DerivativeFitch

Structured Credit/
Spain
Presale Report

GC FTPYME Sabadell 5, FONDO DE TITULIZACIÓN DE ACTIVOS

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* Expected ratings do not reflect final ratings, and are based on information provided by the issuers as at 23 October 2006.

Expected Ratings*

Class	Amount (EURm)	Final Maturity	Rating	CE (%)
A1	220.0	31 March 2039	AAA	6.45
A2	880.3	31 March 2039	AAA	6.45
A3(G)[1]	82.8	31 March 2039	AAA	6.45
B	40.0	31 March 2039	A+	3.25
C	26.9	31 March 2039	BBB	1.10

[1] The Kingdom of Spain (rated 'AAA/F1+') will guarantee the ultimate payment of interest and principal on the Class A3 (G) notes.

Summary

This transaction is a cash flow securitisation of a EUR1,250 million static pool of loans ("the collateral") granted by Banco de Sabadell ("Sabadell" or "the originator", rated 'A+/F1') to small and medium-sized Spanish enterprises ("SMEs"). Fitch has assigned expected ratings to the notes to be issued by GC FTPYME Sabadell 5, FTA ("the issuer") as indicated above. The Kingdom of Spain (rated 'AAA/F1+', "the guarantor") will guarantee the ultimate payment of interest and principal on the class A3 (G) notes.

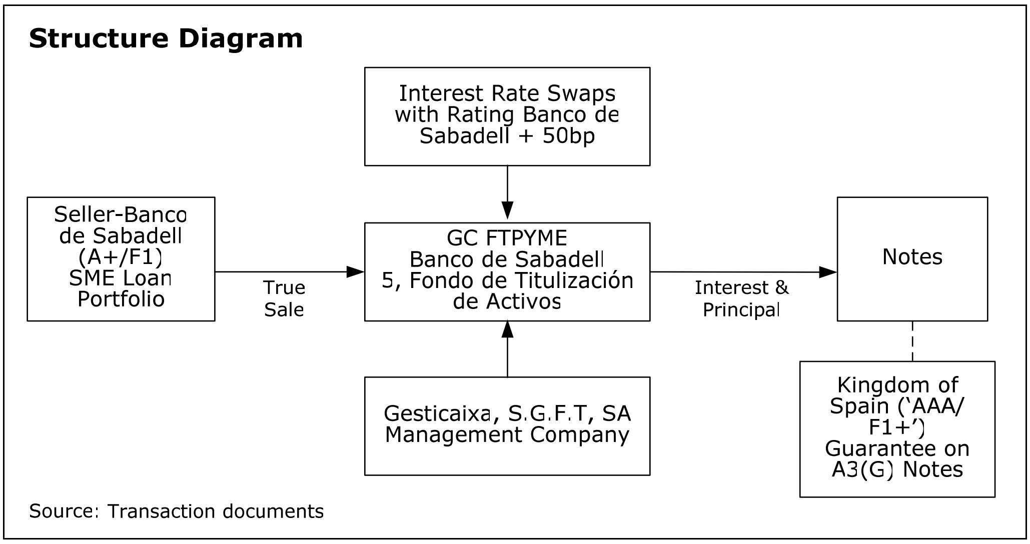
Sabadell has been an active player in the SME CDO arena since 2000. To date, it has participated in eight SME loan securitisations – acting as sole originator in the fifth – all of which share similar structural characteristics (more information on previous transactions can be found at www.fitchresearch.com). The issuer will be legally represented and managed by GestiCaixa SGFT, SA ("the *sociedad gestora*"), a special-purpose management company with limited liability incorporated under the laws of Spain.

The expected ratings are based on the quality of the collateral, available credit enhancement ("CE"), the financial structure of the deal, the underwriting and servicing of the collateral and the *sociedad gestora*'s administrative capabilities. Additionally, the first layer of loss protection is provided by excess spread of 50 basis points ("bp") paid under the interest rate swap agreement with Sabadell (see *Swap Agreement* below).

The expected ratings address timely payment of interest on the notes according to the terms and conditions of the documentation, and the repayment of principal by final maturity. Following the breach of interest deferral triggers on the class B and C notes (see *Priority of Payments* below) interest on these notes may not be received for a period of time but will in any case be paid before the legal maturity of the notes.

Credit Committee Highlights

- The characteristics of the collateral are similar to previous deals, as illustrated in the table below. The portfolio is granular, with no evidence of excessive geographic, industry or obligor concentrations.



FTPYME Sabadell 2, 4 & 5

	FTPYME Sabadell		
	5	4	2
No. of Loans	5,786	3,270	2,199
Loans Secured by Mortgages (%)	55.3	70.5	60.0
10 Largest Obligors (%)	6.9	7.9	9.5
Concentration in the Region of Catalonia (%)	48.0	50.9	47.0
Notes Issued at Closing (EURm)	1,250	750	500
Weighted Average Life (No Prepayments) at Closing (Years)	4.61	5.4	4.5

Source: Fitch

- The class A3 (G) notes were allocated an expected 'AAA' rating before considering the benefit of the Kingdom of Spain guarantee, and this rating is therefore de-linked from the credit quality of the guarantor.
- Sabadell was able to provide loan-to-value ("LTV") information on the loans secured by mortgages on an asset-by-asset basis, enabling Fitch to assign specific recovery rates. In addition, Sabadell provided historical recovery rates on secured and unsecured loans from 1997 until 2005.
- The largest obligor accounts for 0.89% and the three largest for 2.30% of the pool by loan balance. Fitch found the concentration risk to be consistent with the CE levels.

Structure

The issuer is a limited-liability special-purpose vehicle incorporated under the laws of Spain, whose sole purpose is to acquire credit rights from Sabadell as collateral for the issuance of the floating-rate, amortising securities.

In this transaction, Sabadell will act, inter alia, as the servicer of the collateral, the account bank, the hedge counterparty and the paying agent. However, for the protection of investors, if Sabadell is unable to continue to administer the collateral, the *sociedad gestora* must appoint a replacement administration company, in accordance with Spanish securitisation law.

On a daily basis, the seller will transfer cash flows received from the collateral to the fund. On each payment date until 19 January 2008 the fund will transfer all principal receipts into the amortisation account. After this date all principal received will be transferred into the treasury account and will be used on a quarterly basis to amortise the notes in accordance with the priority of payments.

Key Information

Provisional Portfolio Characteristics

As at 23 October 2006

Number and Type of Loans: 5,786 loans to SMEs in Spain, 55.38% of which by volume are secured by commercial and residential real estate assets.

Total Amount

EUR1,420m; at closing this will be reduced to EUR1,250m

Structure

Issuer: GC FTPYME Sabadell 5, FTA

Total Amount: EUR1,250,000.00

Management Company: GestiCaixa SGFT, SA

Originator: Banco de Sabadell ("Sabadell", rated 'A+/F1')

Structurer: Sabadell, GestiCaixa SGFT, SA.

Paying Agent: Sabadell

Swap Counterparty: Sabadell

Treasury and Amortisation Accounts (GIC accounts): Sabadell

Scheduled Final Maturity: 31 March 2036

Final Legal Maturity: 31 March 2039

Interest and principal collections will be handled jointly through the combined priority of payments described below. Amortisation and treasury accounts will be held in the name of the issuer at Sabadell. The reserve fund will be also kept in the treasury account (see *Reserve Fund*).

With regard to these accounts, if Sabadell's Short-term rating is downgraded below 'F1', the *sociedad gestora* will be required to take one of the following steps within 30 days:

1. find a third party with a satisfactory rating to guarantee Sabadell's obligations;
2. transfer the treasury or amortisation account to another entity rated at least 'F1';
3. if neither of the above are possible, provide a guarantee of financial assets rated at least on a par with the Kingdom of Spain ('AAA/F1+'); or
4. if option 2 above is not possible, the *sociedad gestora* may also invest the balance of the treasury account temporarily, and until the next payment date, in fixed-income assets issued by entities rated at least:

   - 'F1' for investments maturing within 30 calendar days; or
   - 'F1+' if the investment has a maturity of more than 30 calendar days.

Priority of Payments

On each quarterly payment date, commencing on 19 January 2007, the combined ordinary priority of payments will be as follows:

1. senior expenses and taxes;
2. payments under the swap agreement (if applicable);
3. class A1 and A2 and A3(G) interest, pari passu, and reimbursement to the state of any amount drawn under the guarantee from the Kingdom of Spain to cover interest on the A3 (G) notes;
4. class B interest (if not deferred);
5. class C interest (if not deferred);
6. principal due;
7. class B interest if deferred, which will occur if the amortisation deficit exceeds 80% of the original balance of these notes, plus 100% of the class C original balance;

8. class C interest if deferred, which will occur if the amortisation deficit exceeds 137% of the original balance of these notes;
9. reserve fund top-up if required (see *Reserve Fund*);
10. other subordinated amounts

The amortisation deficit will be calculated on every payment date as the difference between the balance outstanding on the notes and the outstanding balance of non-defaulted loans (i.e. those that are less than 12 months in arrears).

The structure will cover ordinary and extraordinary expenses using excess spread generated by the collateral. Initial expenses will be covered via a subordinated loan agreement granted to the issuer by Sabadell before closing.

Amortisation of the Notes

Principal due on the notes on any payment date will be capped at the difference between the balance outstanding on these notes and the balance of the non-defaulted collateral. It will be paid, subject to the availability of funds, according to the priority of payments.

Quarterly principal repayments on the notes will commence on 19 January 2008, starting with the class A1 notes. All classes will amortise sequentially on a pass-through basis after the class A1 notes have been redeemed in full i.e. first the A2 and then the A3(G) notes. In addition, when the ratio of the performing loan balance (i.e. loans less than 90 days in arrears) plus the amount credited to the amortisation account divided by the sum of the current balance of the class A1, A2 and A3 (G) notes is below 1, the outstanding balances of the A1 and A2 and A3(G) notes will amortise pro rata.

However, the outstanding balances of the B and C notes may amortise pro rata with the class A1, A2 and A3 (G) notes once the B and C tranches represent 6.40% and 4.30%, respectively, of the outstanding balance of all the class A to C notes. This will be subject to:

- the delinquency ratio (i.e. loans over 90 days in arrears as a proportion of the outstanding balance of the non-defaulted collateral) being less than 1.25% for the class B and 1% for the class C notes;
- the reserve fund (see *Reserve Fund*) being at its required level; and
- the outstanding balance of non-defaulted loans exceeding 10% of the original note balance.

Call Option

All notes will be subject to a clean-up call option in favour of the *sociedad gestora* when less than 10% of the initial collateral balance remains outstanding.

The clean-up call will only be executed if the then-outstanding balance of the class A to C notes is redeemed in full.

Reserve Fund

At closing, Sabadell will set up a reserve fund using a subordinated loan granted to the issuer in an amount equal to 1.10% of the initial notes balance. The reserve fund will be deposited in the treasury account in the name of the issuer.

Subject to the following conditions, the reserve fund may amortise to the greater of 2.20% of the current note balance or 0.55% of the original note balance:

- the balance of loans in arrears over 90 days is 1.0% or less of the current note balance;
- the transaction closed more than two years earlier; and
- on the preceding payment date, the reserve fund stood at the required amount.

Swap Agreement

The issuer will enter into a swap agreement with Sabadell as swap counterparty to hedge any interest rate, basis and payment frequency risk within the structure.

The issuer will pay the swap counterparty the interest accrued on the collateral and will in return receive an amount equivalent to the weighted average coupon on the notes plus 50bp multiplied by a notional defined as the outstanding balance of all the notes.

This swap will have the following main effects:

1. it will provide credit support to the structure by making good the loss of interest arising from loans that default over the life of the deal. Fitch included the benefit of these payments in its analysis of timely and full payment of interest to the class B and C notes. The agency does not believe that this aspect of the swap would be replaceable if Sabadell were downgraded below the rating trigger, so it did not factor this credit support into the 'AAA' expected ratings assigned to the class A1 and A2 and A3 (G) notes; as such the AAA rating is not dependent on the solvency of Sabadell. However, the expected ratings assigned to the class B and C notes are dependent on the solvency of the swap counterparty
2. it will hedge against the interest rate mismatch between the assets and the liabilities arising from differences in the reference indices (for example, six-month Euribor on the collateral versus three-month Euribor on the notes); and
3. it will produce a stable spread of 50bp on the outstanding balance of the notes over the life of the deal.

If the swap counterparty is downgraded below 'A/F1', it will, within 30 days, take one of the following steps:

- find an entity rated at least 'A/F1' to guarantee its obligations under the swap agreement;
- find a replacement counterparty with Long- and Short-term ratings of at least 'A/F1'; or
- cash- or security-collateralise its obligations in an amount sufficient to comply with existing Fitch criteria.

The collateral posted should be sufficient to ensure that the potential loss would be virtually zero if the swap counterparty defaulted. For details of the method used to calculate the collateral amount see "*Counterparty Risk in Structured Finance Transactions: Swap Criteria*", dated 13 September 2004 and available at www.fitchratings.com.

Guarantee

The Kingdom of Spain has guaranteed the ultimate payment of interest and principal on the class A3 (G) notes under a ministerial order until the final legal maturity of the notes. Any amounts paid through the guarantee will be considered an obligation of the issuer. Principal will be repaid to the Kingdom of Spain through the priority of payments, and will rank equally with interest payments on the class A3 (G) notes. No interest will be due on the guarantee.

If called, the guarantee from the Kingdom of Spain will become due within three months of its drawing, creating a potential timing mismatch between the date on which the guarantee is required and the date on which the Kingdom of Spain pays it. However, Fitch did not analyse this risk as it has verified that enough CE will be provided at closing to allow the timely payment of interest and ultimate repayment of principal on the notes under a 'AAA' rating scenario, prior to the benefit of the guarantee. Hence, the expected rating on the class A3 (G) notes is not reliant on the guarantee and no liquidity facility is needed.

Collateral

At closing, the provisional final portfolio will have an outstanding balance of EUR1,250m, and will consist of loans selected from a provisional portfolio of 5,786 loans.

As at 23 October 2006, the main characteristics of the provisional portfolio in volume terms were:

1. the largest obligor accounted for 0.89% of the portfolio, the three largest for 2.30%, and the 10 largest for 6.89%;
2. the average outstanding balance of the pool was EUR1,420m;
3. 94.95% of the loans were linked to floating interest rates;
4. 55.38% of the portfolio was secured – and approximately 74% of this portion corresponded to commercial properties (i.e. office locations or retail outlets);
5. 48% was located in the region of Catalonia and 10.29% in Madrid;
6. the weighted average ("WA") seasoning was 22 months;
7. the original and current LTV ratios were 58.41% and 50.20%, respectively; and
8. the earliest maturity was December 2007 and the latest, March 2036.

Credit Analysis

The key elements of Fitch's analysis were the calculation of default probability, mainly derived from vintage data provided by the originator, and the definition of tiered recovery rates. These results were combined with the structural features of the transaction and analysed in a cash flow model. CE levels were sized to ensure that each series of bonds would receive payments of interest and ultimate repayment of principal according to the terms of the documentation.

Since the obligation to repay all the loans lies solely with the borrowers themselves rather than being reliant on the real estate assets or any tenancy agreement linked to the properties that secure the collateral, Fitch based its default probability analysis on the credit quality of the borrowers rather than the income-generating capacity of the underlying properties. As indicated below, the benefits provided by the commercial and residential properties securing the loans were analysed as part of the recovery analysis.

Default Probability

Using default data provided by the originator from 1997, Fitch was able to derive a WA cumulative base default rate to which it applied multiples to obtain the default probabilities for the higher rating categories.

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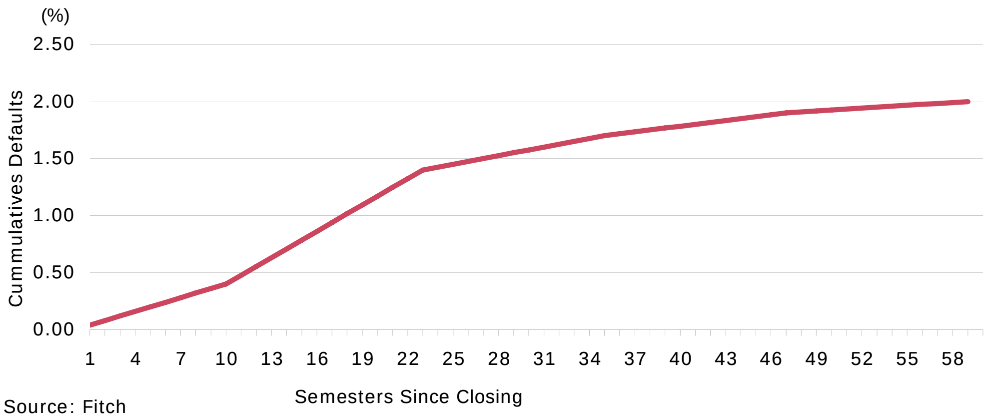

Source: Fitch

Based on Sabadell's default data and Fitch's Pan European SME CDO Performance Tracker methodology, the graph above illustrates the expected cumulative base-case level of defaults for this transaction over a period of seven years (a full economic cycle). More information about this methodology is available in the report titled "*Pan-European SME CDO Performance Tracker*", dated 28 September 2006 and available at www.fitchresearch.com.

Recovery Rate

In connection with the estimated recovery rates, Fitch conducted a loan-by-loan analysis of the collateral. Key to its recovery analysis is the estimated stressed value of the assets under the different rating scenarios, which is determined by identifying market value decline ("MVD") ratios for the different property types. For commercial properties, MVDs were calculated in line with Fitch's standard analytical approach to CMBS, which uses rental value decline ("RVD") indicators and income capitalisation rates for specific property classes.

RVDs are based on historical volatility observations for the real estate market in Europe: the higher the volatility of a particular property type, the lower the potential stressed rent achieved in the future and, therefore, the higher its RVD.

The income capitalisation rate of a property can be expressed as the yield generated in the market by properties with similar features and use (e.g. the yield on hotels will normally differ from that of retail units). More information on Fitch's CMBS methodology can be found in the special report "*European Property Income Model – 'The Logic'*" dated 9 June 2004 and available at www.fitchratings.com. The resulting MVDs were calibrated to reflect the geographic concentration of the collateral in this portfolio.

For those loans secured on residential properties, Fitch applied the MVD ratios detailed in its criteria report "*Spanish Mortgage Default Model III*", dated 15 September 2005 and available at www.fitchratings.com.

The Spanish senior unsecured recovery rate defined by Fitch's default VECTOR model was applied for the unsecured portion of the collateral – ranging between 35% for 'B' and 28% for 'AAA'. The final WA recovery rates were calculated by blending the rates of the secured and unsecured sub-portfolios based on their respective sizes in volume terms.

Credit Analysis

(%)	Cumulative WA Default Probability	WA Recovery Rates
AAA	10.00	57.40
A	6.00	63.30
BBB	4.00	65.70

Source: Fitch

Cash Flow Modelling

Fitch modelled this transaction using the default probabilities and recovery rates detailed above. The cash flow model assumed that defaults can occur in front- and back-loaded sequences. Although it depends on the specific amortisation profile of the collateral, a back-loaded sequence is generally more stressful.

The analysis took into account that the cost of carrying defaulted loans will be mitigated by the swap under 'A+' and 'BBB' scenarios. Interest rates were stressed upwards over time as per the criteria definitions included in the report "*Global Rating Criteria for Collateralised Debt Obligations*", dated 13 September 2004 and available at www.fitchratings.com.

CE analysis took into account the guaranteed excess spread payable under the swap agreement, as well as the interest deferral mechanism in place for the class B and C notes, which will direct funds away from the junior notes and towards the more senior notes if the size of the amortisation deficit exceeds the triggers defined for each class of notes. Should the triggers be breached, interest on the class B and C notes may not be received for a certain period of time, but would, ultimately, be received prior to the maturity date.

In addition, the agency modelled prepayment rates, which can affect certain components of a transaction. Primarily, they lower the absolute amount of excess spread generated by the rapidly prepaying portfolio, Moreover, they may also lead to adverse selection, as obligors with better credit quality are more likely to prepay first, leaving the pool dominated by lower-quality obligors. However, this risk is limited by the swap.

Fitch's recovery calculation assumed foreclosure costs to be 10% of the outstanding loan amount; it also assumed a three-year lapse between the date of default and the recovery date.

Origination and Servicing

Sabadell, which is the fourth- largest banking group in Spain has traditionally focused on lending and providing financial services to SMEs in its home market. Its core activities are domestic retail banking, complemented by a broad array of specialised services and international activities (mainly trade finance).

Loans granted by Sabadell to SMEs are often backed by a guarantee, either personal, property-based or backed by other security types. There are five approving levels for SME exposures, from branch level up to the risk commission, the highest approval body.

To analyse each new or existing transaction, Sabadell uses its internal rating scale, which was developed after analysing in-house delinquency statistics dating back to 1996. Financial and non-financial information is analysed and entered into the credit-scoring system. The rating assigned is reviewed by Sabadell's credit analysts on an annual basis or more frequently, depending on the nature of the business or the addition of relevant information.

Each internal rating category, from 0 (default) to 9 (highest credit quality), has its own one-year default probability rating assigned based on the following:

1. management team and experience;
2. competitive position in the market;
3. economic and financial position;
4. recent performance; and
5. guarantees.

Customers are grouped into risk units whereby different companies that are seen as are financially interlinked under a single umbrella. Additional data checks are performed through databases like CIRBE (a Bank of Spain database that provides information on borrower exposure and non-payments for all Spanish entities and individuals) or RAI (Registro de Aceptaciones Impagadas). All of the pledged real estate securities are valued by Bank of Spain-registered surveyors.

To manage the portfolio of clients, Sabadell groups the accounts into five different buckets based on the size of each obligor's annual turnover.

The designated risk analyst and client relationship manager will be responsible for handling arrears management and performance monitoring on accounts in the first 60 days of delinquency (with exceptions at 90 days). Sabadell does not have any fixed arrears procedures, believing the process to be more efficient if managed on a case-by-case basis. However, the risk analyst must make contact and aim to achieve a solution within the first month. All accounts and financial products provided to the client are automatically blocked within 35 days of a missed payment.

After 60 days the bank's recovery department assumes responsibility for arrears and, depending on whether the loans are judged to be irrecoverable or merely the result of a temporary financial problem, clients will be forced to pay all outstanding balances, will be taken to court or will be dealt with through an external recovery agent. Current recovery periods are roughly one year for loans backed by mortgages and 1.5 years for other unsecured loans.

Performance Analytics

Fitch will monitor the transaction on a regular basis and as warranted by events. Its structured finance performance analytics ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk.

Fitch will report the performance of this transaction against the base-case default curve outlined in the report "*Pan European SME CDO Performance Tracker*". Along with this tool, other details of the transaction's performance will be available to subscribers at www.fitchresearch.com.

Please call the Fitch analysts listed on the first page of this report for any queries regarding the initial analysis or the ongoing performance.

GC FTPYME SABADELL 5, F.T.A. Spain/CDO

Capital Structure

Class	Rating	Size (%)	Size (EURm)	CE (%)	PMT Freq	Final Legal Maturity	Coupon
A1	AAA	17.60	220.0	6.45	Quarterly	31 March 2039	Floating
A2	AAA	70.42	880.3	6.45	Quarterly	31 March 2039	Floating
A3(G)	AAA	6.62	82.8	6.45	Quarterly	31 March 2039	Floating
B	A+	3.20	40.0	3.20	Quarterly	31 March 2039	Floating
C	BBB	2.15	26.9	1.10	Quarterly	31 March 2039	Floating

* The kingdom of Spain (rated 'AAA/F1+') will guarantee the ultimate payment of interest and principal on the Class A3 (G) notes
Source: Fitch

Key Information

Closing Date	28 November 2006 (Expected)	**Role**	Party
Country of Assets	Spain	**Structurer**	Banco de Sabadell, GestiCaixa SGFT SA
Structure	A1:soft bullet at January 2008 All the others notes pass-through	**Originator / Servicer of the Loans**	Banco de Sabadell ('A+/F1')
Type of Assets	SME Loans	**Issuer**	GC FTPYME Sabadell 5, F.T.A.
Currency of Assets	EUR	**Servicer of the Notes**	GestiCaixa SGFT SA
Currency of Notes	EUR	**Paying Agent**	Banco de Sabadell
Primary Analyst	laura.franco@fitchratings.com	**Swap Counterparty**	Banco de Sabadell
Secondary Analyst	natalia.bourin@fitchratings.com		
Performance Analyst	constaninos.tavlas@derivativefitch.com		

Collateral: Pool Characteristics as of 23 October 2006

Current Principal Balance (EURm)	1,420	Obligors (#)	5,152
Loans (#)	5,786	Top Geographic Concentration (%)	47.80
Current WAL (Zero Prepayments, Years)	4.61	Top Industry Sector (%)	24.50
WA Coupon (%)	3.9	Backed by a First-Ranking Mortgage (%)	47
WA Spread (%)	0.76	WA Current LTV (for Mortgages) (%)	50.20
% Fixed Interest Rate	5.05	Longest Maturity	March 36
% Floating Rate	94.95	Shortest Maturity	December 07
3 Largest Obligors (%)	2.30	WA Seasoning (Months)	22
10 Largest Obligors (%)	6.89	WA Time to Maturity (Months)	101

All percentages as a proportion of the outstanding balance.
Source: Transaction documents