GC FTPYME Sabadell 5, Fondo de Titulización de Activos

SME loans / Spain

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of October 2006. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The **definitive** ratings may differ from the **provisional** ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.*

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PROVISIONAL (P) RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A1	(P)**Aaa**	€220.0	17.60	March. 2039	3mE + [•]%
A2	(P)**Aaa**	€880.3	70.43	March. 2039	3mE + [•]%
A3(G)	(P)**Aaa**	€82.8	6.62	March. 2039	3mE + [•]%
B	(P)**A2**	€40.0	3.20	March. 2039	3mE + [•]%
C	(P)**Baa3**	€26.9	2.15	March. 2039	3mE + [•]%
Total		€1,250	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 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.

OPINION

Strengths of the Transaction

- Interest rate swap provided by Banco Sabadell (**A1**/**P-1**), whereby Banco Sabadell has to pay the weighted average coupon on the notes plus 50 bppa over the outstanding amount of the notes, and the *Fondo* is obliged to pay the interest accrued by loans less than 12 months in arrears
- At closing, the management company will elect the loans from the provisional portfolio that will result in the least concentrated securitised pool
- Guarantee of the Kingdom of Spain for Series A(G)
- Excess spread-trapping mechanism through a 12-month "artificial write-off"

Weaknesses and Mitigants

- Geographical concentration in the region of Catalonia, mitigated in part by the fact that this is the region of Banco Sabadell's origin, where it has its highest expertise. Additionally Moody's mitigates the potential increase in the volatility of losses in light of the fact that the highest concentrations require additional credit enhancement.
- Pro-rata amortisation of Series B and C leads to reduced credit enhancement of the senior series in absolute terms. This 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 series senior to each of them, but increases the expected loss on Series B and C themselves. The reserve fund and the subordination have been sized accordingly to account for this deterioration on the expected loss.

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

Issuer:	GC FTPTYME Sabadell 5, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes
Seller/Originator:	Banco Sabadell, S.A. (Banco Sabadell, **A1**/**P-1**)
Servicer:	Banco Sabadell
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment dates:	19 January, 19 April, 19 Julio, 19 October
Credit Enhancement/Reserves:	0.50% excess spread per annum 1.10% reserve fund Subordination of the notes Guarantee of the Kingdom of Spain (**Aaa**/**P-1**) for series A(G)
Hedging:	Interest rate swap to cover interest rate risk
Interest Rate Swap Counterparty:	Banco Sabadell
Paying Agent:	Banco Sabadell
Note Trustee (Management Company):	Gesticaixa, S.G.F.T., S.A. (Gesticaixa)
Arranger:	Gesticaixa
Lead Managers:	Banco Sabadell BNP Paribas Lehman Brothers

COLLATERAL SUMMARY (AS OF 23 OCTOBER 2006) ***(see page 7 for more details)***

Receivables:	Loans to Spanish enterprises
Total amount:	€1,420,489,140
Number of Contracts:	5,786
Number of Borrowers:	5,152
Geographic Diversity:	Catalonia (47.7%), Madrid (10.2%), Valencia (9.8%)
WA Remaining Term:	8.36 years
WA Seasoning:	1.82 years
Delinquency Status:	No loans in arrears at the time of securitisation
Historical Loss Experience:	Default and recovery data provided

NOTES

Series	**Subordination**	**Reserve Fund**	**Total**
A1	82.40%*	1.10%	83.50%
A2	11.97%*	1.10%	13.07%
A3(G)	5.35%*	1.10%	6.45%
B	2.15%*	1.10%	3.25%
C	0.00%*	1.10%	1.10%

** Subject to pro-rata amortisation triggers*

Excess spread at closing is 0.50%

INTRODUCTION

In line with the reduction observed in 2005, the 2006 budget for the FTPYME programme has decreased sharply from the amounts assigned in 2002, 2003 and 2004

As has become usual in recent years, the Spanish Ministry of Economy has established an annual guarantee budget for the FTPYME (SME securitisation funds) programme for 2006. In line with the reduction observed in 2005, the amount assigned by the Ministry has decreased sharply from the €1.8 billion guarantee assigned in 2002, 2003 and 2004, to the current level of €800 million.

The legal framework has not experienced any change since 2005. The following is a summary of its principal conditions:

1) Securitised assets must be loans (a) originated by institutions that have previously signed an agreement with the Ministry of Economy, (b) granted to non-financial enterprises based in Spain 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 FTPYME fund must in turn reinvest the proceeds of the sale in granting new loans (such loans complying with conditions (1) and (2) above): 50% of which must be reinvested within six months and the remaining 50% within one year.
4) The Kingdom of Spain will guarantee interest and principal payments on up to 80% of securities rated **Aa** or above. Significantly, the guarantee is fully binding for the Kingdom of Spain.

Additionally, a condition imposed in the Budget Law for 2006 limits the outstanding amount of guaranteed tranches to €5 billion; i.e. no further tranches could be guaranteed beyond this limit even if the guarantee budget has not been fully allocated.

Moody's expects that six FTPYME securitisation funds will close by year-end 2006.

TRANSACTION SUMMARY

Cash securitisation of loans granted to Spanish enterprises carried out under the FTPYME programme

GC FTPYME Sabadell 5, FTA (the "*Fondo*") is a securitisation fund created with the aim of purchasing a pool of loans granted by Banco Sabadell to Spanish enterprises, in compliance with the conditions required by the FTPYME programme in order to qualify for the Spanish Treasury guarantee.

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

– A subordinated Series C, rated **Baa3**
– A mezzanine Series B, rated **A2**
– A senior tranche composed of three **Aaa**-rated series: two subordinated series A2 and A3(G) and a senior Series A1

Each series of notes is supported by the series subordinated to itself, a cash reserve and the excess spread guaranteed under the swap agreement with Banco Sabadell. The swap agreement will also hedge the *Fondo* against the risk derived from having different index reference rates and reset dates on the assets and on the notes, and any renegotiation of the loans' interest rate.

In addition, the *Fondo* will benefit from a €0.72 million subordinated loan provided by Banco Sabadell to fund the up-front expenses, the costs of issuing the notes and the gap between the interest payments received from the pool and the amount of interest due to the notes on the first payment date.

Series A3(G) benefits from the guarantee of the Kingdom of Spain for interest and principal payments. Nevertheless, the expected loss associated with Series A3(G) notes is consistent with a **Aaa** rating regardless of the Spanish Treasury guarantee. The transaction will not incorporate a liquidity line to ensure the timeliness to the interest or principal guarantee payments.

The provisional pool consists of 5,152 debtors and 5,786 loans. In line with the pattern observed in previous Banco Sabadell transactions, it is concentrated in Catalonia. Around 55% of the pool is secured by mortgage guarantee (85% being first-lien) over different types of properties.

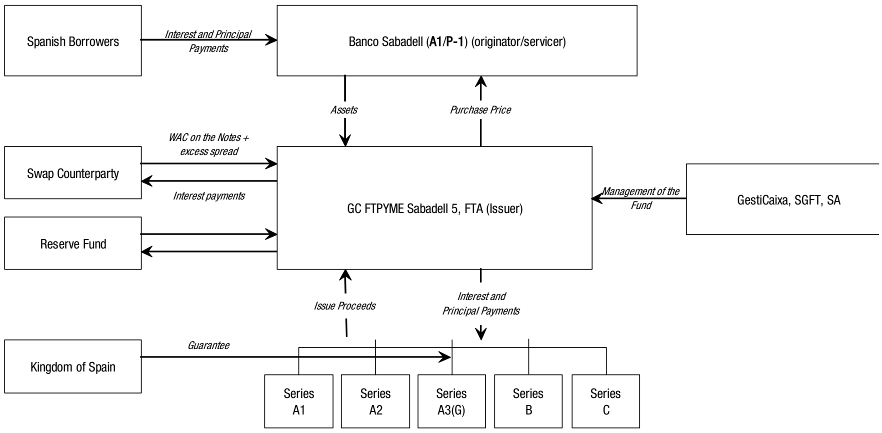
Moody's based the provisional ratings primarily on: (i) an evaluation of the underlying portfolio of loans; (ii) historical performance information; (iii) the swap agreement hedging the interest rate risk; (iv) the credit enhancement provided through the GIC account, the excess spread, the cash reserve and the subordination of the notes; and (v) the legal and structural integrity of the transaction.

Moody's 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 on or before the rated final legal maturity date in March 2039.

STRUCTURAL AND LEGAL ASPECTS

Standard FTPYME capital structure, incorporating the following key features: a strong swap agreement, deferral of interest based on the principal deficiency size and soft bullet amortisation of the notes

Chart 1:
Structure diagram



Strong swap agreement guaranteeing 50 bppa of excess spread

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

- The *Fondo* will pay the interest accrued from the non-written-off loans (as defined later on in this section) plus the yield from the amortisation account from the three previous natural months to the current payment date
- Banco Sabadell will pay the weighted average interest rate on the notes plus 50 bppa over a notional equal to the outstanding amount of the notes

The excess spread thus provided through the swap agreement constitutes the first layer of protection for investors.

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 written-off loans, while Banco Sabadell's notional does include the amount of principal deficiency should it occur. On the other hand, a negative aspect of this swap is the fact that the *Fondo* has to pay the interest accrued, either due or not due, from the non-written-off loans. In an interest rate increase scenario, the interest accrued by a loan and therefore payable by the *Fondo* will, for certain payment dates, be higher than the interest due by this loan (this effect being higher for loans that pay quarterly or semi-anually). Both these positive and negative features have been considered by Moody's in the swap analysis.

In the event of Banco Sabadell's long-term rating being downgraded below **A2** or **P-1**, it will within 30 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 Banco Sabadell to comply with these conditions will constitute an event of default under the swap agreement.

Reserve fund to help the Fondo meet its payment obligations

Funded up-front through a subordinated loan provided by Banco Sabadell, the reserve fund will be used to cover any potential shortfall on items (1) to (8) of the order of priority (see below) on an ongoing basis.

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

– 1.10% of the initial balance of the notes
– The higher of:
  - 2.20% of the outstanding balance of the notes
  - 0.55% of the initial balance of the notes

However, the amount requested under the reserve fund will not be reduced:

– During the first two years following the closing date
– On any payment date on which either of the following scenarios occurs:
  - The arrears level (defined as the percentage of non-written-off loans which are more than 90 days in arrears) exceeds 1%
  - The reserve fund is not funded at the required level

GIC providing an annual interest rate equal to the index reference rate of the notes

The treasury account will be held at Banco Sabadell. The proceeds from the loans, amounts received under the swap agreement and the reserve fund will be deposited in the treasury account.

Moody's has set up some triggers in order to protect the treasury account from a possible downgrade of Banco Sabadell's short-term rating. Should Banco Sabadell's short-term rating fall below **P-1**, it will have to perform one of the following actions in the indicated order of priority within 30 business days:

– Find a suitably rated guarantor or substitute.
– Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.
– Invest the outstanding amount of the treasury account in securities issued by a **P-1**-rated entity.

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

Until the payment date falling on 19 January 2008, all funds available to the repayment of the notes will be transferred to a special account held at Banco Sabadell (namely, the amortisation account). The management company will keep track of the amount of funds available to the amortisation of each series of notes on different ledgers. This account is subject to the same triggers and the same yield as the treasury account, and will be automatically cancelled on 19 January 2008; on this payment date, the amounts deposited in it will be used for the redemption of the notes.

Limitations on the renegotiation of the loan

The management company authorises Banco Sabadell to renegotiate the interest rate or maturity of the loans 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, some limitations have been put in place, of which the following are the most significant:

– The maturity of any loan cannot be extended beyond 31 March 2036.
– 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 profile cannot be modified.

Payment structure allocation

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, excluding the servicing fee (except in the case of Banco Sabadell being replaced as servicer of the loans)
2) Any amount due under the swap agreement and swap termination payment if the Fondo is the defaulting party

3) Interest payment to Series A1, A2 and A3(G) and reimbursement of any amount obtained from the Spanish Treasury on previous payment dates to cover any potential shortfall on interest payment to Series A3(G)
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) Junior payments

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 size of the principal deficiency

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

Series B:	–	The principal deficiency (as defined below) exceeds the sum of (1) 80% of the outstanding amount of Series B and (2) 100% of the outstanding amount of Series C; and
	–	Series A1, A2 and A3(G) are not fully redeemed or there is any amount pending to be reimbursed to the Spanish Treasury by reason of principal
Series C:	–	The principal deficiency exceeds 137% of the outstanding amount of Series C; and
	–	Series B is 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 notes (taking into account amounts withdrawn from the Spanish Treasury guarantee and the amounts deposited in the amortisation account) 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 debtor goes bankrupt or the management company considers that there are no reasonable expectations of recovery under each such loan)).

The "artificial write-off" speeds up the off-balance sheet of a non-performing loan; 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 A3(G) will be covered by the guarantee from the Kingdom of Spain.

Principal due allocation mechanism

Until the payment date on which the initial amount of Series B and C exceeds 6.40% and 4.30% respectively, of the outstanding amount under all series, the amount retained as principal due will be used for the repayment of the following items in the indicated order of priority:

1) Amortisation of Series A1
2) Amortisation of Series A2
3) Amortisation of Series A3(G) and reimbursement to the Spanish Treasury of any amount used to cover any potential shortfall on principal payment to Series A3(G)
4) Amortisation of Series B
5) Amortisation of Series C

Nevertheless, the amount retained as principal due will be allocated pro-rata between Series A1, A2, A3(G) and the Spanish Treasury, if the aggregated outstanding amount of Series A1, A2, A3(G) plus the amount due to the Spanish Treasury by reason of principal is equal to or greater than the outstanding amount of performing loans (including loans up to 90 days in arrears).

Once Series B and C start to be amortised, the amount retained as principal due will be distributed pro-rata between the following:

– Amortisation of Series A1, A2, A3(G) and reimbursement of any amount due to the Spanish Treasury that has been used to cover any potential shortfall on principal payment to Series A3(G). This amount will be distributed according to the order of priority and pro-rata amortisation trigger mentioned above.
– Amortisation of Series B
– Amortisation of Series C

so that the percentages indicated above for Series B and C are maintained at any payment date thereafter. Nevertheless, amortisation of Series B and C will not take place on the payment date on which any of the following events occurs:

– The arrears level exceeds 1.25% and 1.00% for Series B and C, respectively.
– The reserve fund is not funded at the required level.
– The outstanding amount of the pool is lower than 10% of its initial amount.
– The conditions to amortise pro-rata Series Series A1-A2-A3(G) are met.

It is important to highlight that the notes will not begin to amortise until the payment date falling on 19 January 2008. On such payment date, the available funds under the amortisation account will be used for the amortisation of the notes, according to the records maintained by the management company for each of the series.

COLLATERAL

Pool of loans granted to Spanish enterprises concentrated in Catalonia

As of October 2006, the provisional portfolio comprised 5,786 loans and 5,152 debtors. The loans have been originated by Banco Sabadell in its normal course of business, and comply with the following criteria:

– The loans have been granted to non-financial SMEs located in Spain.
– The loans are repaid by direct debit through monthly (71.60%), quarterly (22.69%) and semi-anually (5.71%) instalments, and have accrued at least one instalment.
– No loan incorporates any type of balloon payments or 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 loans have been originated between 1997 and June 2006, with a weighted average seasoning of 1.82 years and a weighted average remaining term of 8.36 years. The longest loan matures in March 2036. Around 6% of the pool enjoys a grace period on principal payments.

Around 55% of the outstanding of the portfolio is secured by a mortgage guarantee over different types of properties with a weighted average loan-to-value of 50.23%. The remaining 45% is secured by personal guarantee.

Geographically the pool is concentrated in Catalonia (47.7%) and Madrid (10.2%). Around 38% of the portfolio is concentrated in the “buildings and real estate” sector according to Moody’s industry classification.

In terms of debtor concentration, the pool includes exposures up to 1.02% of the issuance amount. However, it is important to note that, at closing, the management company will elect the loans from the provisional portfolio that will result in the least concentrated securitised pool.

Chart 2:
Portfolio Breakdown by Year of Origination

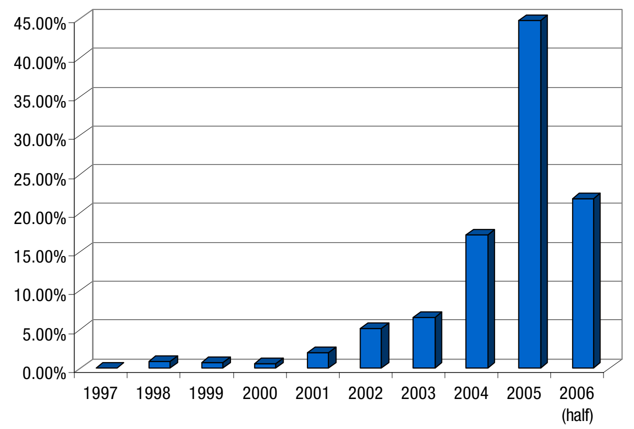


Chart 3:
Portfolio Breakdown by Year of Maturity

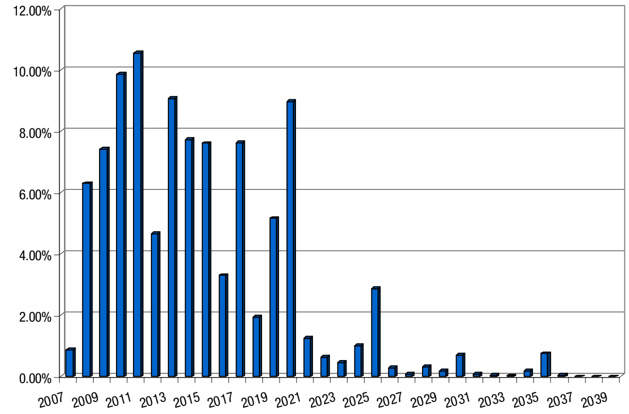


Chart 4:
Portfolio Breakdown by Geographic Diversity

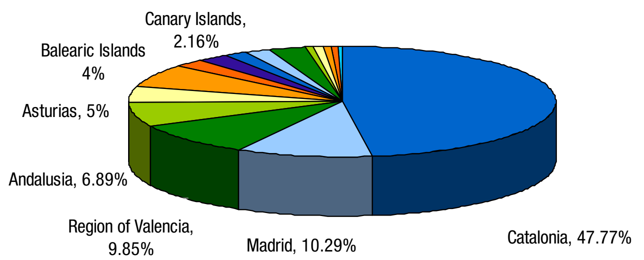
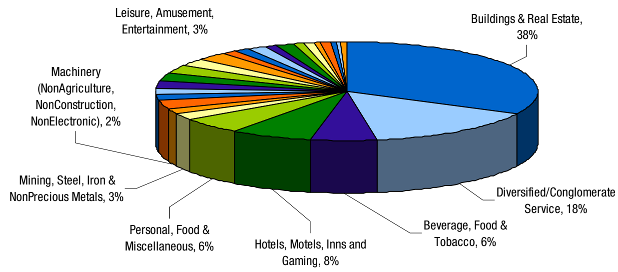


Chart 5:
Portfolio Breakdown by Industry Diversification



The originator represents and guarantees that:

– The loans have been granted according to its current credit policies.
– The pool of loans complies with the conditions to qualify for the guarantee of the Kingdom of Spain.
– Should any of the mortgaged properties not be covered by an insurance policy, Banco Sabadell will compensate the Fondo for any uncovered damage.
– As of the date of the transfer:
    - There will be no amounts due and unpaid under any of the loans.
    - There has been no breach of any of the loan agreements.

ORIGINATOR, SERVICER, PAYING AGENT AND MANAGEMENT COMPANY

Banco Sabadell, the fourth-largest Spanish commercial bank and with a strong focus in the medium-sized corporate segment, is the originator and servicer of the asset pool

Banco Sabadell is a medium-sized service-oriented commercial bank that benefits from close ties with its clients, as is the case with most regional institutions in Spain. The bank is particularly strong in the medium-sized corporate segment, especially those enterprises with annual sales between €6 million and €100 million, which account for 38% of the loan book. The small enterprises, with annual sales below €6 million accounted for 23% of the loan book as of September 2006. At the same time, loans to individuals accounted for around 31% of the loan portfolio while 8% was with large corporate entities.

In terms of total assets, Banco Sabadell is the fourth-largest banking group in Spain. It was established in 1881 by an association of businessmen and traders from the Catalan city of Sabadell. In the recent past, it has transformed itself from a regional bank with most of its business concentrated in the region of Catalonia, to an institution with a multi-regional presence. Management's decision to accelerate geographical diversification has resulted in selective acquisitions. In July 2006, Sabadell completed the acquisition of Urquijo for €760 million. The acquisition of Urquijo will boost Sabadell's consolidated customer funds by 13.4% and loans by 4.6%. It will also provide Sabadell with an additional client base of over 7,300 clients and a strong nationwide coverage of the private banking network.

Banco Sabadell's A1/Prime-1/B- ratings are based on the bank's healthy financial fundamentals, which include good recurring profitability, strong fee income, controlled costs and sound economic solvency. Sabadell enjoys strong brand name recognition and market positioning in the profitable sector of small and medium-sized companies in the Catalonia region of Spain. Despite its heavy exposure to the relatively riskier SME market and its ongoing expansion strategy, Sabadell has succeeded in retaining relatively sound asset quality indicators, reflecting the bank's conservative credit practices and strong monitoring of SMEs. At the end of September 2006, non-performing loans stood at a low 0.42% of total loans;

Servicer

Banco Sabadell will act as servicer of the loans, and will transfer the proceeds from the loans to the treasury account on a daily basis.

In the event of Banco Sabadell being declared bankrupt or failing to perform its obligations as servicer, the management company will have to designate a new suitable institution as guarantor of Banco Sabadell's obligations under the servicing agreement, or even as a new servicer. Otherwise, the management company itself would step in as servicer of the loans.

Likewise, the management company may require Banco Sabadell, upon an insolvency process of Banco Sabadell or because the management company considers it appropriate, to notify the transfer of the loans to the *Fondo* to the relevant debtors. Should Banco Sabadell fail to comply this obligation within 3 business days, the notification would then be carried out by the management company.

Paying Agent

Banco Sabadell will act as paying agent of the *Fondo*. In the event of Banco Sabadell's short-term rating falling below **P-1**, it will within 30 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. It is fully owned by Caja de Ahorros y Pensiones de Barcelona (La Caixa), and its obligations within the structure are supported by all of its shareholders. Currently it carries out the management of 20 securitisation funds.

MOODY'S ANALYSIS

Moody's used a Monte-Carlo simulation to derive the default distribution in the portfolio, based on mean default estimations

Given the number of assets and the size of the exposures in the portfolio (see section entitled *Collateral*), 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: the gross loss contribution of each single entity and the correlation structure among the different industries represented in the portfolio.

As regards the gross loss assumption, Moody's decided to base its analysis on historical information received from the originator. The historical data were adjusted for (1) the seasoning of the portfolio, (2) the expectation of a less favourable macro-economic environment and (3) other qualitative aspects. It is important to note that a loan has been considered as 'defaulted' at the inception of the judicial process (which happens not later than 90 days following the first missed payment). The final value retained was around a mean of 2.5%. Assumptions for recoveries, delinquency and prepayments were also derived from historical information.

Chart 6:
Cumulative Gross Loss rate per Quarter of Origination

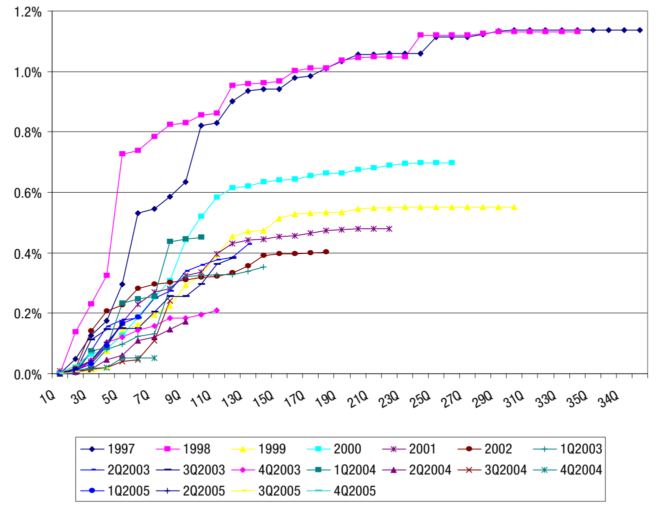
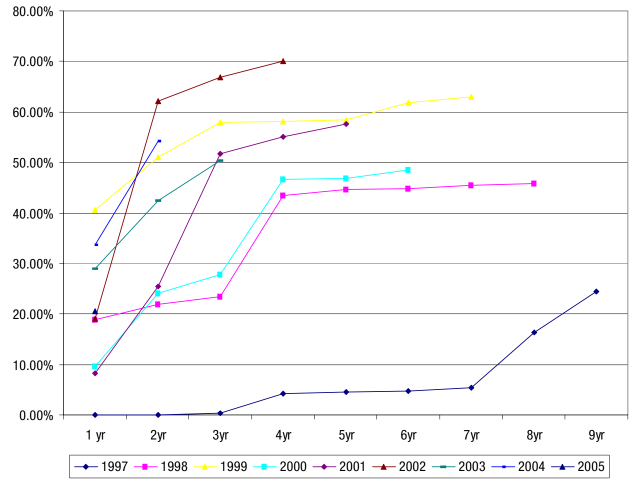


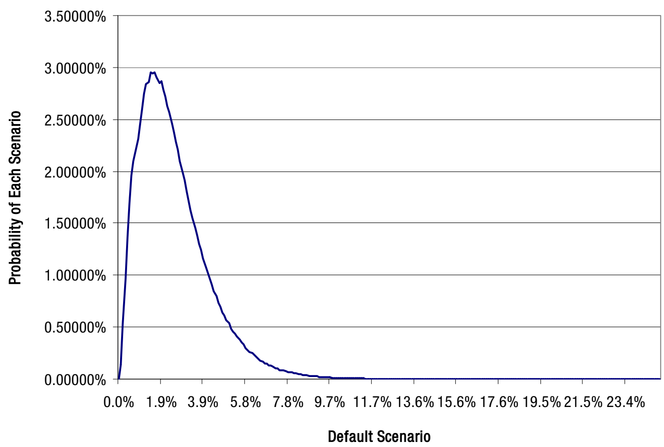
Chart 7:
Cumulative Recovery Rate per Year of Default



As regards the correlation structure that takes into account the portfolio specificities, Moody's split the portfolio into 29 groups, and, with the purpose of reflecting the diversity shown by the exposures in the securitised portfolio, Moody's made different assumptions, both for the asset correlation within one group and for that between assets in different groups (the two factors in the Monte-Carlo model).

The Monte-Carlo simulation was then run, incorporating each exposure's size, default probability and implied asset correlation, thereby giving an outcome equal to the default probability distribution for the portfolio.

Chart 8:
Default Distribution



On the basis of this distribution as well as other assumptions for recoveries, delinquency and prepayments, 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 reproduces all deal-specific characteristics. The sensitivity to a variation in the initial assumptions was also tested. 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 which, combined with each series' expected average life, is consistent with the provisional ratings assigned.

Structural analysis

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

Legal analysis

Moody's verifies that the legal documents correctly reflect the structure of the deal, as well as the assumptions made in its analysis.

RATING SENSITIVITIES AND MONITORING

The rating of the notes depends on the portfolio performance and counterparty ratings

Gesticaixa will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data.

Moody's will monitor the transaction on an ongoing basis to ensure that its transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating 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:

Pre-sale Reports

- IM FTPYME Sabadell 3, Fondo de Titulización de Activos, November 2004 (SF46067)
- IM FTPYME Sabadell 4, Fondo de Titulización de Activos, October 2005 (SF63959)

Special Reports

- 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

- FTPYMES: Moody's Analytical Approach to Spanish Securitisation Funds Launched Under Government's FTPYMES Programme, October 2003 (SF27063)
- The Lognormal Method Applied to ABS Analysis, July 2000 (SF8827)
- Moody's Approach to Rating ith-to-Default Basket Credit-Linked Notes, April 2002 (SF13090)

Analysis

- Banco Sabadell, October 2006 (96642) – see also Issuer Profile and Credit Opinion

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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