GC FTPYME Sabadell 6, 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 June 2007. 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.*

Estimated Closing Date

26 June 2007

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PROVISIONAL (P) RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A1	(P)**Aaa**	€175	17.50	Sep 39	3mE + [·]%
A2	(P)**Aaa**	€635.4	63.54	Sep 39	3mE + [·]%
A3(G)	(P)**Aaa**	€134.1	13.41	Sep 39	3mE + [·]%
B	(P)**A2**	€35.5	3.55	Sep 39	3mE + [·]%
C	(P)**Baa2**	€20	2.00	Sep 39	3mE + [·]%
Total		€1,000.0	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

- Extensive historical default and recovery information provided by Banco Sabadell (vintage information provided since 1997)
- Guarantee of the Kingdom of Spain for Series A3(G)
- Excess spread-trapping mechanism through a 12-month "artificial write-off"
- Strong interest rate swap provided by Banco Sabadell, whereby the *Fondo*'s payment is based on a notional equal to or lower than the notional over which the swap counterparty payment is established. Moreover, Banco Sabadell guarantees an excees spread of 50 bppa under the swap agreement
- Good performance of Banco Sabadell's previous FTPYME deals

Weaknesses and Mitigants

- Geographical concentration in the region of Catalonia, a natural consequence of the location of the originator, and mitigated in part by the fact that this is the region of Banco Sabadell's origin, where it has its highest expertise.
- A significant portion of the loans (7.8%) pay through semi-annual or annual instalments, which potentially may delay the point in time at which a default is detected in such loans, compared with high-frequency payment loans.
- 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 potentially forces junior rated noteholders to long periods of receiving no interest. Moody's has factored this into its quantitative analysis, and the reserve fund and the subordination have been sized accordingly to account for this deterioration on the expected loss and the probability of default.

STRUCTURE SUMMARY *(see page 5 for more details)*

Issuer:	GC FTPYME Sabadell 6, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes
Seller/Originator:	Banco Sabadell, S.A. (Banco Sabadell, **Aa3**/**P-1**/**B-**)
Servicer:	Banco Sabadell
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	20 January, 20 April, 20 July, 20 October
	First payment date: 22 October 2007
Credit Enhancement/Reserves:	0.50% excess spread 1.40% reserve fund Subordination of the notes Guaranteed Investment Contract (GIC) account Guarantee of the Kingdom of Spain (**Aaa**/**P-1**) for Series A3(G)
GIC Account Provider:	Banco Sabadell
Hedging:	Interest rate swap covering the 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)
Arrangers:	Banco Sabadell Gesticaixa
Lead Managers:	Banco Sabadell Lehman Brothers International (Europe) Calyon, Spanish Branch

COLLATERAL SUMMARY (AS OF MAY 2007) *(see page 8 for more details)*

Receivables:	Loans to Spanish SMEs
Total amount:	€1.3 billion
Number of Contracts:	3,200
Number of Borrowers:	2,935
Geographic Diversity:	Catalonia (43%), Madrid (15%), Valencia (10%)
WA Seasoning:	1.6 years
WA Remaining Term:	10.1 years
Interest Basis:	98% floating, 2% fixed
WA Interest Rate:	4.51%
Delinquency Status:	No loans in arrears at the time of the securitisation
Historical Experience:	Default and recovery information provided

NOTES

Series	Subordination	Reserve Fund	Total
A1	82.50%(1)	1.4%	83.90%
A2	18.96%(1)	1.4%	20.36%
A3(G)	5.55%(1)	1.4%	6.95%
B	2.0%(1)	1.4%	3.4%
C	0%	1.4%	1.4%

(1) Subject to pro-rata amortisation triggers

INTRODUCTION

The 2007 budget for the FTPYME programme remains unchanged from 2006, but with an increase in the limit imposed on the outstanding amount of guaranteed tranches

For the seventh year, the Spanish Economy Ministry has established an annual guarantee budget for its FTPYME programme for securitisations of loans to SMEs. The 2007 budget remains unchanged compared to 2006, although the limit imposed by the Spanish Budget Stability Law on the outstanding amount of guaranteed tranches has been increased from €5 billion to €5.5 billion. This limit was the reason why only €600 million out of the €800 million budgeted for 2006 was assigned to FTPYME securitisation funds last year.

The legal framework has been slightly altered since its last major modification in 2005. The key changes this year are: (1) the introduction of a deadline for submitting applications at the beginning of the year (between 15 January and 15 February); (2) no open-ended funds will be allowed under the FTPYME programme (though this was already happening in practice), and (3) the Spanish Treasury is entitled to charge a commission for the guarantee granted to each FTPYME securitisation fund.

Apart from these changes, the principal conditions of the FTPYME programme remain unchanged and are as follows:

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.

Moody's expects that four FTPYME securitisation funds will close by year-end 2007, with closing dates more spread out throughout the year than past years.

TRANSACTION SUMMARY

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

GC FTPYME Sabadell 6, FTA (the "*Fondo*") is a securitisation fund created with the aim of purchasing a pool of loans granted by Banco Sabadell to Spanish SMEs, in compliance with the conditions required by the FTPYME programme in order to qualify for the Spanish Treasury guarantee.

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

– A subordinated Series C, rated (P)**Baa2**

– A mezzanine Series B, rated (P)**A2**

– A senior tranche composed of three (P)**Aaa**-rated series: a subordinated Series A3(G), a mezzanine Series A2 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. The swap agreement will also hedge the *Fondo* against (i) the risk derived from having different index reference rates and reset dates on the assets (as well as fixed-rate loans) and on the notes; (ii) any renegotiation of the loans' interest rate; and (iii) the existence of caps on this interest rate.

In addition, the *Fondo* will benefit from a €[·] 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 the 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 of the interest or principal guarantee payments.

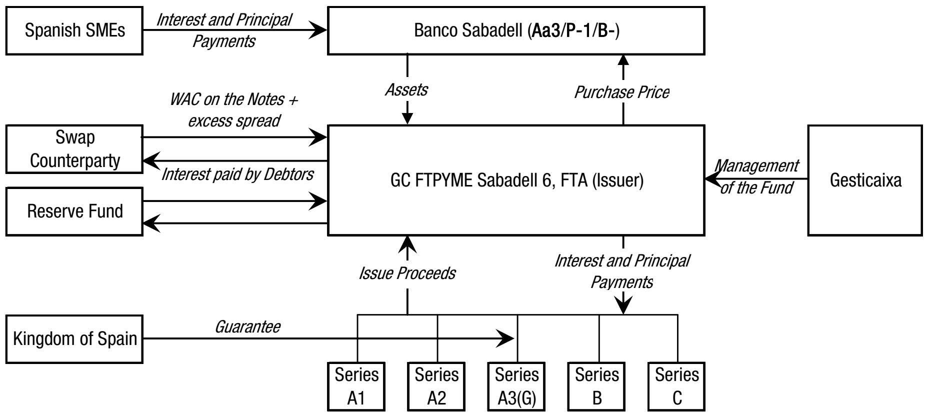
The provisional pool consists of 3,200 loans and 2,935 Spanish enterprises as borrowers, 90% of which are SMEs according to the European Commission definition. In line with the pattern observed in previous Banco Sabadell transactions, it is concentrated in Catalonia. According to Moody's industry classification, it is around 57% concentrated in the "buildings and real estate" sector (obtained through a mapping between the Spanish industry codes (CNAE) provided by the Spanish National Statistics Institute and the Moody's industry codes). 55.3% of the pool is secured by a first-lien mortgage guarantee over different types of properties.

Moody's based the provisional ratings primarily on: (i) an evaluation of the underlying portfolio of loans; (ii) 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.

STRUCTURAL AND LEGAL ASPECTS

Deal structure incorporating the following key features: a swap agreement guaranteeing 0.50% of annual excess spread, pro-rata and soft bullet amortisation of the notes and deferral of interest based on the accumulated amount of written-off loans

Chart 1:
Structure Diagram



Interest rate swap hedging the interest rate risk and guaranteeing 50 bppa of annual 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) from the previous payment date plus the yield from the amortisation account
- 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). 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 its short-term rating being downgraded below **P-1**, it will within 30 business days have to (1) collateralise its obligation under the swap in an amount sufficient to maintain the then current rating of the notes; or (2) find a suitably rated guarantor or substitute. Any failure by Banco Sabadell to comply with these conditions will constitute an event of default under the swap agreement.

Reserve fund fully funded up-front 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 (detailed below) on an ongoing basis.

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

- 1.40% of the initial balance of the notes
- The higher of:
  - 2.80% of the outstanding balance of the notes
  - 0.70% of the initial balance of the notes

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

- During the first three 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 that are more than 90 days in arrears) exceeds 1%.
  - The reserve fund is not funded at its required level

The GIC provides 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 this rating fall below **P-1**, the bank 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.

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 20 July 2008, all funds available for 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 20 October 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 in its role as servicer to renegotiate the interest rate or the maturity of any loan without requiring its approval (although this authorisation can be revoked at any point in time during the life of the transaction). Regarding this last issue, some limitations have been put in place:

- Banco Sabadell will not be able to extend the maturity of any loan later than 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 system 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 treasury account) 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)
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. Termination payment under the swap agreement (except in the cases contemplated in 2) above)
11. Junior payments

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

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

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

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

- The accumulated amount of written-off loans since closing is higher than 7.75% and 5.70% of the initial amount of the pool for Series B and C respectively.
- The series senior to it are not fully redeemed.

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

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (1) the outstanding amount of the notes (plus any amount due to the Spanish Treasury by reason of principal) 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 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 significant 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 falling in July 2008, all the amounts retained as principal due on item (6) of the order of priority, will be transferred to the amortisation account.

From this date onwards, the amount retained as principal due, together with the available funds under the amortisation account just on the payment date falling in October 2008, will be dedicated to the amortisation of the notes according to the following rules:

1. Sequentially to the amortisation of Series A1, A2, A3(G), B and C (in the indicated order)
2. Pro-rata between Series A1, A2 and A3(G), if the aggregated outstanding amount of these three Series is equal to or greater than the outstanding amount of performing loans (including loans up to 90 days in arrears).
3. Notwithstanding rule (1), from the payment date on which the initial amount of Series B and C exceeds 7.10% and 4.00%, respectively, of the outstanding amount under all series, pro-rata between the following items:
   i. Amortisation of Series A1, A2 and A3(G) in accordance with rule (1)
   ii. Amortisation of Series B
   iii. Amortisation of Series C

   Ensuring that the following conditions are met:

   - The arrears level is below 1.25% and 1.00% for Series B and C respectively.

- The cash reserve is not going to be funded at its required level.
- The outstanding amount of the non-written-off loans is higher than 10% of the pool's initial amount.
- The conditions to amortise pro-rata Series A1, A2 and A3(G) are not met.

The reimbursement of the guarantee payments from the Spanish Treasury by reason of principal will occupy the same position as the amortisation of Series A3(G) in the principal due allocation mechanism stated above.

COLLATERAL

Pool of loans granted to Spanish corporates well diversified across the country

As of May 2007, the provisional portfolio comprised 3,200 loans and 2,935 borrowers. 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 enterprises based in Spain, 90% of which are SMEs according to the European Commission definition.
- The loans are repaid by direct debit and have paid at least one instalment.
- No loan incorporates deferred payments of interest.
- 100% of the principal of the loans has been drawn.
- All the mortgaged properties are fully developed and situated in Spain.
- The pool will not include loans granted to real estate developers or lease contracts.

The loans have been originated between 1998 and February 2007, with a weighted average seasoning of 1.6 years and a weighted average remaining term of 10.1 years. The longest loan matures in March 2036.

The interest rate is floating for 98% of the pool and fixed for the rest, with a weighted average interest rate of 4.66% for the fixed-rate loans and a weighted average margin of 0.76% for the floating-rate loans. The majority of the floating-rate loans are referenced to Euribor at different time horizons.

The majority of the loans pay through monthly (77%) or quarterly (15.2%) instalments. The rest of the loans pay through semi-annual (5%) or annual (2.8%) instalments. In terms of amortisation pattern, 3.7% of the pool corresponds to non-amortising loans. Apart from this, 10.7% of the pool enjoys an initial grace period on principal payments (the average length of the grace period being 0.8 years).

55.3% of the outstanding of the portfolio is secured by a first-lien mortgage guarantee over different types of properties. The total weighted average loan-to-value for such loans is 53.3%. With respect to insurance contracts, should any of the mortgaged properties not be properly covered, Banco Sabadell will compensate the *Fondo* for any uncovered damage.

Geographically, the pool is concentrated in Catalonia (43%), Madrid (15%) and Valencia (10%). Around 57% 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 1.24% of the issuance amount. However, at closing all the exposures representing more than 1% of the issuance amount (7 debtors in total) will be removed. Hence, potentially the biggest debtor in the securitised pool will represent 0.97% of the issuance amount.

Chart 2:
Portfolio Breakdown by Year of Origination

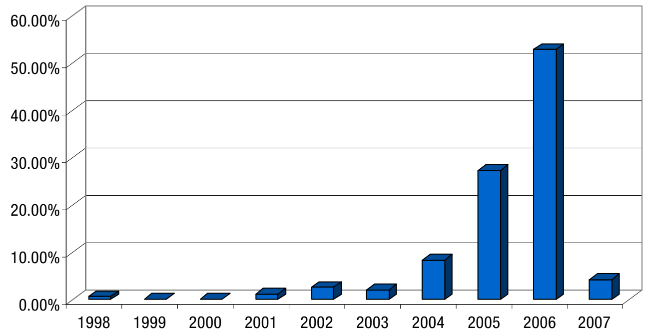


Chart 3:
Portfolio Breakdown by Year of Maturity

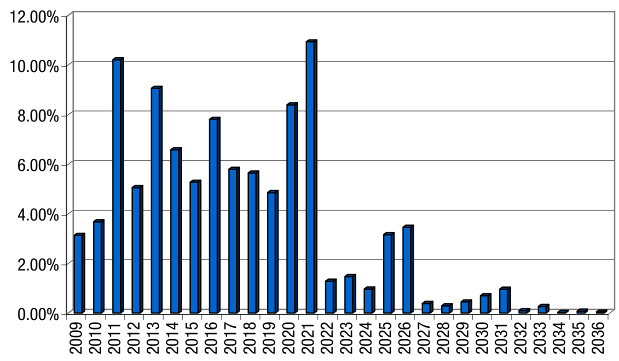


Chart 4:
Portfolio Breakdown by Geographic Diversity

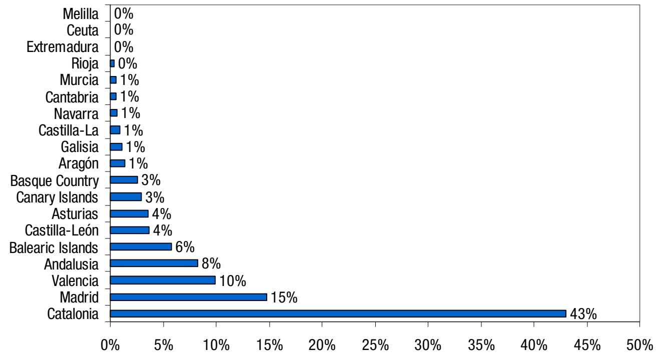


Chart 5:
Ten Most Represented Moody's Industry Sectors

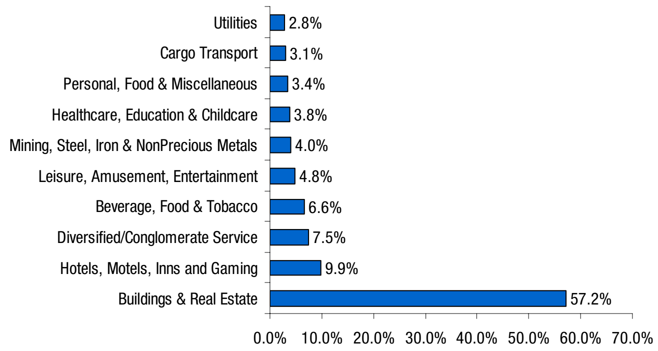


Chart 6:
Portfolio Breakdown by Frequency of Payments

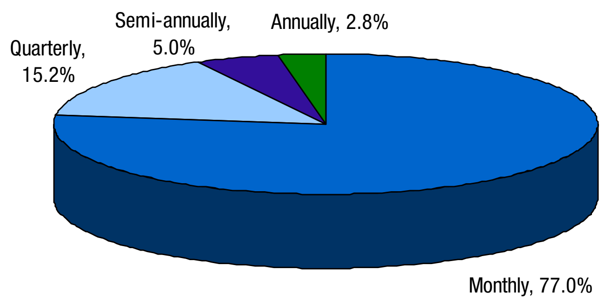
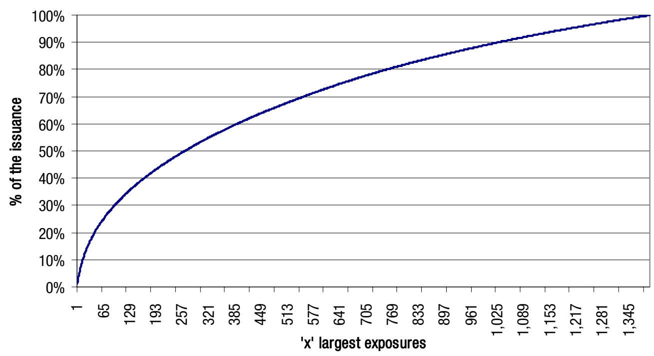


Chart 7:
Debtor Concentration



The originator represents and guarantees that, as of the date of the transfer, there will be no amounts due and unpaid under any of the loans.

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

With total assets of €71 billion at the end of March 2007, Banco Sabadell is Spain's fourth-largest banking group and seventh-largest financial institution. Sabadell enjoys strong brand recognition and market positioning in Catalonia and in some other regions such as Asturias and, to a lesser extent, Andalusia and Valencia. The bank benefits from close ties with its clients in its home market, Catalonia, one of Spain's most economically dynamic regions.

Sabadell is particularly strong in the medium-sized corporate segment, especially those enterprises with annual sales between €6 million and €100 million, which account for 41% of the loan book. The small enterprises, with annual sales below €6 million accounted for 22% of the loan book as of March 2007. At the same time, loans to individuals accounted for around 25% of the loan portfolio while 8% was with large corporate entities.

In the recent past, Sabadell has significantly increased its balance sheet size, transforming itself from a regional bank with most of its business and physical presence concentrated in Catalonia, to an institution having a multi-regional presence. In the past decade Sabadell has made several acquisitions to accelerate growth, increase geographical diversification and to reinforce its position in different business segments. The recent acquisitions have enabled Sabadell to increase its geographical presence in other markets such as Madrid and Andalusia in Southern Spain without jeopardising its financial strength. The group is transforming itself into a multi-regional institution with diversity of brands.

Sabadell has a diversified earnings portfolio. Its commercial banking business remained the largest contributor to the group's total pre-tax profits during the first quarter of 2007, amounting to €110.2 million (41% of pre-tax profits). It caters to individuals, micro enterprises and SMEs with turnover of less than €6 million.

The SME banking business continues to be the second largest contributor to the group's total pre-tax profits amounting to €132.3 million (49% of pre-tax profits). The SME banking business serves medium to large-sized enterprises with turnover of €6-200 million and large corporates with turnover above €200 million.

So far Banco Sabadell has carried out 12 securitisation transactions, ten corresponding to SME loans (3 of them multi-originator) and 2 RMBS deals (1 of them multi-originator).

Banco Sabadell's duties as servicer and originator

Banco Sabadell will act as servicer of the loans, and will transfer the proceeds from the loans to the treasury account within 24 hours since they were paid by the borrowers.

In the event of Banco Sabadell failing to perform its obligations as servicer, being subjected to a Bank of Spain intervention or an insolvency process, or being affected by a deterioration in its financial situation that, according to the management company, might have a negative impact on the noteholders, it will have to be substituted or guaranteed in its role as servicer by a suitable institution.

Moody's believes that Banco Sabadell is currently a capable servicer.

Likewise, the management company may require Banco Sabadell, upon an insolvency process or Bank of Spain intervention, or because the management company considers it appropriate acting in best interest of the noteholders, to notify the relevant debtors of the transfer of the loans to the *Fondo*. Should Banco Sabadell fail to comply with this obligation within three 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 guaranteed or replaced 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, rated **Aa1/P-1/B**), and its obligations within the structure are supported by all of its shareholders. Currently it carries out the management of 23 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 as follows:

– The gross loss contribution of each single entity

– The correlation structure among the different industries represented in the portfolio

As regards the gross loss assumption, Moody's based 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' after 90 days past due. The final value retained was around a mean of 2.4%. Assumptions for recoveries, delinquency and prepayments were also derived from the historical information.

Chart 8:
Cumulative Gross Loss Rate per Quarter of Origination

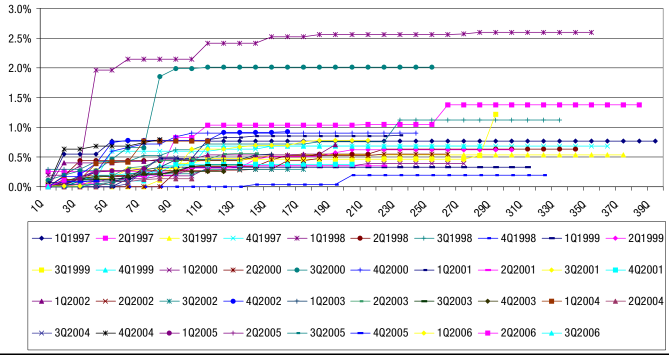
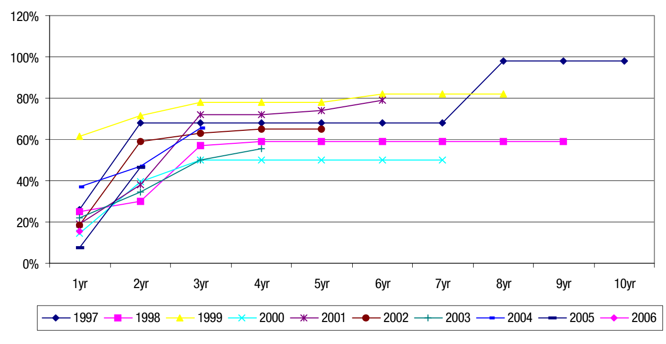
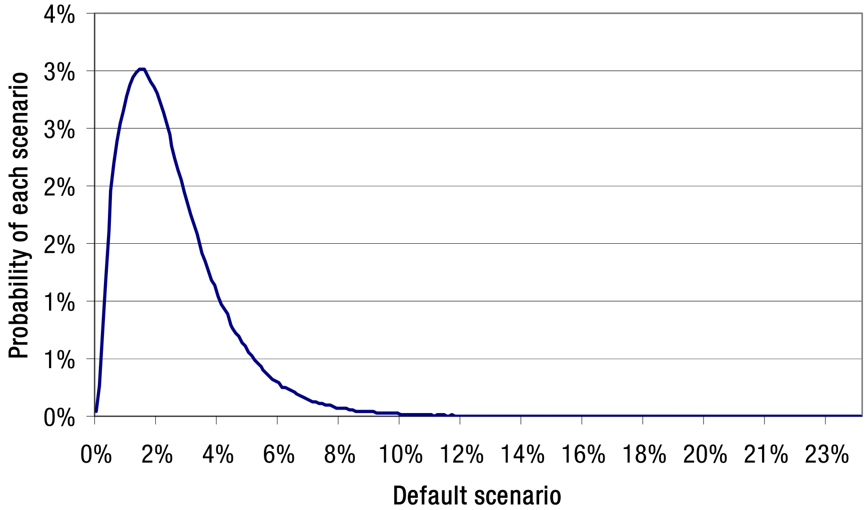


Chart 9:
Cumulative Default Rate per Year of Default



As regards the correlation structure that takes into account the portfolio's characteristics, Moody's split the portfolio into 33 groups and, with the purpose of reflecting the diversity shown by the exposures in the securitised portfolio, 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).

Chart 10:
Default Distribution



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.

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

RATING SENSITIVITIES AND MONITORING

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

Gesticaixa will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and on 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 it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the ratings will be publicly announced and disseminated through Moody's Client Service Desk.

RELATED RESEARCH

Visit moodys.com for further details

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

Analysis

- Banco Sabadell, S.A., October 2006 (100132)

Issuer Profile

- Banco Sabadell, S.A.

Credit Opinion

- Banco Sabadell, S.A.

Performance Overview

- IM FTPYME Sabadell 3, Fondo de Titulización de Activos
- GC FTPYME Sabadell 4, Fondo de Titulización de Activos
- GC FTPYME Sabadell 4, Fondo de Titulización de Activos

Pre-Sale Report

- IM FTPYME Sabadell 3, Fondo de Titulización de Activos, November 2004 (SF46067)
- GC FTPYME Sabadell 4, Fondo de Titulización de Activos, November 2005 (SF63959)
- GC FTPYME Sabadell 5, Fondo de Titulización de Activos, November 2006 (SF85950)

Special Report

- 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)
- Moody's Approach to Rating ith-to-Default Basket Credit-Linked Notes", April 2002 (SF13090)

Rating Methodology

- FTPYMES: Moody's Analytical Approach to Spanish Securitisation Funds Launched Under Government's FTPYMES Programme, October 2003 (SF27063)

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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