STANDARD & POOR'S

STRUCTURED FINANCE

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RMBS Postsale Report

GC SABADELL 1, Fondo de Titulización Hipotecario

€1.2 billion mortgage-backed floating-rate notes

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Class	Rating*	Amount (Mil. €)	Available credit support (%)	Interest	Legal final maturity
A1**	AAA	150.0	3.35	Three-month EURIBOR plus 6 bps	June 20, 2038
A2**	AAA	1,020.6	3.35	Three-month EURIBOR plus 17 bps	June 20, 2038
B	A	19.2	1.75	Three-month EURIBOR plus 42 bps	June 20, 2038
C	BBB	10.2	0.90	Three-month EURIBOR plus 78 bps	June 20, 2038

**Standard & Poor's ratings address timely interest and ultimate principal.*
***Class A1 is a soft-bullet tranche, which matures in December 2005. The class A2 notes start amortizing in March 2006 at the earliest.*

Transaction Profile	
Closing date	July 16, 2004
Originator	Banco de Sabadell S.A.
Arranger	GestiCaixa, S.F.G.T, S.A.
Seller	Banco de Sabadell S.A.
Servicer	Banco de Sabadell S.A.
Security trustee	GestiCaixa, S.G.F.T, S.A.
Interest swap counterparty	Banco de Sabadell S.A.
GIC provider	Banco de Sabadell S.A.
Bank account provider	Banco de Sabadell S.A.

Supporting Ratings	
Institution/role	Ratings
Banco de Sabadell S.A. as bank account provider and swap counterparty	A/Stable/A-1

Transaction Key Features*	
Collateral	First-lien mortgages on residential properties in Spain.
Principal outstanding (Mil. €)	1,306
Country of origination	Spain
Concentration (%)	Catalonia (39.22 of pool), Asturias (16.24), and Madrid (15.64)
Weighted-average LTV ratio (%)	59.83
Average loan balance (€)	88,519
Loan size range (€)	3,469 to 869,473
Weighted-average seasoning (months)	32.85
Weighted-average asset life remaining (years)	19.95
Weighted-average mortgage interest rate (%)	3.48
Weighted-average margin (%)	0.71
Arrears (% of pool)	0
Redemption profile	Annuity (monthly installments)
Excess spread at closing (%)	0.5, from the interest-rate swap contract
Cash reserve (%)	0.9
Mortgage priority	100% first-lien
Maximum LTV ratio (%)	80
Jumbo loans > €400,000	1.18% of pool (31 loans)
*As of June 15, 2004	

Transaction Summary

Credit ratings were assigned to the €1.2 billion mortgage-backed floating-rate notes issued by GC SABADELL 1, Fondo de Titulización Hipotecario (FTH).

The originator is Banco de Sabadell S.A. (Banco Sabadell), the fourth-largest Spanish banking group.

Notable Features

This is the second securitization of Banco Sabadell's mortgage loans and the bank's seventh securitization. By aggregate outstanding principal amount, GC SABADELL 1, FTH is the Banco Sabadell group's largest securitization transaction. Not including this transaction, an outstanding amount of €1.21 billion of loans originated by Banco Sabadell (as of May 31, 2004) have been securitized.

The transaction features a soft bullet 'AAA' rated class of notes, the class A1 notes, which amortize 17 months after closing. The class A2 notes start amortizing on March 20, 2006, at the earliest. The negative carry created is funded through swap payments.

As in other Spanish transactions, interest and principal from the mortgages are combined into a single priority of payments, with principal deficiency-based triggers in the payment of the interest to protect senior noteholders.

Strengths, Concerns, and Mitigating Factors

Strengths

- The collateral consists of first-ranking mortgages secured over residential owner-occupied properties in Spain, with a weighted-average current LTV ratio of 59.8% and a weighted-average seasoning of 2.7 years.
- The cash reserve is available to cover any interest or principal shortfalls.
- Principal amortization of the notes is accelerated if there are loans more than 12 months past due, using trapped excess spread, by the amount equivalent to the outstanding balance of those overdue loans.
- The swap pays three-month EURIBOR, plus the weighted-average margin of the notes, plus a spread of 50 basis points (bps) on a notional amount equivalent to the outstanding balance of the notes.
- Banco Sabadell is an experienced servicer. It already manages five small and midsize enterprise (SME) loan securitizations and one RMBS transaction.

Concerns

- Of the loans, 46.6% have interest-rate caps; most of the caps being set at 12.0%.
- Of the loans, 71.1% are concentrated in three regions (Catalonia, Asturias, and Madrid).

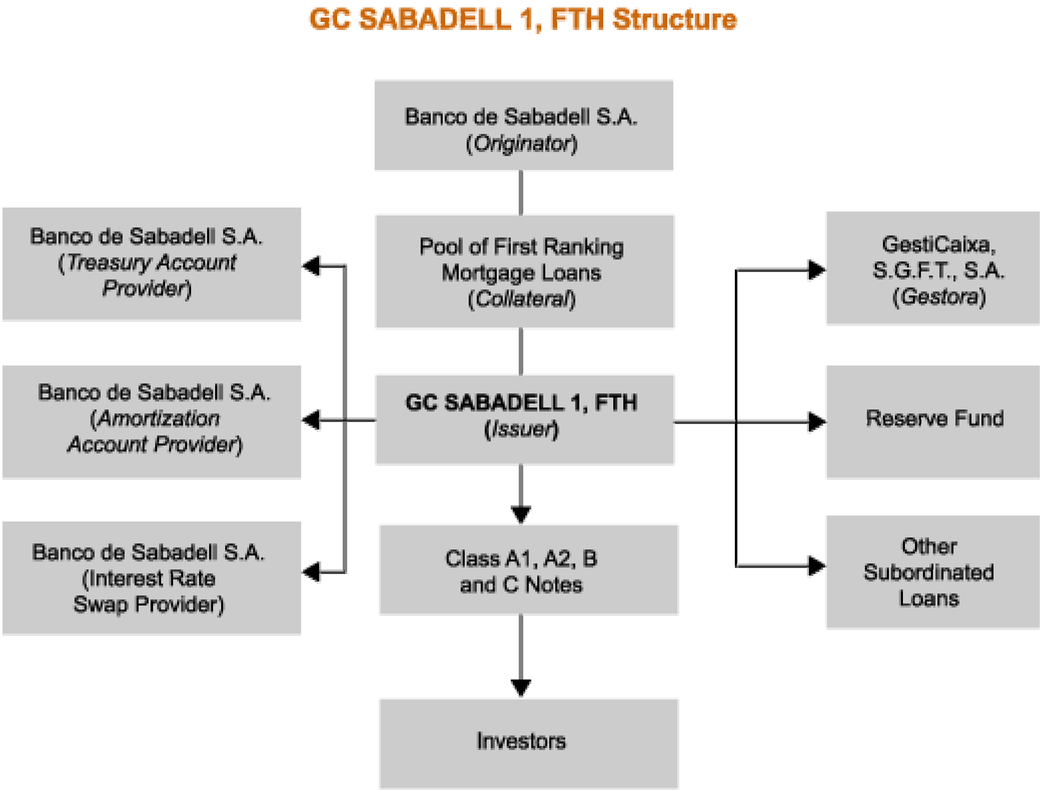
Mitigating Factors

- The caps are set at high levels (most set at 12%) and the swap mitigates any concerns relating to the caps.
- Standard & Poor's has taken into account geographic concentration in its credit analysis. Some regional concentrations, especially in Catalonia and to some extent Asturias, are expected, as Catalonia is Banco Sabadell's historical market. Furthermore, Madrid and Catalonia are among the wealthiest regions in Spain and have active mortgage markets.

Transaction Structure

At closing, the originator issued mortgage participations that were purchased by GestiCaixa, S.G.F.T, S.A., the "*sociedad gestora*" (trustee equivalent), on behalf of the issuer.

Each mortgage participation represents, in equal amount and interest rate, the securitized mortgage loan. The mortgage participations entitle GC SABADELL 1 to any right and proceeds due under the mortgage loans.



The total outstanding amount of mortgage loans purchased is €1.2 billion. To fund the purchase of collateral, GC SABADELL 1 issued the classes of floating-rate quarterly paying notes.

The collateral is serviced by Banco Sabadell, which collects the amounts due under the mortgage loans. The servicer transfers daily the installments collected to the transaction account of the issuer. The amounts held receive a guaranteed interest rate equal to three-month EURIBOR.

The issuer entered into an interest-rate swap agreement with Banco Sabadell to counteract any basis and interest-rate risk arising from the various indices of the mortgages in the pool and the reference interest rate of the notes. The swap agreement pays the coupon of the notes plus an additional spread of 50 bps.

On each quarterly interest payment date (which occur on the 20th of June, September, December and March), the issuer pays in arrears the interest due to the noteholders.

All interest and principal received from the mortgages can be mixed to pay principal and interest due under the notes. Therefore, a trigger is implemented so that in a stressful economic environment the more senior notes are amortized before interest is paid on the subordinated notes.

This trigger is calculated according to the level of principal deficiency, which is defined as the difference between the amount amortized under the notes and the available funds applied to the amortization of the notes. The trigger is as follows:

- Interest on the class B notes: if the class A notes (A1 and A2) are still outstanding and the principal deficiency is greater than the sum of 157% of the issuance amount of the class B notes plus the issuance amount of the class C notes, interest payments on the class B notes are postponed.
- Interest on the class C notes: if the class A and B notes are still outstanding and the principal deficiency is greater than 140% of the issuance amount of the class C notes, interest payments on the class C notes are postponed.

Main Participants

GestiCaixa, S.G.F.T., S.A. (Sociedad Gestora, or Trustee Equivalent)

The sociedad gestora is GestiCaixa, S.G.F.T., which was created and authorized by the Ministry of Economy in August 1994. Under the legislation for mortgage securitization in Spain, the day-to-day operations of the issuer are managed by the sociedad gestora, which represents and defends the interests of the noteholders. The sociedad gestora, on behalf of the issuer, entered into certain contracts needed to protect it against certain credit losses and liquidity shortfalls that are assumed to arise in connection with holding the mortgage participations. In this transaction, the main responsibilities of the sociedad gestora are to create the issuer, issue the notes, calculate the interest rate on the notes, notify noteholders of any relevant information applicable to the notes and mortgage participations, and organize the annual audit.

GC SABADELL 1, Fondo de Titulización Hipotecario (Issuer)

GC SABADELL 1 is a fondo de titulización hipotecario, whose sole purpose is to acquire the collateral from Banco Sabadell, issue the notes, and carry on related activities. The issuer holds a distinct and closed pool of assets available for distribution to the noteholders. The assets are insulated from the insolvency of the originator and the sociedad gestora.

Banco de Sabadell S.A. (Originator and Servicer)

Banco Sabadell is a midsize bank with a mainly domestic focus. It is Spain's fourth-largest commercial banking group and sixth-largest financial institution by total assets. Banco Sabadell provides universal banking services to its customers and has increased its lending to individuals. Residential mortgage lending accounts for 78% of its customer-lending activities to individuals as of March 31, 2004.

Banco Sabadell's total mortgage portfolio has increased by 22.7% since 2003, reaching €12.3 billion in March 2004.

Banco Sabadell followed a two-pronged expansion process, combining organic growth during the past decade with the acquisition of small commercial banks outside its core region. Banco Sabadell strengthened its presence in the metropolitan areas of its core markets of Catalonia, Levante, and the Balearic Islands, as well as in other Spanish regions with high economic activity, such as Madrid.

The incorporation of Banco Herrero, S.A. in 2001 into the group increased Banco Sabadell's assets by one-fifth, and its branch network by almost 40%, strengthening the bank's presence in northern Spain and in Madrid. Banco Sabadell also strengthened its position in 2004 with the purchase of Banco Atlántico, S.A.

Outside Spain, Banco Sabadell's activities focus mainly on providing trade-finance and correspondent-banking services to Spanish SMEs through a small number of foreign branches and representative offices, as well as through its domestic network.

Collateral Description

As of June 15, 2004, the pool of mortgage loans consisted of 14,749 amortizing loans secured by first-ranking mortgages over residential properties in Spain.

Features of the mortgage pool include the following:

- Of the pool, 71.1% is concentrated in Catalonia, Asturias, and Madrid.
- On the closing date, when the fondo was incorporated, all the loans were current.

- The weighted-average seasoning is 32.85 months, with 60.54% of the pool being originated more than 24 months ago. The weighted-average LTV ratio is 59.83% and the average LTV ratio is 57.16%.
- Of the loans, 0.11% of the pool are residential properties that have associated premises that may be used for commercial purposes.
- Of the loans, 4.88% are on properties that may be used as second homes.

Charts 2, 3, and 4 contain additional information on the collateral.

Chart 2

LTV Ratio Distribution

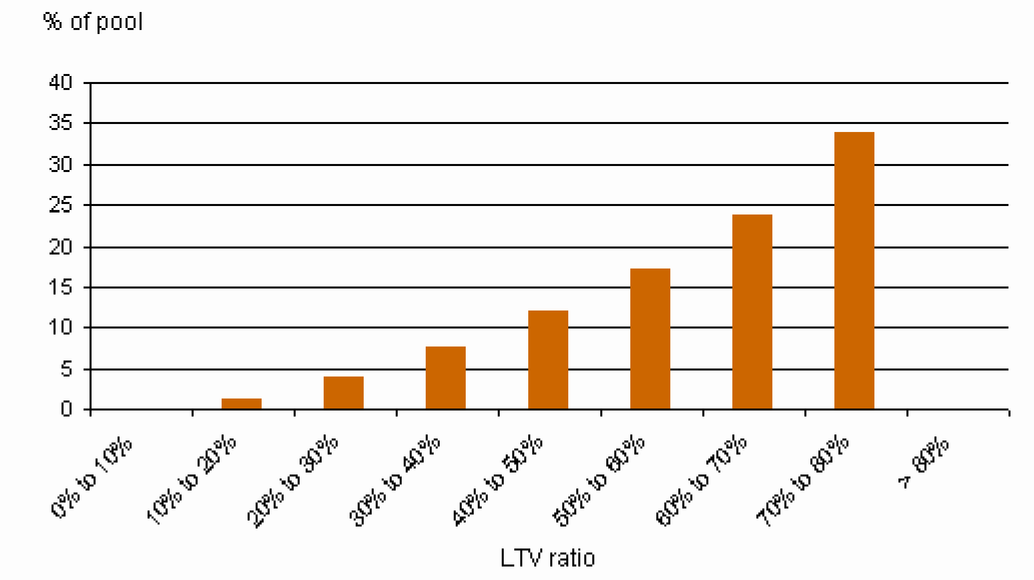
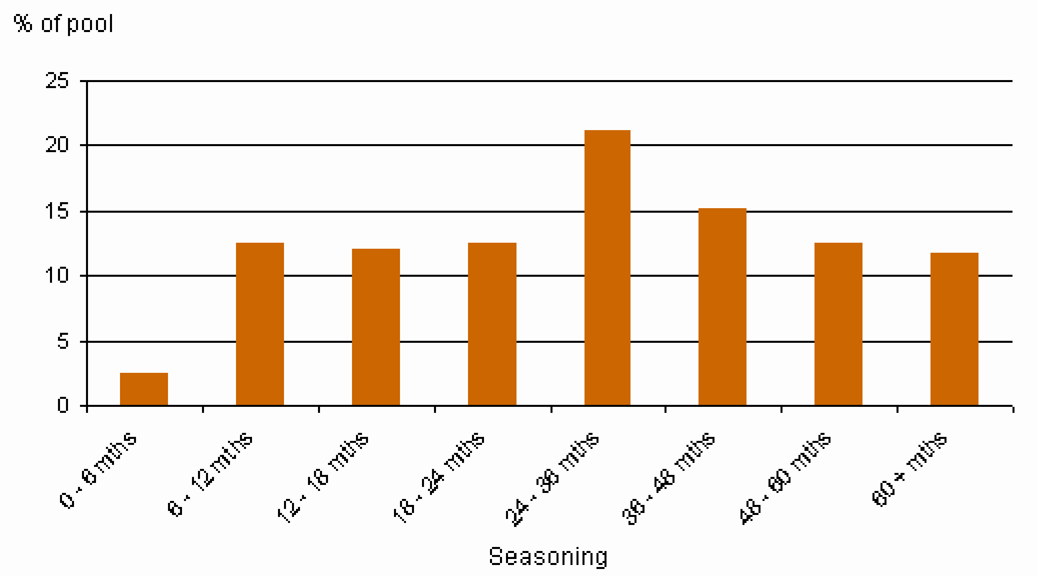
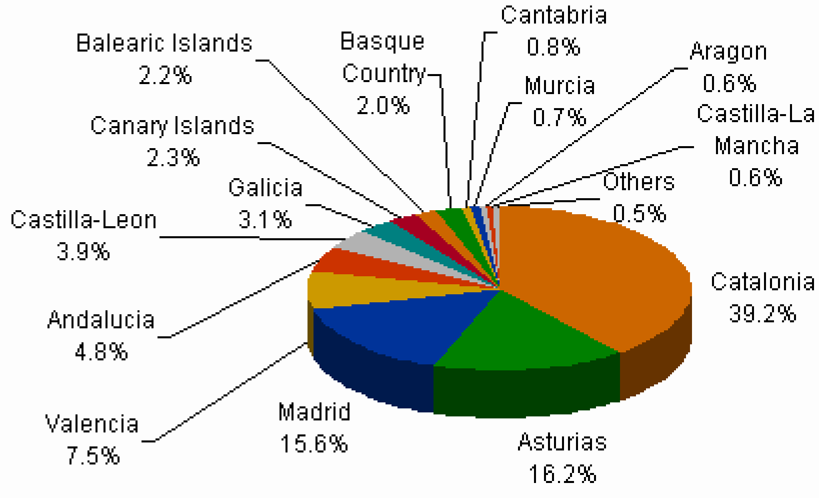


Chart 3

Seasoning Distribution





Collateral Risk Assessment

Standard & Poor's conducted a loan-level analysis to assess the credit risk of a pool of mortgages. The collateral risk assessment analyzed 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 WAFF and WALS 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 the required enhancement level is.

Credit Structure

Mortgage Loan Interest Rates

Most of the mortgages in the pool are indexed to MIBOR (Madrid Interbank Offer Rate) and EURIBOR. One-year EURIBOR represents 79.96% of the pool, and 10.29% of the pool is indexed to the IRPH rate (Indice de Referencia de Préstamos Hipotecarios).

At origination of the mortgages, two sets of caps and floors were agreed on some of the mortgage contracts: 46.47% of the loans have cap rates, most of which are at 12.00%, and 52.51% of the loans have a floor rate, the typical rate being 4.00%.

A minimum weighted-average margin of 60 bps over three-month EURIBOR was set, below which the trustee may not accept renegotiated margins.

Cash Collection Arrangements

Banco Sabadell, as servicer, collects the amounts due under the mortgages and transfers daily its collections to the account held on behalf of the issuer with Banco Sabadell.

At closing, the sociedad gestora opened two bank accounts with Banco Sabadell on behalf of the issuer:

- The treasury account, which holds the reserve fund, all the collections made during the three months before a note payment date, and any other amounts in connection to the mortgage loans; and
- The amortization account, which aggregates the funds available for the amortization of the class A1 notes. Amounts are transferred to this account, held in the name of the fondo at Banco Sabadell, on every note payment date.

The class A1 notes are to be redeemed on Dec. 20, 2005. On March 20, 2006, the amortization account is cancelled and funds accumulate directly in the treasury account.

Downgrade Language to Treasury and Amortization Accounts

At all times, the treasury and the amortization accounts must be held with an entity with a minimum rating of 'A-1'. Should Banco Sabadell be downgraded below 'A-1', within 30 days the sociedad gestora must take appropriate action. Two of its principal options are (i) to obtain a guarantee from another 'A-1' rated entity, or if that is not achieved (ii) to move the account to an 'A-1' rated entity.

Excess Funds Account

If the sociedad gestora expects funds held in the treasury and amortization accounts to exceed 20% of the outstanding balance of the notes, it notifies Standard & Poor's 30 working days before it expects this event to occur. In the meantime, the sociedad gestora opens a new account, the excess funds account, with an 'A-1+' rated entity and sweeps into it the excess funds from the treasury and/or amortization accounts.

Upon a downgrade of the excess funds account provider, the trustee has 30 days to replace it with an 'A-1+' rated entity or find a replacement, which must also be 'A-1+' rated.

Interest Swap Agreement

On behalf of GC SABADELL 1, the sociedad gestora entered into a swap agreement with Banco Sabadell. This swap provides protection against adverse interest-rate resetting and movements.

The issuer pays the swap counterparty the interest due (paid and unpaid) on the collateral and the interest received from the amortization account. The issuer receives three-month EURIBOR, plus the weighted-average margin of the notes, plus a spread of 50 bps on the outstanding balance of the notes.

Should the swap counterparty be downgraded, it has 30 days either to find a substitute with a short-term rating of at least 'A-1', to find a guarantor with a short-term rating of at least 'A-1', or to post collateral according to Standard & Poor's criteria.

In the event of a change in the tax environment that would affect the swap payments (although there are no such current or impending changes in the law), the swap counterparty agreed to gross up the payments to the fondo, while the fondo may make payments net of the relevant tax.

Reserve Fund

The originator provides a subordinated loan, which funds the reserve fund. The reserve fund is fixed for the first three years of the transaction. It then amortizes and is set as the minimum of 1.8% of the outstanding balance of the notes, and 0.9% of the issuance amount.

The reserve fund does not amortize below €5 million (0.42% of the original balance of the notes). Also, it does not amortize if it was not at its required minimum level on a previous payment date, nor if the arrears ratio (three months past due) is greater than 1%.

The fund is used to pay nondeferred interest and principal on the notes. It is not used to pay interest deferred in the priority of payments.

Redemption of the Notes

Unless redeemed earlier, the notes are redeemed on June 20, 2038, which is 30 months after the maturity of the longest-term mortgage loan in the pool.

At any payment date, the amount of principal due under the notes (the amortization amount) are calculated as the difference between the outstanding balance of the notes and the outstanding balance of the assets (excluding loans more than 12 months past due).

The class A1 and A2 notes are structured with a partial soft-bullet payment, and start amortizing in the 17th month of the transaction.

The class A1 notes are redeemed on Dec. 20, 2005. Therefore, for the first six payment dates, the amortization amounts accumulate in the amortization account.

The class A2 notes start paying at the later of the date when the class A1 notes have fully amortized and March 20, 2006.

However, the amortization of the class A1 and A2 notes is altered if the proportion of loans more than 90 days in arrears is greater than 2% of the outstanding amount of the notes. In this case, the class A1 and A2 notes are amortized pro rata or, during the 17-month lock-out period, provision is made for such amortization.

Until the class B and C notes reach at least 3.2% and 1.7%, respectively, of the outstanding amount of the notes (i.e., double their proportion of the notes at issuance), the notes pay sequentially. When the threshold percentage is reached, the notes may amortize pro rata to the then current ratio, as long as the reserve fund was fully topped up at its required level at the previous payment date and if the loans more than 90 days in arrears represent no more than 1.5% of the outstanding balance of the pool for the class B notes and 1.0% for the class C notes. If not, the notes amortize sequentially.

The amortization amount is determined as being the difference between the outstanding amount of the notes less the performing balance of the mortgage loans, which excludes defaulted loans.

This allows a faster amortization of the notes should the performance of the collateral decrease. Defaulted loans are defined as loans with arrears more than 12 months past due.

Standard & Poor's Stress Test

Standard & Poor's analysis includes a conservative assessment of the credit risk inherent in the transaction. The credit enhancement levels were sized after analyzing the effect 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 assets' location, and any terms and conditions that might increase or decrease credit risk. Standard & Poor's analysis fully reflects the specific features of the Spanish market with respect to loss severity, regarding 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 level, fees and expenses paid by the issuer, and delinquencies were the most important parameters stressed in all the runs.

Key Performance Indicators

Continual surveillance is 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 are analyzed, supporting ratings are monitored, pool cuts are assessed, and regular contact is 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

- "Legal Criteria for Structured Finance Transactions" (published in April 2002).
- "Criteria for Rating Spanish Residential Mortgage-Backed Securities" (published in March 2002).

Related Articles

- "Ratings Transitions 2003: Upgrades on the Rise as European Structured Finance Ratings' Stability Continues" (published on Jan. 15, 2004).
- "Stellar Growth in Spanish Securitization to Help it Maintain Europe's Number Two Slot" (published in June 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.

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