GC FTGENCAT Caixa Tarragona 1, Fondo de Titulización de Activos

ABS / Spain

Closing Date

3 July 2008

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PROVISIONAL (P) RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
AS	(P)**Aaa**	€104.3	43.46	June 2063	3mE + 0.40%
AG	(P)**Aaa**	€93.2	38.83	June 2063	3mE + 0.35%
B	(P)**A3**	€25.7	10.71	June 2063	3mE + 0.60%
C	(P)**Baa3**	€16.8	7.00	June 2063	3mE + 1.25%
D	(P)**C**	€13.8	5.75*	June 2063	3mE + 3.50%
Total		€253.8	100.00		

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal at par with respect to the Series AS, AG, B and C notes, and for ultimate payment of interest and principal at par with respect to the Series D notes, on or before the rated final legal maturity date. 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.

** As percentage of Series AS to C*

OPINION

Strengths of the Transaction

– Extensive information provided by Caixa Tarragona. In particular, Moody's has been provided with information to assess pool concentration by group of companies rather than at borrower level

– Eligibility criteria will limit the amount of loans in arrears as of the transfer day to the *Fondo*: 10% for the initial portfolio and 5% for the additional portfolio. In any case, no securitised loan will be more than 30 days in arrears as of the transfer date.

– Strong interest rate swap provided by Caixa Tarragona, whereby the *Fondo's* payment is based on a notional equal to or lower than the notional over which the swap counterparty payment is established. Moreover, Caixa Tarragona guarantees an excess spread of 55 bppa under the swap agreement, and covers the servicing fee should Caixa Tarragona be substituted as servicer of the pool

– A notification trigger in the event of Caixa Tarragona losing its **Ba2** rating will significantly reduce the notes' exposure to commingling risk and improve delinkage from the originator.

– The appointment of a backup servicer in the event of Caixa Tarragona losing its **Baa3** rating will significantly mitigate the risk derived from any servicer disruption event.

– Excess spread-trapping mechanism through a 12-month "artificial write-off"

– High seasoning (2.7 years) compared with similar Spanish SME deals

- The exposure of the transaction to the real estate development sector is significantly lower than the average observed in recent Spanish SME deals.
- Guarantee of the Regional Government of Catalonia (**Aa2**) for the Series AG only. Nevertheless, the expected loss associated with Series AG notes is consistent with a **Aaa** rating regardless of the Catalonia government guarantee, which has not formed part of Moody's quantitative analysis.
- None of the securitised loans will correspond to the restructuring or refinancing of debts. Neither will the pool include syndicated loans.
- A reserve fund of 5.75%, fully funded at closing, will be available to cover any potential shortfall. The reserve fund may amortise according to preset criteria.

Weaknesses and Mitigants

- High borrower concentration, as shown by the pool Effective Number of 250. Borrower concentration is considered at the time of computing the default distribution, resulting in a higher volatility and consequently increasing the credit enhancement needed to reach a certain target rating.
- The transaction envisions a revolving period of up to 2.5 years, which could trigger a decline in the credit quality of the portfolio. This is mitigated by strict eligibility criteria that any additional loan must comply with and by tight early amortisation triggers.
- Relatively long weighted average life of the pool compared with other Spanish SME pools. This implies that, for a certain rating level, the resulting default probability for each exposure, on average terms, is higher. Moody's has taken this into account in its quantitative analysis.
- Geographical concentration in the region of Catalonia, a consequence of the conditions imposed by the FTGENCAT programme. This is mitigated in part by the fact that this is the region where this financial institution has its greater expertise. In any case, a stress has been applied to correlation assumptions to account for this geographical concentration.
- Pro-rata amortisation of Series B and C leads to reduced credit enhancement of the senior series in absolute terms. This feature is mitigated by strict triggers which interrupt the pro-rata amortisation of the notes should the performance of the transaction deteriorate.
- The deferral of interest payments on each of Series B and C benefits the repayment of the respective senior series, but potentially exposes junior rated noteholders to long periods without any receipt of interest. Moody's has factored this in its quantitative analysis by assuming certain probabilities that these triggers are hit, and the reserve fund and the subordination have been sized accordingly to account for a potential increase in expected loss and the probability of hitting these triggers.

STRUCTURE SUMMARY *(see page 4 for more details)*

Issuer:	GC FTGENCAT Caixa Tarragona 1, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated/Equity floating-rate notes
Seller/Originator:	Caixa Tarragona (**A2**/**P-1**/**C**)
Servicer:	Caixa Tarragona
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	17th day of January, April, July, October First payment date: 17 October 2008
Credit Enhancement/Reserves:	0.55% excess spread 5.75% reserve fund Subordination of the notes Guaranteed Investment Contract (GIC) account Guarantee of the regional government of Catalonia (**Aa2**) for Series AG
GIC Account Provider:	Caixa Tarragona
Hedging:	Interest rate swap covering the interest rate risk
Interest Rate Swap Counterparty:	Caixa Tarragona
Paying Agent:	Caixa Tarragona
Note Trustee (Management Company):	Gesticaixa, S.G.F.T., S.A. (Gesticaixa)
Arranger:	Gesticaixa
Lead Managers:	Caixa Tarragona Depfa Bank plc

COLLATERAL SUMMARY (AS OF JUNE 2008) *(see page 8 for more details)*

Receivables:	Loans to Spanish SMEs and self-employed individuals
Total amount:	€283 million
Number of Contracts:	2,621
Number of Borrowers:	1,965
Geographic Diversity:	Catalonia (100%)
WA Seasoning:	2.8 years
WA Remaining Term:	13.5 years
Interest Basis:	96% floating, 4% fixed
WA Interest Rate:	5.6%
Delinquency Status:	No loans more than 30 days in arrears at the time of the securitisation
Historical Experience:	Historical information provided

NOTES

Series	Portfolio Subordination	Reserve Fund	Total
AS	17.71%*	5.75%	23.46%
AG	17.71%*	5.75%	23.46%
B	7.00%*	5.75%	12.75%
C	0%	5.75%	3.71%

* *Subject to pro-rata amortisation triggers*

INTRODUCTION

In 2008, the Generalitat de Catalunya has assigned its fifth annual guarantee budget for the FTGENCAT programme

The regional government of Catalonia, as part of its FTGENCAT programme, has assigned a total of €1.2 billion in guarantees for securitisation funds aimed at promoting the financing of SMEs within the Catalonia region. This is the fifth year in which the Generalitat de Catalunya has established a guarantee budget for this programme, which is almost €200 million higher than the around €1 billion assigned in 2007.

With respect to previous years, the terms for the reinvestment commitment imposed by the FTGENCAT programme have been relaxed (see condition 3 below), since the previous legal framework imposed the need to reinvest the whole amount within one year. The other conditions have not experienced any significant change, and are very similar to those established by the Spanish government's FTPYME programme:

1. Securitised assets must be loans (a) originated by institutions that have previously signed an agreement with the Economy and Finance Department of the Generalitat de Catalunya, (b) granted to non-financial enterprises based in Catalonia and (c) with an initial maturity of more than one year.
2. At least 80% of the loans must be granted to small- and medium-sized enterprises (SMEs) (as defined by the European Commission in its recommendation of 6 May 2003).
3. The institutions transferring the loans to an FTGENCAT fund must in turn reinvest the proceeds of the sale in granting new loans (such loans complying with conditions (1) and (2) above): 30% of which must be reinvested within one year, 60% within two years and the total amount within three years.
4. The Generalitat de Catalunya will guarantee interest and principal payments on up to 80% of securities rated **Aa2**. Significantly, the guarantee is fully binding for the Generalitat de Catalunya.

TRANSACTION SUMMARY

Cash securitisation of loans granted by Caixa Tarragona to Spanish corporates and self-employed individuals

GC FTGENCAT Caixa Tarragona, Fondo de Titulización de Activos (the "*Fondo*") is a securitisation fund created with the aim of purchasing a pool of loans granted by Caixa Tarragona to Spanish corporates and self-employed individuals, in compliance with the conditions required by the FTGENCAT programme in order to qualify for the Generalitat de Catalunya guarantee.

The *Fondo* will issue four series of notes to finance the purchase of the loans (at par):

– A senior tranche composed of two (P)**Aaa**-rated and pari passu series: Series AS and Series AG (the "Class A")
– A mezzanine Series B, rated (P)**A3**
– A subordinated Series C, rated (P)**Baa3**

In addition, the *Fondo* has issued a (P)**C**-rated Series D to fund up-front a cash reserve, which will be used to cover any potential shortfall on interest or principal payments to the other series.

Apart from the cash reserve, each series of notes is supported by the series subordinated to itself and the excess spread guaranteed through the swap agreement. The swap agreement will also hedge the *Fondo* against (i) the risk derived from having different index reference rates and reset dates on the assets side and on the liabilities side, and (ii) any renegotiation of the interest rate on the loans.

In addition, the *Fondo* will benefit from a €245,000 subordinated loan provided by Caixa Tarragona to fund the up-front expenses and the costs of issuing the notes.

Series AG benefits from the guarantee of the regional government of Catalonia for interest and principal payments. Nevertheless, the expected loss associated with Series AG notes is consistent with a (P)**Aaa** rating regardless of the public guarantee. The transaction has not incorporated any liquidity line to ensure the timeliness of the interest or principal guarantee payments.

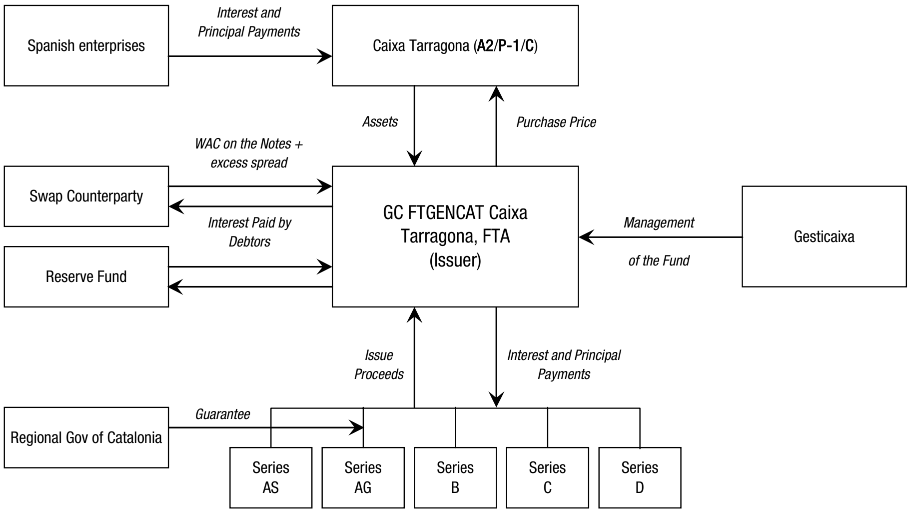
The provisional portfolio consists of 2,621 loans and 1,965 borrowers. Given the FTGENCAT programme conditions, it is fully concentrated in Catalonia. Around 37% of the portfolio is concentrated in the "buildings and real estate" sector according to Moody's industry classification. 66% of the pool is secured by a first-lien mortgage guarantee over different types of properties.

Moody's based the provisional ratings primarily on: (i) an evaluation of the underlying portfolio of loans; (ii) strict eligibility criteria that any receivable to be included in the securitised pool must comply with; (iii) the early amortisation triggers put in place to stop the purchase of additional loans; (iv) historical performance and other statistical information; (v) the swap agreement hedging the interest rate risk; (vi) the credit enhancement provided through the GIC account, the excess spread, the cash reserve and the subordination of the notes; and (vii) the legal and structural integrity of the transaction.

STRUCTURAL AND LEGAL ASPECTS

Deal structure incorporating the following key features: a swap agreement guaranteeing 55 bppa of excess spread, pro-rata amortisation of the subordinated notes, deferral of interest based on the accumulated amount of written-off loans and funding of the reserve fund through the issuance of a series of notes

Chart 1:
Structure Diagram



Interest rate swap hedging the interest rate risk and guaranteeing 55 bppa of excess spread

According to the swap agreement entered into between the *Fondo* and Caixa Tarragona, on each payment date:

– The *Fondo* will pay the interest actually received from the loans since the previous payment date plus the remuneration generated by the principal account.
– Caixa Tarragona will pay the sum of (1)weighted average interest rate on the notes plus 55 bppa over a notional equal to the outstanding amount of the notes; and (2) the servicer fee due on that payment date should Caixa Tarragona be substituted as servicer of the pool.

This swap structure additional hedges the *Fondo* against any potential renegotiation of the loans' interest rate. It also covers the gap between the interest payments received from the pool and the amount of interest due to the notes on the first payment date.

It is worth noting, as a strong positive feature of this swap, that the *Fondo* is not obliged to pay the interest accrued by the delinquent or written-off loans, and Caixa Tarragona's payment is based on a notional that includes the amount of principal deficiency should it occur.

In the event of Caixa Tarragona's long-term rating being downgraded below **A2** or its short-term rating being downgraded below **P-1**, it will within 30 business days have to (1) collateralise its obligation under the swap in an amount sufficient to maintain the then current rating of the notes; or (2) find a suitably rated guarantor or substitute. Any failure by Caixa Tarragona to comply with these conditions will constitute an event of default under the swap agreement.

Reserve fund fully funded upfront to help the Fondo meet its payment obligations

Fully funded up-front with the proceeds of Series D, the reserve fund will be used to cover any potential shortfall on items (1) to (8) of the order of priority (detailed below) on an ongoing basis.

At any point in time during the life of the transaction, the amount requested under the reserve fund will be the lesser of the following amounts:

- 5.75% of the initial balance of Series AS to C
- The higher of:
  - 11.5% of the outstanding balance of Series AS to C
  - €6.9 million

The amount requested under the reserve fund will not be reduced:

- During the first three years following the closing date.
- If the Arrears Level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1%.
- If the reserve fund is not funded at its required level on the current payment date.

The GIC account provides an annual interest rate equal to the index reference rate of the notes

The GIC (or treasury) account will be held at Caixa Tarragona. The proceeds from the loans, amounts received under the swap agreement and the reserve fund will be deposited in the treasury account.

The structure envisages certain triggers in order to protect the treasury account from a possible downgrade of Caixa Tarragona's short-term rating. Should this rating fall below **P-1**, it will within 30 business days have to perform any of the following actions in the indicated order of priority:

1. Find a suitably rated guarantor or substitute.
2. Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.

Caixa Tarragona guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference rate of the notes.

During the revolving period, any amount retained as principal due that is not used on a payment date for the acquisition of credit rights will be transferred to a special account held at Caixa Tarragona (namely, the principal account), subject to the same triggers and remuneration as the treasury account, and will be automatically cancelled on the payment date following the end of the revolving period.

Limitations on the renegotiation of the loan

The management company authorises Caixa Tarragona as servicer to renegotiate the interest rate or the maturity of any loan without requiring its approval (although this authorisation can be revoked at any point in time during the life of the transaction). Regarding this last issue, the structure envisages some limitations:

- Caixa Tarragona will not be able to extend the maturity of any loan beyond December 2059.
- The total initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the pool.
- The frequency of payments cannot be decreased.
- The amortisation system cannot be modified.

Payment structure allocation

At the closing date, the proceeds from the notes will be used to purchase the loans that will form part of the asset pool. The starting expenses and the notes issuance costs will be financed through a subordinated loan granted by Caixa Tarragona.

On each quarterly payment date, the *Fondo*'s available funds (amounts received from the asset pool, the reserve fund, amounts received under the swap agreement and interest earned on the transaction accounts) will be applied in the following simplified order of priority:

1. Costs and fees;
2. Any amount due under the swap agreement and swap termination payment if the *Fondo* is the defaulting party;
3. Interest payment to Series AS and AG;
4. Interest payment to Series B (if not deferred);
5. Interest payment to Series C (if not deferred);
6. Retention of an amount equal to the principal due under the notes;

7. Interest payment to Series B (if deferred);
8. Interest payment to Series C (if deferred);
9. Replenishment of the reserve fund;
10. Ordinary interest payment to Series D;
11. Principal payment to Series D;
12. Termination payment under the swap agreement (except in the cases contemplated in 2) above);
13. Junior payments.

The reimbursement of the guarantee payments from the Generalitat de Catalunya will be made through the above-mentioned order of priority, occupying the same position as the interest and principal payments on the guaranteed series.

In the event of liquidation of the *Fondo*, the payment structure is modified with the sole aim of ensuring that any amount due to a series is repaid before any payment to a subordinated series is made.

Interest deferral mechanism based on the accumulated amount of written-off loans

The payment of interest on Series B and C will be brought to a more junior position if, on any payment date, and for each of these series, the following conditions are met:

– The accumulated amount of written-off loans since closing is higher than 24% and 16% of the initial amount of the pool for Series B and C respectively; and

– The series senior to it are not fully redeemed.

Principal due to the notes incorporates a 12-month "artificial write-off" mechanism

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (1) the outstanding amount of the Series A1 to C notes and (2) the outstanding amount of the non-written-off loans (the "written-off loans" being defined as those loans with any amount due but unpaid for more than 12 months (or earlier, if the servicer considers that there are no reasonable expectations of recovery under each such loan)).

The "artificial write-off" is envisioned to speed up the off-balance sheet of a non-performing loan compared to waiting for the "natural write-off"; thus, the amount of notes collateralised by non-performing loans is minimised and, consequently, the negative carry. However, the most important benefit for the transaction is that the amount of excess spread trapped in the structure is larger (the excess spread between the "artificial write-off" time and the "natural write-off" time would otherwise be lost). Therefore, the transaction makes better use of the excess spread, allowing for lower levels of other credit enhancement figures.

A principal deficiency will occur, on any payment date, if the issuer's available funds are not sufficient to reimburse the principal due under the notes, according to the cash flow rules stated above (the difference between these two amounts being the principal deficiency). The principal deficiency attributable to Series AG will be covered by the guarantee from the Generalitat de Catalunya.

Principal due allocation mechanism and revolving period

During the revolving period, the principal available funds will be used for the purchase of additional credit rights to Caixa Tarragona. This period will last until the payment date of January 2011, or, if earlier, upon the breach on a payment date of any of the early amortisation triggers, mainly:

i. The Arrears Level exceeds 4%.
ii. The accumulated amount of written-off loans since closing exceeds a target that is derived from the straight line interpolation between 0% and 7% of the initial amount of the pool.
iii. The cash reserve is not going to be funded at the required level.
iv. The outstanding amount of the non-written-off loans would be less than 60% of the outstanding amount of the notes after the purchase date.
v. Non-compliance with the swap downgrade language within the stipulated timeframe
vi. An insolvency, failure to pay or bankruptcy in respect of Caixa Tarragona
vii. By agreement of both the *Fondo*'s creditors and counterparty of the agreements entered into by the *Fondo*.

Loans to be acquired during the revolving period will be purchased at par and will have to comply with the eligibility criteria (see "Collateral" section). At any point in time, the outstanding amount of non-written-off loans cannot be greater than €240 million.

Following the termination of the revolving period, the amount retained as principal due will be allocated to the amortisation of Series AS to C according to the following rules:

1) Sequentially to the amortisation of Class A, Series B and Series C (in the indicated order), where funds allocated to the amortisation of Class A will be used to amortise Series AS and AG on a pro-rata basis.
2) Notwithstanding rule (1), from the payment date on which the initial amount of Series B and C exceeds 21.42% and 14.0%, respectively, of the outstanding amount under Series AS to C, pro rata between these four Series, ensuring that the following conditions are met:
   - The arrears level is below 1.25% and 1.00% for Series B and C, respectively.
   - The cash reserve is going to be funded at its required level.
   - The outstanding amount of the non-written-off loans is lower than 10% of the pool's initial amount

The reimbursement of the guarantee payments from the Generalitat de Catalunya by reason of principal will occupy the same position as the amortisation of Series AG in the principal due allocation mechanism stated above.

Series D amortisation

The Series D notes will amortise, on each payment date, for an amount equal to the difference between the outstanding amount of Series D and the reserve fund's required amount on the current payment date.

COLLATERAL

Pool of loans granted to Spanish SMEs concentrated in Catalonia

The portfolio will consist of loans granted to Spanish SMEs and self-employed individuals based in Catalonia, and will have been originated by Caixa Tarragona in its normal course of business. The loans (both the initial and the additional loans) must comply with the following criteria:

– The loans have been granted to non-financial enterprises domiciled in Spain and based in Catalonia, 100% of which are SMEs according to the European Commission definition.
– All the loans have been formalised under public deed.
– No loan has been granted to Caixa Tarragona employees or companies belonging to Caixa Tarragona group.
– The loans are repaid by direct debit, have an initial term above one year and have paid at least one instalment.
– No loan agreement incorporates deferred payments of interest.
– 100% of the principal of the loans has been drawn.
– All the mortgaged properties are fully developed and situated in Spain.
– The pool will not include loans granted to real estate developers or lease contracts.
– The pool will not include syndicated loans or loans corresponding to the refinancing or restructuring of debts
– None of the loans will have been granted through dealers.
– As of the transfer date, loans will be performing or up to 30 days in arrears.

Initial portfolio

As of June 2008, the provisional portfolio comprised 2,621 loans and 1,965 borrowers, for a total amount of €283 million. 26% of the outstanding of the pool corresponds to micro SMEs (annual turnover below €600,000), 56% to SMEs (annual turnover between €600,000 and €50 million) and the remaining 18% to self-employed individuals. 5.6% of the outstanding of the pool corresponds to start-ups (companies that, at the time of being granted the securitised loan, had been incorporated less than one year ago).

The loans were originated between 1988 and February 2008, with a weighted average seasoning of 2.8 years and a weighted average remaining term of 13.5 years. The longest loan matures in 2057. The interest rate is floating for the majority of the loans (96%), with a weighted average interest rate of 5.6%.

The majority of the loans pay through monthly (87%) or quarterly (10%) instalments of interest and principal. The rest of the loans pay through semi-annual (0.4%) or annual (2.8%) instalments. In terms of amortisation pattern, 2.4% of the pool corresponds to bullet or free-amortising loans. Apart from this, 4.5% of the pool enjoys a grace period on principal payments (the average length of the grace period being 0.75 years).

Around 73% of the outstanding of the portfolio is secured by a mortgage guarantee over different types of properties (91% of them being first lien). The total weighted average loan-to-value is 51%.

Geographically, given the conditions imposed by the FTGENCAT programme, the pool is fully concentrated in Catalonia. Around 37% of the portfolio is concentrated in the “buildings and real estate” sector according to Moody’s industry classification. For around 6% of the portfolio, no information was available to determine the Moody’s industry sector associated with the borrower.

In terms of debtor diversification, the pool is quite concentrated, and includes exposures up to 2.55% of the amount of the issuance. The sum of the 10 highest debtors represents 19% of the same amount.

Moody’s has also been provided with information to assess the pool concentration by group of borrowers rather than at borrower level. Concentration by group of borrowers does not differ substantially from that by borrower, except for the top financial group, which represents 3.3% of the amount of the issuance.

Chart 2:
Portfolio Breakdown by Year of Origination

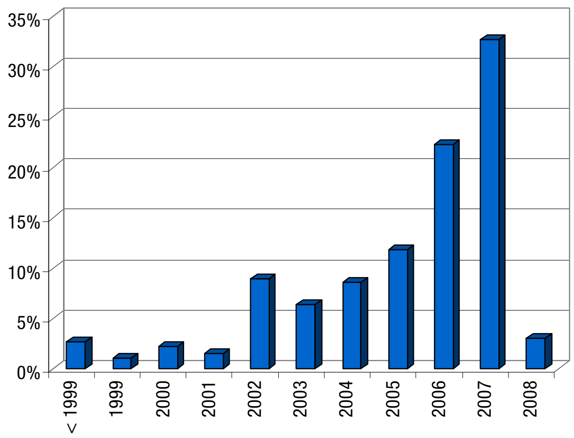


Chart 3:
Portfolio Breakdown by Year of Maturity

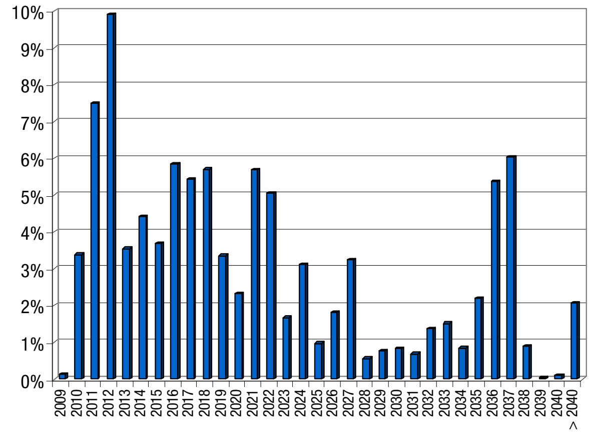


Chart 4:
Portfolio Breakdown by Frequency of Payments

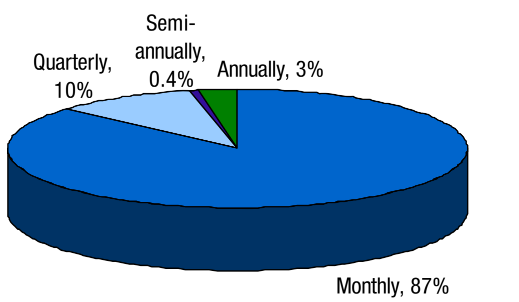


Chart 5:
Ten Most Represented Moody’s Industry Sectors

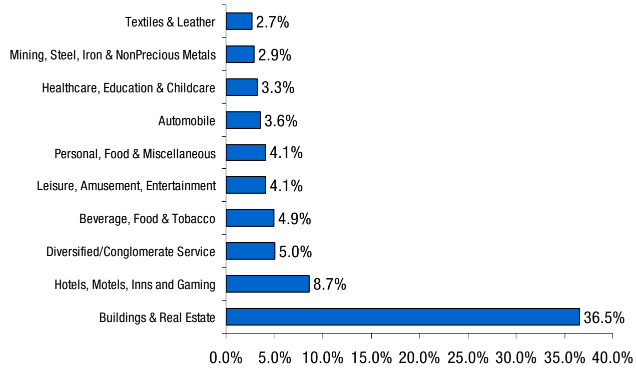


Chart 6:
Portfolio Breakdown by Type of Mortgaged Properties

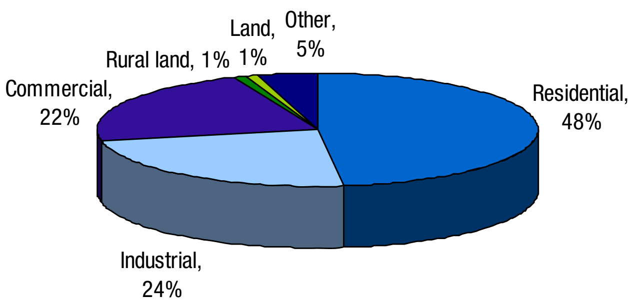
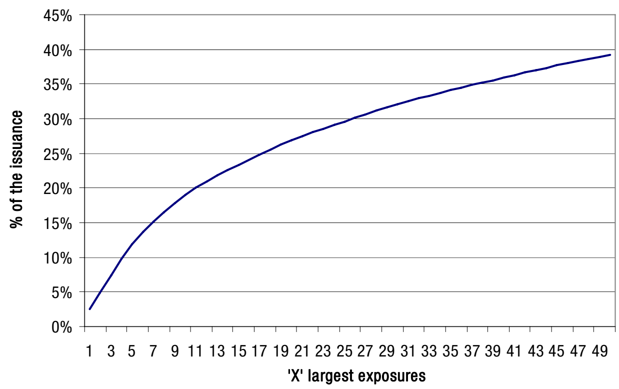


Chart 7:
Debtor Concentration – 50 Largest Exposures



As of the closing date, eligibility criteria will ensure that:

- No more than 10% of the loans are up to 30 days delinquent.
- Loans granted to real estate developers will not represent more than 6.25% of the amount of the issuance.

Pool-level eligibility criteria for the additional portfolios

In addition to the individual criteria mentioned above, the combination of the existing loans and the new loans will have to comply with the following criteria after each purchase date:

1. Borrower concentration

Table 1:
Borrower Concentration

	% of the issuance amount
Top borrower	2.55%
5 top borrowers	12%
10 top borrowers	20%
20 top borrowers	30%
50 top borrowers	40%

2. Industry sector concentration (sector defined by the first two digits of the CNAE classification):
    - Top sector: 25%
    - Top 3 sectors: 50%

Solely for those loans included in each additional pool, eligibility criteria have been set to guarantee:

1. A minimum weighted average seasoning of 3 months
2. A maximum weighted average remaining term of 14.8 years
3. A maximum amount of start-ups of 7%
4. A maximum amount of micro SMEs of 35%
5. A maximum amount of self-employed individuals of 30%
6. A maximum exposure to the buildings and real estate sector (defined by CNAE codes starting with 14, 26, 45 and 70) of 45%
7. A maximum exposure to the real estate development sector of 6.5%
8. A minimum amount of loans secured by a first lien mortgage of 60%, with a maximum weighted average loan to value of 60%
9. Out of the loans secured by a first lien mortgage, a minimum of 45% will be secured by residential properties and a maximum of 2% will be secured by rural or urban land properties
10. A maximum amount of bullet loans of 3%
11. A maximum amount of loans with payment frequency lower than quarterly equal to 4.5%
12. A maximum amount of loans with principal grace periods equal to 6.5% (with a maximum length of the weighted average grace period of one year)
13. A maximum amount of loans up to 30 days delinquent of 5%

ORIGINATOR, SERVICER, PAYING AGENT AND MANAGEMENT COMPANY

Caixa Tarragona, a savings bank focused in its home region of Catalonia, is the originator and servicer of the asset pool

Caixa d'Estalvis de Tarragona (Caixa Tarragona, **A2**/**P-1**/**C**) has a good business franchise in its home territory, the province of Tarragona, in the region of Catalonia in North-East Spain. As at the end of December 2007, the savings bank had market shares of 12% of total lending and 31% of deposits in its home province. The entity is also present in the Catalan provinces of Barcelona and Lleida, as well as in Madrid; however, it is of modest size relative to other Spanish banks. With €9.3 billion in assets as at the end of March 2008, Caixa Tarragona ranked 30th by total assets among Spain's 46 savings banks.

Caixa Tarragona's ratio of non-performing loans (NPLs) compares well with that of international peers, although it is above the average for rated institutions in Spain. At the end of March 2008, this ratio stood at 2.03%, up from previous years. Problem loans represented 29.98% of the sum of loan-loss reserves and equity at the end of March 2008.

Caixa Tarragona shows a traditional low-risk credit portfolio, heavily weighted towards mortgages, which represented approximately 80% of its loan stock as at the end of March 2008. As at year-end 2007, residential mortgages represented approximately 64% of the outstanding amount of the mortgage portfolio, with the remainder being composed of loans to finance industrial and commercial properties (8.3%) and real estate developments (27.1%). As at year-end 2007, the average loan-to-value ratio of the mortgage portfolio remains conservative at 58.02%.

So far Caixa Tarragona has participated in eight securitisations, seven of them multi-originator. Seven of them correspond to RMBS, one (multi-originator) to SMEs.

Duties as servicer and originator

Caixa Tarragona will act as servicer of the loans, and will transfer the proceeds from the loans into the treasury account within two business days of their being paid by the borrowers.

With the purpose of protecting the transaction against the commingling risk, the transaction envisions certain events that would trigger the notification to the borrowers of the transfer of the loans to the *Fondo*, as well as redirection of payments to a cash account held at the name of the *Fondo*. The management company will require Caixa Tarragona to make the above-mentioned notification*:* (i) in the event of it being substituted as servicer, (ii) in the event of an insolvency process or a Bank of Spain intervention; (iii) upon a downgrade of Caixa Tarragona's long-term rating below **Ba2**; (iv) in the event that Caixa Tarragona is no longer rated by Moody's, upon a downgrade of its long-term rating by any of the main rating agencies below BBB- (or the equivalent rating); or (v) because the management company considers it appropriate in the best interest of the noteholders. Should Caixa Tarragona fail to comply with this obligation within five business days, the notification would then be carried out by the management company.

Likewise, in the event of Caixa Tarragona failing to perform its obligations as servicer; being subject to a Bank of Spain intervention or being affected by an insolvency process; or because the management company considers it appropriate, the management company is empowered to substitute Caixa Tarragona (in its role as servicer) with a suitable institution. In addition, should any of these events occur or Caixa Tarragona's long-term rating be downgraded below **Baa3**, Caixa Tarragona will have to appoint a suitable backup servicer. Should Caixa Tarragona fail to comply with this obligation within sixty days, the management company will subrogate in such obligation.

Moody's believes that Caixa Tarragona is currently a capable servicer.

It is worthy to note that, at the time of publishing this report, both long- and short-term ratings of Caixa Tarragona are on review for possible downgrade, which could imply that any of the downgrade triggers incorporated into the swap agreement, treasury and principal account, and paying agent is hit. Moody's has had some discussions with Caixa Tarragona staff on the different options that would be undertaken in the event that any of the triggers is hit.

Paying Agent

Caixa Tarragona will act as paying agent of the *Fondo*. In the event of Caixa Tarragona's short-term rating falling below **P-1**, it will within 30 business days have to be replaced or guaranteed in its role of paying agent by a suitably rated institution.

Management Company

Gesticaixa is an experienced management company in the Spanish securitisation market. Almost 80% of its capital is currently owned by Caja de Ahorros y Pensiones de Barcelona (La Caixa, rated **Aa1**/**P-1**/**B**), and its obligations within the structure are supported by all of its shareholders. Currently it carries out the management of 27 securitisation funds.

Moody's used an inverse normal approach to derive the default distribution in the portfolio, accompanied with stochastic recoveries

Table 2:
Summary of Main Assumptions

	Quantitative ranges tested
Mean default	11.5% - 12.5% initial portfolio 12.5% - 13.5% additional portfolio
COV	55% - 65%
Recoveries	50% - 70%
CPR	6% - 8%

Given the number of assets and the size of the exposures in the portfolio, as shown by the effective number of 250, Moody's decided to derive the gross loss distribution curve through a two-factor Monte-Carlo approach, rather than assuming that it follows a given general density law.

Two basic parameters needed to be assessed as main inputs for the model as follows:

– The gross loss contribution of each single entity, and
– The correlation structure among the different industries represented in the portfolio

As regards the first item, Moody's has based its analysis primarily on the historical performance of sample pools similar to the pool being securitised. The historical analysis was complemented with (1) statistical information on the Spanish SME market since the early 1990s; (2) the performance of similar deals; (3) feedback from Moody's corporate and CMBS teams; (4) Moody's ratings (whether public or using credit estimates) for some of the companies included in the provisional pool or of a similar nature; and (5) other qualitative and pool-derived aspects, such as potential worst performance expectations on real estate companies. It is important to note that a loan has been considered as 'defaulted' after 90 days past due. The value tested as mean default was in the range of 11.5% - 12.5% for the initial portfolio and 12.5% - 13.5% for the additional portfolios.

The standard deviation of the default distribution was determined splitting the portfolio into 33 sectors of activity and assuming a fixed pairwise correlation parameter (where inter-industry correlation was stressed to 6%, to account for geographical concentration in Catalonia); the resulting coefficient of variation was in the range of 55% - 65%.

The timing of default was assumed to be front-loaded and adjusted to the weighted average life of the pool. Sensitivity scenarios were run to check the strength of ratings with less likely back-loaded timing of default scenarios.

Assumptions for recoveries were made on the basis of (1) historical information received for this deal; (2) statistical information on the Spanish SME market; (3) feedback from Moody's corporate and CMBS teams; (4) mortgages and other types of guarantees in the portfolio; and (5) other qualitative and pool-derived aspects. The mean value assumed was in the range of 50% - 70%.

Assumptions for prepayments were also tested in Moody's quantitative analysis and were partly derived from historical and statistical information as well as qualitative assessments. The values tested were in the range of 6% - 8%.

Cash-flow modelling in order to determine the rating of the notes

Moody's considered how the cash flows generated by the collateral were allocated to the parties within the transaction, and the extent to which various structural features of the transaction might themselves provide additional protection to investors, or act as a source of risk. In addition, Moody's ensured that the transaction is not affected by the bankruptcy of the originator or the servicer of the portfolio.

To determine the rating assigned to each series of notes, Moody's used an expected loss methodology that reflected the probability of default for each series of notes times the severity of the loss expected for each series of notes. With this purpose, and in order to allocate losses to the notes in accordance with their priority of payment and relative size, Moody's built a cash-flow model that reproduced many deal-specific characteristics: the main input parameters of the model have been described above. Weighting each default scenario's severity result on the notes with its probability of occurrence, Moody's calculated the expected loss level for each series of notes as well as the expected average life. Moody's then compared the quantitative values to the Moody's Idealised Expected Loss table to determine the ratings assigned to each series of notes.

It is also worth mentioning that Moody's has not taken into consideration the clean-up call in its quantitative modelling. This had a significant effect on the more junior notes. In particular, the Series C notes had an average life close to 20 years according to Moody's quantitative analysis.

RATING SENSITIVITIES AND MONITORING

The ratings of the notes depend on the portfolio performance and counterparty ratings

In addition to counterparty risk, the transaction's ratings will be sensitive to the status of the Spanish economy (in particular, the financial health of small and medium-sized companies) and to the performance of the Spanish real estate market.

The management company, Gesticaixa, has committed to provide Moody's with access to a website from which a report containing at least quarterly pool-level performance and payments to the notes data can be obtained. Moody's considers the amount of data currently available on the website to be acceptable for monitoring collateral performance, though further improvements will be encouraged. In the event that Moody's access to the website is curtailed or that adequate performance information is not otherwise made available to Moody's, Moody's ability to monitor the ratings may be impaired. This could negatively impact the ratings or, in some cases, Moody's ability to continue to rate the notes.

Moody's will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the ratings will be publicly announced and disseminated through Moody's Client Service Desk.

RELATED RESEARCH

Visit moodys.com for further details

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions, please refer to the following reports:

Credit Opinion

– Caixa d'Estalvis de Tarragona

Issuer Profile

– Caixa d'Estalvis de Tarragona, March 2006

Analysis

– Caixa d'Estalvis de Tarragona, March 2006 (96995)

Special Report

– Information on EMEA SME Securitisations: Moody's view on granular SME loan receivable transactions and information guidelines, March 2007 (SF92748)
– Moody's Spanish SME Loan-Backed Securities Index, April 2004 (SF35231)
– Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)

Rating Methodologies

– Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa, June 2007 (SF90890)
– Moody's Approach to Rating the CDOs of SMEs in Europe, February 2007 (SF90480)
– Moody's Approach to Rating ith-to-Default Basket Credit-Linked Notes, April 2002 (SF13090)

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