 7330; Peter Dossett: +44 (0) 20 7682 7427; Rui Pereira, Madrid, Tel: +34 91 702 5774.

Media Relations: Julian Dennison, London, Tel: +44 020 7682 7480, Email: julian.dennison@fitchratings.com.

Fitch's Recovery Ratings (RR), introduced in 2005, are a relative indicator of creditor recovery on a given obligation in the event of a default. A broad overview of Fitch's RR methodology as it relates to specific sectors, including a Case Study webcast, can be found at www.fitchratings.com/recovery.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, www.fitchratings.com. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall,

compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.