GC FTPYME PASTOR 2, Fondo de Titulización de Activos

Banco Pastor
CLO – SME Loans
Spain

PLEASE NOTE: *This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of October 2004. 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.*

CLOSING DATE:
October 2004

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RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Maturity Expected
A	(P)**Aaa**	€[530,000,000]	66.25	31/10/33	31/10/37
BG	(P)**Aaa**	€[164,600,000]	20.57	31/10/33	31/10/37
BS	(P)**Aa1**	€[42,000,000]	5.25	31/10/33	31/10/37
C*	(P)**Aaa**	€[40,400,000]	5.05	31/10/33	31/10/37
D	(P)**Baa3**	€[23,000,000]	2.87	31/10/33	31/10/37
Total		€[800,000,000]	100		

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.
*Payment of interest and ultimate payments of principal on Class C are guaranteed by European Investment Fund (Aaa/P-1)

OPINION

Strengths of the Transaction

- Credit enhancement provided by the excess spread, a reserve fund and the subordination of the notes.
- Strong interest rate swap provided by La Caixa (**Aa2**/**P-1**) guaranteeing an excess spread of 0.95%. La Caixa will pay the weighted average coupon on the notes plus 95 bppa, over a notional equal to the outstanding amount of the bonds, however the fondo will only pay the interest payable on the loans not more than 18 months in arrears.
- Guarantee of the Kingdom of Spain (Aaa/P-1) for the Series BG notes.
- Payment of interest and ultimate payments of principal on Class C are guaranteed by European Investment Fund (Aaa/P-1).
- Excess spread-trapping mechanism through an 18 months' "artificial write-off".
- Liquidity line to ensure the timely payment of interest for the Series BG notes.
- Around 64% of the loans are secured by a mortgage guarantee although only 54% are secured by first lien mortgages.
- 100% of the loans pay via direct debit.

Weaknesses and Mitigants

- Non-granular portfolio (strong concentration per debtor – the largest debtor represents 2.785% of the issuance), however this fact has been taken into account in the Monte Carlo simulation
- Caps on interest rates (this risk being mitigated by interest rate swap).
- Strong concentration in building and real estate sector (48.68% of the provisional portfolio) however this fact has been taken into account in the Monte Carlo simulation. .

STRUCTURE SUMMARY

Issuer:	GC FTPYME PASTOR 2, Fondo de Titulización de Activos ("the Fondo")
Structure Type:	Senior/Mezzanine/Subordinated floating rate notes
Borrower:	Banco Pastor (**A2**/**P-1**)
Seller/Originator:	Banco Pastor (**A2**/**P-1**)
Servicer:	Banco Pastor (**A2**/**P-1**)
Interest Payments:	Quarterly on each payment date
Principal Payments:	Pass-through on a quarterly basis
Payment Dates:	20 January, 20 April, 20 July, 20 October
Credit Enhancement/Reserves:	0.95% excess spread
	3.59% Reserve Fund
	Subordination of the notes
	Guarantee of the Kingdom of Spain (**Aaa**/**P-1**) for Series BG notes
	€3,700,000 liquidity facility for Series BG notes
	Guarantee of EIF (**Aaa**/**P-1**) for Series C notes
Liquidity Facility:	La Caixa (**Aa2**/**P-1**)
Hedging:	Interest rate swap provided by La Caixa
Principal Paying Agent:	La Caixa (**Aa2**/**P-1**)
Management company:	Gesticaixa S.G.F.T., S.A
Arranger/Lead Manager:	BNP Paribas, Dredsner Kleinwort Wasserstein, Banco Pastor

COLLATERAL SUMMARY

Collateral:	Loans to Spanish small- and medium-sized enterprises (SMEs)
Number of Contracts:	3,449
Number of Borrowers:	2,891
Geographic Diversity:	Madrid (22.13%), Galicia (18.95%), Catalonia (12.49%)
Highest Exposure	23,000,000 (represents 2.785% of the issuance)
WA Remaining Term:	6.91 Years
WA Seasoning:	1.12 Years
WA Interest Rate (current):	3.69%
Delinquency Status:	No loan more than 30 days in arrears at closing

Structural and Legal Aspects

FTPYMES Overview

In light of the considerable success achieved by the "FTPYME" programme since its creation in 1998, the Spanish Ministry of Economy has established a budgetary endowment amounting to approximately €1.8 billion for 2004. This is the fourth time the Ministry has made such an endowment. The legal framework has not undergone any change since it was last modified in April 2003. 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 SMEs (as defined by the European Commission in its recommendation of 3 April 1996).
3) The institutions transferring the loans to an FTPYME must in turn reinvest the proceeds of the sale in granting new loans (such loans complying with conditions (a) and (b) above). 50% of this amount 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 **Aa**-rated securities. Significantly, the guarantee is fully binding for the Kingdom of Spain.

As on previous occasions, the budgetary endowment has been allocated in full between various Spanish financial institutions, with the respective FTPYME securitisation funds expecting to close by the end of the year.

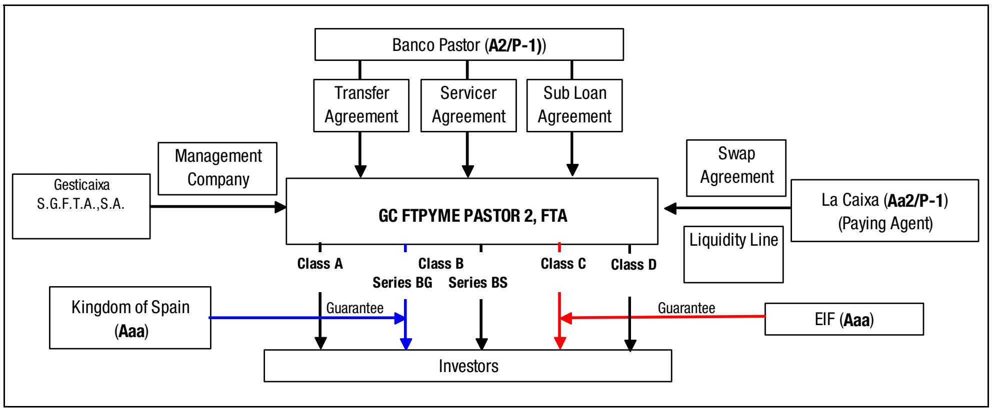
Liquidity line to ensure timely payments of interest to the notes Class C

Since the Spanish Treasury's guarantee payments may take up to three months to feed through after the request, the management company has entered into a liquidity facility agreement with La Caixa. Under this agreement, La Caixa will, if necessary, immediately advance up to €3.7 million, which will be used to cover potential shortfalls in interest on the guaranteed notes. These advances will be repaid out of the funds received from the Spanish Treasury and the corresponding interest of the liquidity line will be paid out from the Fondo's available funds.

Should La Caixa's short-term rating fall below **P-1**, it would have to find a suitably rated guarantor or substitute to provide the liquidity line within 30 business days.

Small and Medium-sized Enterprises CLO transaction with the guarantees from Kingdom of Spain and EIF

Banco Pastor will sell the pool of loans to GC FTPYME Pastor 2 Fondo de Titulización de Activos (at par). The Fondo, in turn, finances the purchase through the issuance of four Classes of floating rate notes: Class A Notes rated (P)**Aaa**, Series BG Notes rated (P)**Aaa**, Series BS Notes rated (P)Aa1, Class C Notes rated (P)Aaa and Class D Notes rated **(P)Baa3**.



Each Class of notes is supported by the Classes subordinated to itself, a reserve fund and the excess spread (guaranteed under the swap agreement with La Caixa).

The European Investment Fund Guarantee

The European Investment Fund (EIF) is part of the EIB (European Investment Bank) group. It is the dedicated risk capital arm of the EIB which finances small- and medium-sized enterprises. Its mandate is to promote both the establishment and the development of SMEs in the European Union member states through venture capital operations and the provision of SME guarantees.

Early amortisation EIF option on Class C

The Class C Notes initially rated Baa1 benefit from a guarantee given by the European Investment Fund (EIF). According to the terms of the Deed of Undertaking, the EIF is obliged to make up for any shortfalls in both interest and principal payments. It is the duty of the management company to send the EIF a payment request when its intervention is required.

The EIF shall be entitled, but under no obligation, to pay to the issuer, on behalf of the Class C Noteholders, the entire Class C outstanding principal amount plus unpaid Class C accrued interest in the following cases:

a) Upon the occurrence of any early liquidation event
b) Should any amount be called under this guarantee
c) in the event the Issuer, acting in the name and on behalf of the Class C Noteholders does not request, within three months from the relevant Payment Date, payment under the EIF Guarantee despite being entitled to do so.

If the EIF amortise Class C due to any of above events the EIF will be fully subrogated in the rights of the Class C Noteholders

Cash Account at Banco Pastor and Treasury Account at La Caixa

The proceeds from the loans will be held in a cash account at Banco Pastor (**A2**/**P-1**), and will be transferred to the treasury account at La Caixa (**Aa2**/**P-1**) every three months, shortly before each payment date. Banco Pastor will transfer on a monthly basis (dated of receipt date) all the amounts received from the debtors to the cash account.

In the event that Banco Pastor's short-term rating falls below **P-1** or its long-term rating falls below **A3**, Banco Pastor would transfer to the treasury account at La Caixa all the amounts received from the debtors on a daily basis.

Should La Caixa's short-term rating fall below P-1, the management company will have to perform one of the following actions in the indicated order of priority within 30 business days:

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.
3. Invest the outstanding amount of the treasury account in securities issued by a **P-1** rated entity

Both La Caixa and Banco Pastor guarantee an annual yield of the amounts deposited in the treasury account and the cash account.

Reserve Fund fully funded upfront to cover potential shortfall in interest and in principal

At all times the required amount under the reserve fund will be the lesser of the following amounts:

- [3.59]% of the initial balance of the notes
- The higher of the following amounts:
  - [7.18]% of the outstanding notional balance of the notes
  - [2.80]% of the initial balance of the notes

The reserve fund will be used to protect the four Classes of notes against interest and principal shortfall on an ongoing basis.

However, amortisation of the reserve fund will cease if either of the following scenarios occurs:

- The amount of loans more than 90 days, but less than 18 months, in arrears exceeds 1.00% of the outstanding amount of the portfolio
- The cash reserve is not funded at its required level

In addition the Reserve Fund will not amortise during the first three years of the transaction

Interest rate swap guaranteeing 0.95 bppa of excess spread

According to the swap agreement entered into between the Fondo and La Caixa (**Aa2**/**P-1**), on each payment date:

- The Fondo will pay the accrued interest from the loans not more than 18 months in arrears. (Accrued Interest: the interest payable, collected or uncollected, during the liquidation period of reference)
- La Caixa will pay the weighted average coupon on the notes plus 95 bppa, over a notional equal to the outstanding amount of the bonds

The excess spread thus provided through the swap agreement constitutes the first layer of protection for investors. The swap mitigates the interest rate risk, interest rate CAPs and the potential shortfall of flows derived from the loans that pay on a semi-annual basis. A further positive feature of this swap is that the Fondo is not obliged to pay to the swap counterparty the accrued interest of loans that are more than 18 months overdue. However, the swap counterparty will pay the weighted average coupon on the notes plus 95 bppa, over a notional of the outstanding amount of the bonds.

In the event of La Caixa's long-term rating being downgraded below **A1**, it will have 30 days 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.

Pre-enforcement waterfall

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. Cost and fees, excluding servicing fee
2. Any amount due under the swap agreement (except termination payments)
3. Interest payment to Class A Notes
4. Interest payment to Series BG and BS (if not deferred)
5. Interest payment to Class C (if not deferred)
6. Repaying the EIF for any amounts that it has paid to the fund for paying interest on Class C (if not deferred)
7. Payment of fees and cost on the EIF Guarantee (if not deferred)
8. Interest payment to Class D (if not deferred)
9. Principal payment to Class A
10. Interest payment to Series BG and BS (if deferred)
11. Principal payments to Series BG and BS
12. Interest payment to Class C (if deferred)
13. Repaying the EIF for any amounts that it has paid to the fund for paying interest on Class C (if deferred)
14. Payment of fees and cost on the EIF Guarantee (if deferred)
15. Principal payments to Class C or payment to EIF if the EIF exercise the early amortisation EIF option on Class C
16. Interest payment to Class D (if deferred)
17. Principal payments to Class D
18. Replenishment of the Reserve Fund
19. Terminations payments under the swap
20. Junior cost

A post-enforcement waterfall is included in the documentation, whereby both principal and interest of a Class will be paid in priority to interest and principal on Classes subordinated itself

The payment of interest on the Series B, C and D notes will be brought to a more junior position if, on any payment dates:

Series BG and BS	Class C	Class D
The outstanding amount of loans more than 18 months past due is higher than 18% the initial outstanding amount of the pool	The outstanding amount of loans more than 18 months past due is higher than 9.3% the initial outstanding amount of the pool	If the principal deficiency exceed the sum of the outstanding amount of Series outstanding amount of Series D

The principal due to the notes incorporates an 18-month "artificial write-off" mechanism

The transaction structure for series A, BG, BS, C and D benefits from an "artificial write-off" which traps available excess spread to cover losses (if any). This type of "artificial write-off" is hidden in the definition of principal due, which is the difference between the notes outstanding and the outstanding principal balance of the loans (performing loans plus loans less than 18 months in arrears).

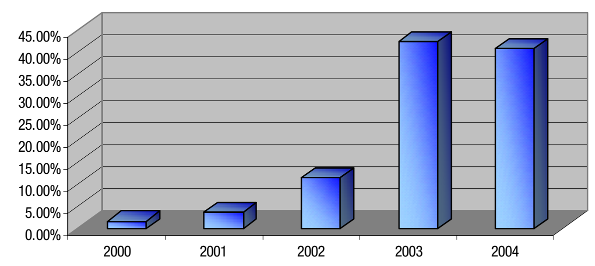
COLLATERAL – REFERENCE PORTFOLIO

As of October 2004, the provisional portfolio is made up of 3,449 loans for a total amount of €849,096,471. The loans were originated between 2000 and 2004 with a weighted average seasoning of 1.12 years and a weighted average remaining life of 6.91 years.

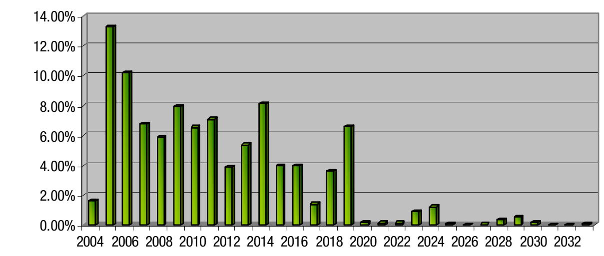
The loans are indexed to Euribor/Mibor (91.08%), and fix (8.87%). The weighted average interest rate is 3.69%. 50.27% of the outstanding of the pool corresponds to loans that pay through monthly instalments, 43.81% quarterly instalments and 5.92% semi-annual instalments. Around 64.33% of the portfolio is composed of loans secured by a mortgage, although only 54% of them are first lien mortgages.

Geographically, the pool is concentrated in the region of Madrid (22.13%), Galicia (18.95%) and Catalonia (12.49%). Around 51% of the portfolio is concentrated in the real estate sector.

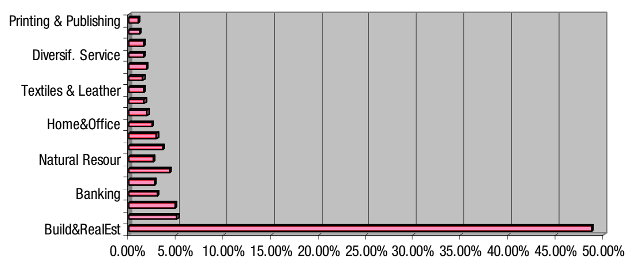
Portfolio Breakdown by Origination Year



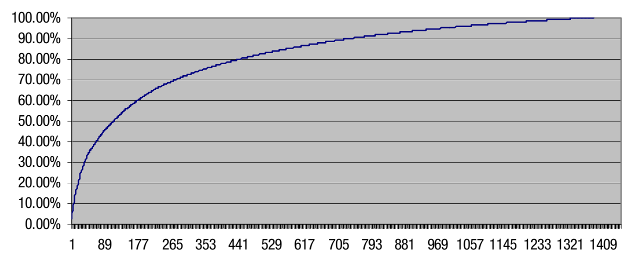
Portfolio Breakdown by Maturity

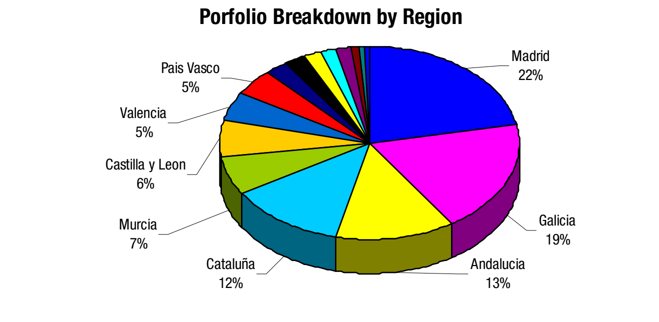


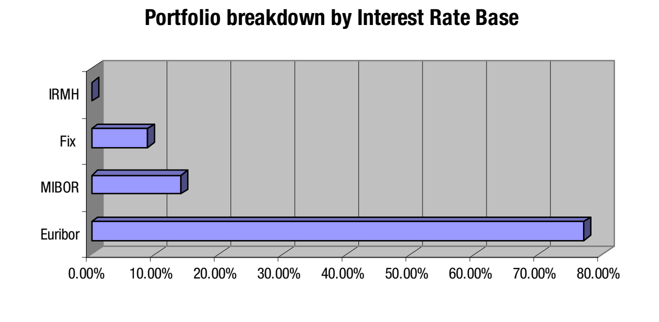
Portfolio Breakdown by Moody's Industry



Pool Concentration







Renegotiations

Any renegotiation of the terms and conditions of the loans is subject to approval by the *gestora* (manager). Exceptionally, the *gestora* may authorise Banco Pastor to renegotiate the interest rate or maturity of the loans without requiring its approval. However, Banco Pastor will not be able to (1) renegotiate the interest rate of any loan if the weighted average margin of the pool falls below 1.00% or (2) extend the maturity of any loan to beyond 30 October 2033. Moreover, the renegotiation of the maturity of the loans is subject to the following conditions:

1. The global initial amount of loans on which the maturity has been extended cannot be greater than 5% of the initial amount of the pool.
2. The amortisation profile cannot be modified.
3. No delay in excess of 90 days in payment of amounts due on the loan during the last six months.

ORIGINATOR, SERVICER AND DUE DILIGENCE

Banco Pastor (A2/P-1), as originator and servicer of the asset pool

The transaction's collateral is originated by Banco Pastor.

With total assets of around €9.7 billion at end-September 2003, Banco Pastor is the tenth-largest banking group in Spain and the eighteenth-largest financial institution (including savings banks). It is the leading bank in Galicia (in the north-west of Spain), where it holds an 18% market share and is the market leader in SMEs and in rural areas. The bank operates through 507 branches, 60% of which are located in its home market. In addition, Banco Pastor has three branches in Portugal, through its finance company Pastor Servicios Financieros,, and representative branches in a number of countries. The remaining 35% of the branches are located over the rest of Spain, giving Banco Pastor a nationwide (though still modest) presence.

While Galicia is a growing region, gross domestic product growth has been lower than the national average for some years. This gap is nevertheless narrowing, and, in 2003, Galicia's growth rate was above the Spanish average. Unemployment, although falling, remains higher than the Spanish average (12.35% versus 11.17%).

The **A2**/**P-1** deposit ratings and **C+** financial strength rating of Banco Pastor S.A. are based on the bank's strong retail franchise in Galicia, where it holds an 18% market share, and on its sound financial fundamentals. Banco Pastor displays good profitability, a low-risk business, improving asset quality and efficiency levels, and sound capitalisation.

The bank's strategy is to defend its market share in Galicia and expand in its urban areas, while also achieving a solid nationwide presence.

Paying agent

La Caixa (**Aa2/P-1**) will act as paying agent of the Fondo. In the event of La Caixa's short-term rating falling below **P-1**, it will have to be replaced in its role of paying agent by a suitably rated institution within 30 business days.

Management company

GestiCaixa, S.G.F.T., S.A., is an experienced management company in the Spanish securitisation market. The *gestora* is fully owned by La Caixa.

MOODY'S ANALYSIS

Moody's used a Monte Carlo simulation to derive the default distribution of the pool of assets

Given the number of assets and the size of the exposures in the portfolio (see Collateral – Reference Portfolio section), Moody's derived the gross loss distribution curve through a two-factor Monte Carlo approach, rather than assuming that it followed a given general density law.

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

- The default probability contribution of each single entity
- The correlation structure among the different industries represented in the portfolio

As regards the default probability assumed for the underlying obligors, Moody's based its analysis on historical information received from the originator. The default probability was derived from the historical data, and subsequently adjusted for (1) the seasoning of the portfolio and (2) an expected less favourable macro-economic environment. Additionally, Moody's performed a number of different sensitivity analyses in assuming default probability for the underlying debtors.

As regards the correlation structure, which takes into account the portfolio specificities, Moody's split the portfolio into 33 different industries. In order to reflect the diversity shown by the exposures in the securitised portfolio, Moody's made different assumptions, both for the asset correlation within one industry and between assets in different industries (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, giving an outcome equal to the default probability distribution for the portfolio.

Moody's built a cash flow model that reproduces all deal-specific characteristics, as well as other assumptions for recoveries, delinquency and prepayments, and to allocate losses to the notes in accordance with their priority of payment and relative size. 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 for each series of notes which, combined with each series' expected average life, is consistent with the ratings assigned.

The excess spread, together with the line of credit and the subordination of the various classes, provides a credit enhancement that is sufficient to achieve expected losses that, combined with each class's expected average life, are consistent with the range of the prospective ratings of the notes.

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 makes sure that the legal documents correctly reflect the structure of the deal, as well as the assumptions made in its analysis.

RATING SENSITIVITIES AND MONITORING

Gesticaixa, S.G.F.T, S.A, in its capacity as management company, will prepare quarterly monitoring reports with respect to 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 this 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 to the rating will be publicly announced and disseminated through Moody's Client Service Desk. For updated monitoring information, please contact monitor.madrid@moodys.com.

RELATED RESEARCH

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For a more detailed explanation of Moody's approach to this and similar types of transactions, please refer to the following reports:

- RATING METHODOLOGY: "The Lognormal Method Applied to ABS Analysis", Special Report, July 2002
- RATING METHODOLOGY: "FTPYMES: Rating Methodology - Revised", Special Report, May 2002
- SPECIAL REPORT: "Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread", January 2004
- SPECIAL REPORT: "Moody's Spanish SME Loan-Backed Securities Index" – April 2004

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