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Presale Report: MBS Spain

GC Pastor Hipotecario 5, Fondo de Titulización de Activos

€710.5 Million Floating-Rate Mortgage-Backed Notes

Analysts: Estela Prieto, Madrid (34) 91-788-7204, estela_prieto@standardandpoors.com and Ilaria Vignozzi, Milan (39) 02-72-111-209, ilaria_vignozzi@standardandpoors.com
Surveillance analyst: Rocio Romero Castillo, Madrid (34) 91-389-6968, rocio_romero@standardandpoors.com
Group e-mail address: StructuredFinanceEurope@standardandpoors.com

This presale report is based on information as of June 8, 2007. The credit ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final credit ratings that differ from the preliminary credit ratings.

Class	Prelim. rating*	Prelim. amount (Mil. €)	Available credit support¶ (%)	Interest	Legal final maturity
A1	AAA	175.0	6.10	Three-month EURIBOR plus a margin	June 30, 2046
A2	AAA	492.8	6.10	Three -month EURIBOR plus a margin	June 30, 2046
B	A	24.9	2.54	Three -month EURIBOR plus a margin	June 30, 2046
C	BBB-	7.3	1.50	Three -month EURIBOR plus a margin	June 30, 2046
D	CCC-	10.5	N/A	Three -month EURIBOR plus a margin	June 30, 2046

**The rating on each class of securities is preliminary as of June 8, 2007, and subject to change at any time. Final credit ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinion, and completion of a corporate overview. Standard & Poor's ratings address timely interest and ultimate principal.*
¶This credit support uses current figures.
NR—Not rated.
N/A—Not applicable.

Transaction Participants	
Originator	Banco Pastor, S.A.
Arrangers	ABN AMRO Bank N.V., Spanish branch, GestiCaixa, S.G.F.T, S.A., and Banco Pastor, S.A.
Seller	Banco Pastor, S.A.
Servicer	Banco Pastor, S.A.
Security trustee	GestiCaixa, S.G.F.T, S.A.
Interest swap counterparty	Banco Pastor, S.A.
GIC provider	Banco Pastor, S.A.
Transaction account provider	Banco Pastor, S.A.

Supporting Ratings	
Institution/role	Ratings
Banco Pastor, S.A. as transaction account provider, interest swap counterparty, and GIC provider	A/Stable/A-1

Transaction Key Features	
Expected closing date	June 28, 2007
Collateral	A pool of first-ranking mortgage loans granted to a mix of individuals (83.63%) and SMEs (16.37%), and secured over residential (87.63%), commercial outlets (7.84%), industrial properties (2.94)%, or other (1.59%), all located in Spain
Principal outstanding (Mil. €)	939,445,037
Country of origination	Spain
Concentration	Catalonia (23.66%), Madrid (18.04%), Galicia (14.11%), and Andalucia (12.84%)
Property occupancy	8.3% of residential properties are second homes
Weighted-average LTV ratio (%)	64.81
Average loan size balance (€)	157,678
Loan size range (€)	7,321-1,699,959
Weighted-average seasoning (months)	13
Weighted-average asset life remaining (years)	25.23
Weighted-average mortgage interest rate (%)	4.33
Weighted-average margin at closing (%)	1.12
Arrears	1% arrears between 31 and 45 days
Redemption profile	99.46% French amortization, 0.54% fixed installment. 5.12% of pool has an interest-only period at the beginning
Cash reserve	1.50%, amortizing under certain conditions
Mortgage priority	100% first lien
Maximum LTV ratio (%)	99.87
Percentage of jumbo loans (> €400,000)	12.7
*Collateral as of May 29, 2007.	

Transaction Summary

Standard & Poor's Ratings Services has assigned preliminary credit ratings to the €710.5 million mortgage-backed floating-rate notes to be issued by GC Pastor Hipotecario 5, Fondo de Titulización de Activos.

The loans were originated by Banco Pastor, S.A. (A/Stable/A-1), which is a midsize commercial bank in Spain, with an important regional presence in its original home market, Galicia. Its primary business is SME lending and retail banking.

With this transaction, Banco Pastor, S.A. will securitize part of its growing mortgage-lending book. The loans, originated across Spain, feature a first-ranking security over residential or commercial properties and, in most cases, were granted for the purpose of property acquisition.

Notable Features

This will be the seventh transaction in which Banco Pastor securitizes its mortgage loans, but the first one in which the pool comprises a mix of residential and commercial loans (see "*Collateral Description*"). All the previous ones were pure RMBS. In total, Banco Pastor has taken part in 14 securitizations—including the current one—some of which were multioriginator.

The structure is similar to previous IM PASTOR transactions. As in other Spanish transactions, interest and principal will be combined into a single priority of payments, with triggers in the payment of the interest of subordinated notes to protect the senior class.

Sectoral Credit Highlights

Spain's economic growth has consistently exceeded that of the Eurozone over the past six years and its population of 44 million has been boosted by a net inflow of over three million since the beginning of the century. These dynamic factors have translated into a boom in the construction sector and a sharp acceleration in house price inflation since the mid-1990s. In the eight years to 2005, Spanish house prices increased 114% in real terms.

Since the end of 2005, however, the Spanish housing market has been sending signals that, although conflicting, could point to the beginning of a slowdown. On the one hand, house price inflation, albeit still vigorous, has been edging down. The latest figures indicate that house prices grew by an annual 11.6% in the second quarter of 2006, compared with 12.5% and 17.0% for the same periods in 2005 and 2004. Mortgage growth has also started to decline, although it remains at a very high level (26% year on year in the second quarter of 2006). As interest rates continue to rise through the first quarter of 2007, it is reasonable to expect a marked slowdown in demand and house price inflation in 2007 and beyond.

Strengths, Concerns, And Mitigating Factors

Strengths

- The collateral comprises all first-ranking mortgage loans secured over properties in Spain, with a weighted-average current LTV ratio of 64.81%.
- Banco Pastor is an experienced servicer, currently managing 13 transactions before this one.
- A cash reserve fully funded at closing will be available to cover any interest or principal shortfalls.
- A swap agreement will hedge the interest rate risk, guarantee a spread of 60 bps in the transaction, and pay for the servicer fees if the servicer is replaced.

Concerns

- Commercial borrowers and non-residential properties are included in the portfolio.
- The collateral backing the notes shows some degree of concentration, with loans exceeding the threshold of €400,000 representing 12.7% of the portfolio
- The pool includes some loans with installments in arrears between 31 and 45 days (1%).
- Of the collateral, 55.8% is concentrated in three geographical regions (Catalonia, Madrid, and Galicia).
- Banco Pastor will transfer the collections from the mortgage loans to the GIC within the first five business days of the following month after collection, increasing the commingling risk.

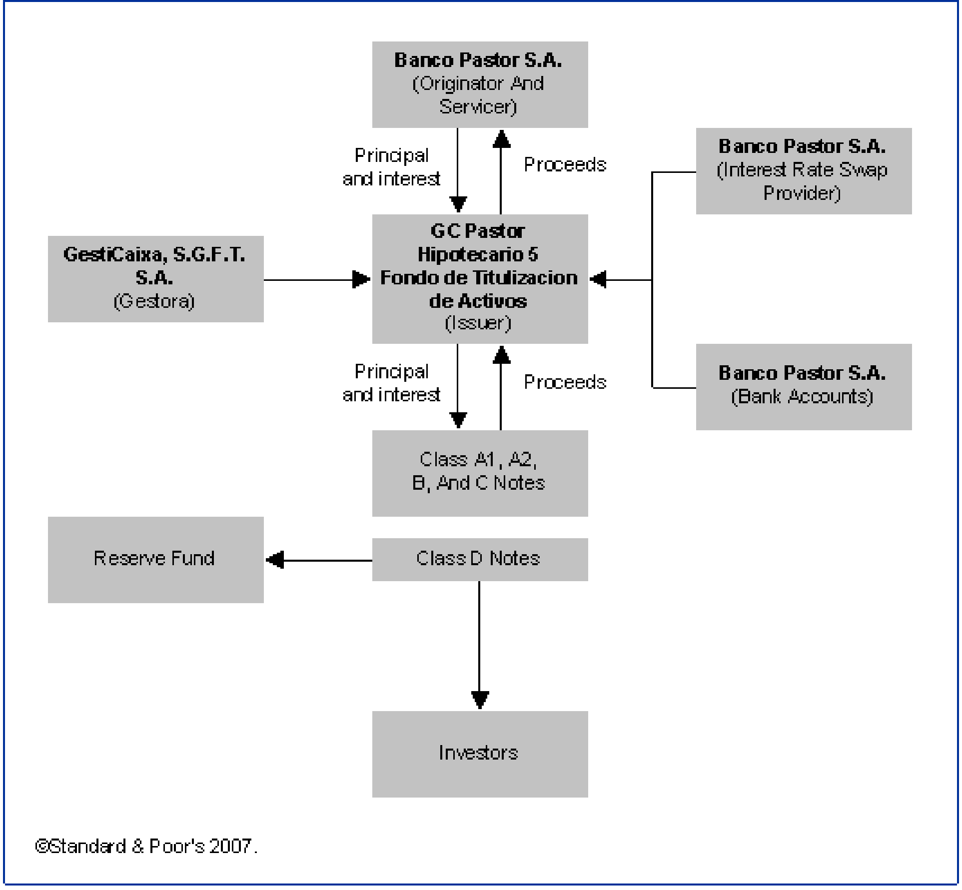
Mitigating factors

- Conservative assumptions have been made in Standard & Poor's portfolio credit analysis to reflect higher foreclosure frequency for commercial borrowers and higher loss severity for non-residential properties.
- Conservative assumptions have been made to reflect the higher risk linked to jumbo loans. In addition, the cash reserve will provide an adequate cushion to cover for concentration.
- The risk relating to loans in arrears for more than 30 days has been addressed in Standard & Poor's analysis through adjustment to the default risk.
- Madrid and Catalonia are among the most economically dynamic regions in Spain; Galicia is the bank's home territory and so well known. The geographical concentration has also been taken into account in the credit assumptions used.
- As long as Banco Pastor is rated 'A-1', the monthly sweep frequency of collections will have no impact on commingling risk. If it were downgraded below 'A-2', Banco Pastor would accelerate to at least weekly sweeps to the issuer's account. This would partially mitigate commingling risk.

Transaction Structure

At closing, Banco Pastor will transfer to GC Pastor Hipotecario 5, Fondo de Titulización de Activos a closed portfolio of mortgage loans granted to Spanish individuals or SMEs. GC Pastor Hipotecario 5, Fondo de Titulización de Activos will fund this purchase by issuing five classes of notes through the trustee, GestiCaixa S.G.F.T., S.A. (see chart 1).

Chart 1: GC Pastor Hipotecario 5 Fondo de Titulización de Activos Transaction Structure



The issuer is a "*fondo de titulización de activos*" created for the sole purposes of purchasing the mortgage participations from Banco Pastor, issuing the notes, and carrying out related activities. The assets will be insulated from the insolvency of the originator and the trustee.

The principal and interest on the notes will be paid in arrears quarterly, starting in September 2007. Principal payments are detailed in "*Redemption of the notes*".

The transaction will feature some structural enhancements provided by the swap agreement, amortization of the notes, the reserve fund, the GIC treasury account, and the servicing provided by Banco Pastor.

As in other Spanish transactions, interest and principal from the underlying assets will be combined into a single priority of payments. A cumulative default ratio test will protect senior noteholders by subordinating the payment of junior interest further down the priority of payments.

Trustee or "sociedad gestora"

GestiCaixa will be the *sociedad gestora*. The creation of the *sociedad gestora* was authorized by the Ministry of Economy and Treasury in August 1994. Under the legislation for mortgage securitization in Spain, the issuer's day-to-day operations are managed by the *sociedad gestora*, which represents and defends the interests of the noteholders. The *sociedad gestora*, on the issuer's behalf, entered into certain contracts (GICs, a swap agreement, and subordinated loan agreement) needed to protect it against certain risks and credit losses that are assumed to arise in connection with holding the loans. In this transaction, the main responsibilities of the *sociedad gestora* are to represent the issuer, issue the notes on its behalf, calculate the interest rate on the notes, notify noteholders of any relevant information applicable to the notes and assets, and organize the annual audit.

Banco Pastor, S.A.

With over €25 billion in total assets as at March-end 2007, Banco Pastor is a midsize bank in the Spanish market.

Banco Pastor has developed strong ties and relationships with Galicia's industrial and rural communities, achieving a relevant market share of about 10% in the region. Penetration levels with local SMEs—the bank's main target client until fairly recently—are much higher.

Galicia represents 42% of the bank's branches and about 20% of its lending activities are originated there. However, Banco Pastor is increasingly growing its network outside its home region. The bank now has branches in each Spanish region (603 as of March 2007). Its branches are mostly located in neighboring regions and the populous, wealthy cities of the regions of Madrid (11.9%) and Catalonia (9.6%).

Banco Pastor focuses on SMEs and individuals. The range of products offered aims to cover the entire spectrum of clients' financial needs. Its core lending activities are residential mortgages for individuals and credit lines to fund the working capital needs of SMEs. The bank's manageable size, the excellent quality of its information management systems, and the top management's close involvement in the bank's day-to-day operations are important competitive strengths.

Collateral Description

As of May 29, 2007, the provisional pool of mortgage loans comprised 5,958 loans secured by first-ranking mortgages over commercial or residential properties in Spain, granted to 5,886 borrowers.

The main characteristics of the pool are as follows:

- Borrowers are individuals (83.63%) or SMEs (16.37%). Among individuals, 32% are self-employed borrowers.
- All loans are secured by way of first-ranking lien over assets in Spain.
- The mortgage security is created over residential properties (87.63%), commercial outlets (7.84%), industrial warehouses (2.94%), rural houses (0.35%), and parking lots or other (1.24%).
- 1% of the pool has arrears between 31 and 45 days.
- Major concentrations are in Catalonia (23.66%), Madrid (18.04%), Galicia (14.11%), and Andalucia (12.84%) (see chart 3).
- The weighted-average seasoning is 13 months (see chart 4).
- The average loan size is €157,678.
- The weighted-average LTV ratio is 64.81%, with 19.77% having an LTV ratio lower than or equal to 50.00% (see chart 2).
- 4.4% of the pool was originated through broker networks.
- There is some concentration in terms of borrowers, with 12.7% of loans exceeding the €400,000 jumbo loan limit.
- The loans have monthly (98.38%) or quarterly (1.34%) installments, or bullet payment of principal (0.28%).
- Almost all the loans have a French amortization plan; approximately 5.12% of the portfolio has an initial interest-only period.
- There are no optional loans, subsidized loans, or loans granted to employees.
- 1.9% of loans were taken for reasons other than purchase.

All the loans will be floating-rate: 98.3% of the pool is indexed to EURIBOR, with the rest being indexed to IRMH (1.4%, a local Spanish mortgage market reference index rate) or Madrid interbank offered rate (MIBOR, 0.3%).

Chart 2: Loan To Value Ratio

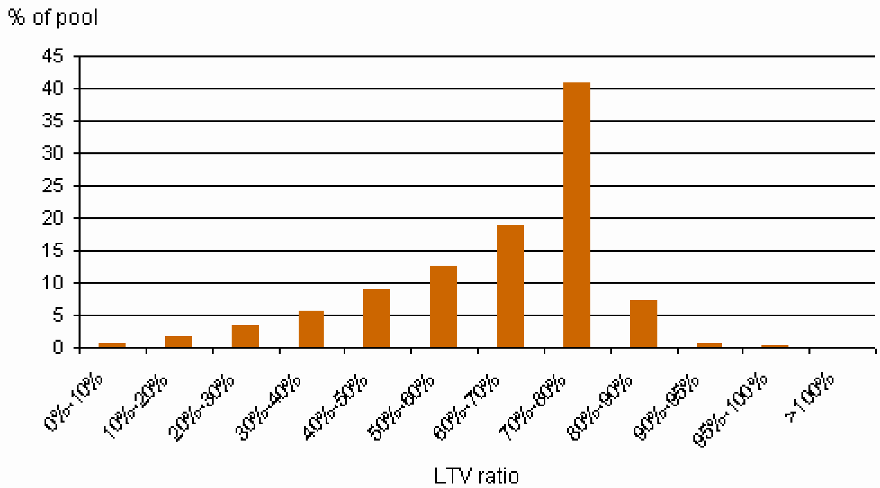


Chart 3: Geographical Distribution

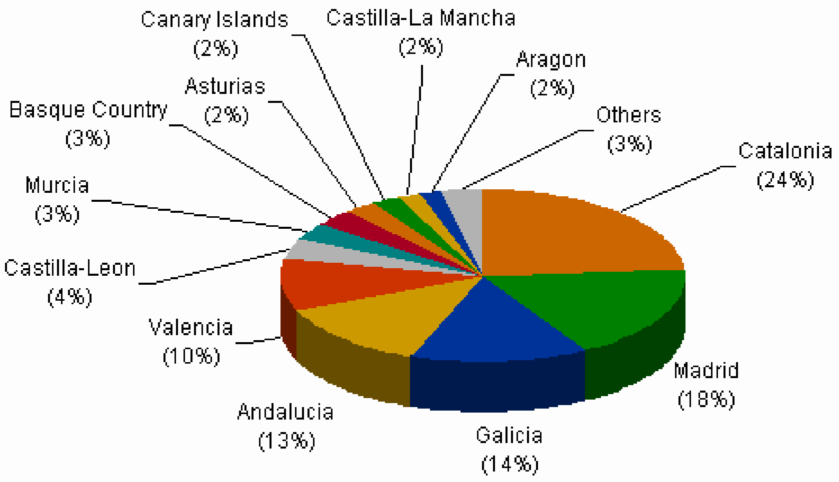
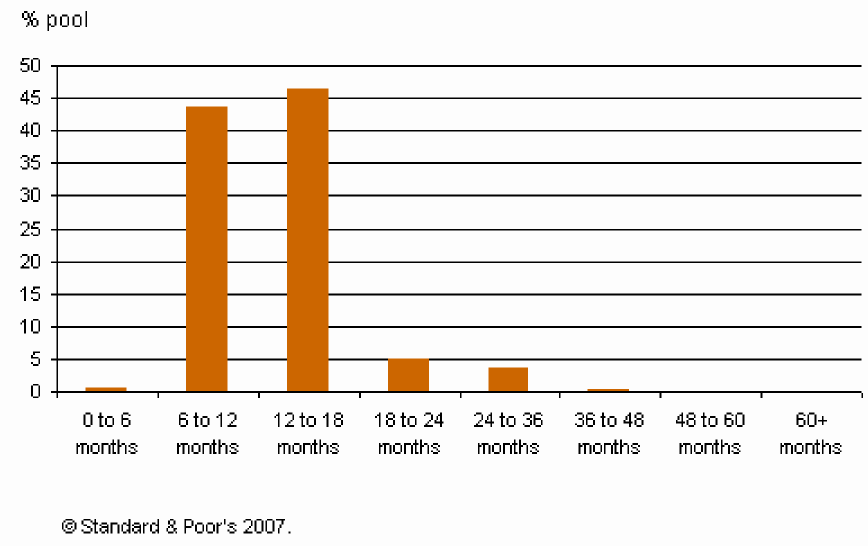


Chart 4: Seasoning



Collateral Risk Assessment

Standard & Poor's conducted a loan-level analysis to assess the credit risk of a pool of mortgages. The collateral risk assessment analyzed the foreclosure frequency and loss severity of each loan in the pool. These depend on the characteristics of the borrower, the loan, and the rating on the notes. The potential loss associated with a loan can be calculated by multiplying the foreclosure frequency by the loss severity. To quantify the potential losses associated with the entire pool, Standard & Poor's calculates a WAFF and a WALS at each rating level. The product of the WAFF and WALS variables estimates the required loss protection during the life of the collateral in the absence of additional mitigating factors. The higher the targeted rating, the higher the required enhancement level.

Credit Structure

Cash collection arrangements

The funds collected will remain at Banco Pastor until the transfer date (within the first five business days of the following month since collection) and then will be transferred to the account held on behalf of the issuer at Banco Pastor. If the short-term rating on Banco Pastor falls to 'A-2', the transfer of collections to the *fondo* will be at least weekly.

Transaction account

At closing, the *gestora* will open one bank account on behalf of the issuer at Banco Pastor. The *gestora*, on behalf of the issuer, will enter into a GIC agreement with Banco Pastor, under which Banco Pastor will guarantee a rate of interest equal to the reference rate of the notes. The interest rate will be reset and paid quarterly. Interest will be paid quarterly into the account and will be calculated on all the collections deposited in the GIC.

If the short-term rating on Banco Pastor as treasury account provider falls below 'A-1', then within 60 days Banco Pastor must:

- Obtain a guarantee complying with Standard & Poor's criteria in favor of the issuer from an entity with a short-term rating of at least 'A-1'; or
- Transfer the funds of the cash account to an institution whose short-term rating is at least 'A-1'.

All replacement costs will be borne by Banco Pastor.

Swap agreement
On GC Pastor Hipotecario 5's behalf, the trustee will enter into a swap agreement with Banco Pastor. This swap will provide protection against adverse interest rate resetting and movements.

The issuer will pay the swap counterparty the total of interest actually received from the loans.

The issuer will receive from the swap counterparty an amount equivalent to the weighted-average coupon on the class A1 to C notes, plus 60 bps per year on the outstanding balance of the performing loans and the servicing fee amount if the servicer is replaced.

If the swap counterparty is downgraded below 'A-1', the counterparty has 60 days to either find a substitute with a short-term rating of at least 'A-1', or find a guarantor with a short-term rating of at least 'A-1'.

If none of these options is possible, collateral complying with Standard & Poor's requirements must be posted within 60 days.

All replacement costs will be borne by Banco Pastor.

Reserve fund
A reserve fund of 1.5% of the original balance of the notes will be fully funded at closing by the class D note proceeds. It will be fixed for the first two years.

Thereafter, the required amount will be the minimum of:
- The original amount held at the reserve fund (€10.5 million); and
- 3% of the outstanding principal balance of the notes.

The required amount will never be lower than €5.25 million.

The reserve fund will not decrease if:
- The ratio of: (i) balance of loans in arrears for more than 90 days, to (ii) the outstanding balance of the non-defaulted mortgages, is equal to or greater than 1%; or
- The required reserve fund amount was not fully funded on the previous payment date.

Redemption of the notes
Unless redeemed earlier, the notes will be redeemed on June 30, 2046, at the latest, which is more than 30 months after the maturity of the longest-term mortgage loan in the pool.

At any payment date, the amount of principal due under the notes (the amortization amount) will be calculated as the difference between the outstanding balance of the notes and the outstanding balance of the assets (excluding the loans which are more than 18 months past due).

The notes will redeem sequentially unless:
- The proportion of subordinated notes to the total outstanding level of the notes has doubled since closing;
- The reserve fund is at its required level;
- The outstanding balance of loans more than 90 days delinquent over the balance of the notes is less than 1.25% for the class B notes and 1.00% for the class C notes; and
- The outstanding balance of the notes is greater than 10% of the original balance of the transaction.

Pre-enforcement priority of payments

On each quarterly interest payment date, the issuer will pay in arrears the interest due to the noteholders. To make the payments, the issuer's available funds will include interest received under the loans, the basis swap proceeds, interest earned on the GIC, amounts received from the interest rate cap, the reserve fund, and, if necessary, principal received under the loans and any other proceeds received in connection with the mortgage loans.

All interest and principal received can be mixed to pay principal and interest due under the notes in the following sequence:

- Senior fees;
- Net payment under the swap, and termination payment if the issuer is defaulting under the swap;
- Class A note interest (class A1 and A2);
- Class B note interest, unless deferred;
- Class C note interest, unless deferred;
- Principal under the notes;
- Class B note interest, if postponed;
- Class C note interest, if postponed;
- Replenishment of the reserve fund;
- Interest accrued on the class D notes;
- Amortization of the class D notes;
- The amount, if any, resulting from the liquidation in accordance with the interest rate swap agreement;
- Interest on the start-up loan;
- Principal on the start-up loan;
- Remaining amounts, back to the originator.

In this structure, all interest and principal received can be used to pay interest and principal due under the notes. A trigger will be implemented so that:

- If the percentage of defaulted loans (18 months or more in arrears) is equal to or greater than 10% of the initial balance of the mortgages, the interest on the class B notes will be subordinated to the payment of the class A notes.
- If the percentage of defaulted loans (18 months or more in arrears) is equal to or greater than 6.7% of the initial balance of the mortgages, the interest on the class C notes will be subordinated to the payment of the class A and B notes.

When a loan is 18 months in arrears, transaction excess spread will be used to amortize the notes for the amounts in default.

Standard & Poor's Stress Test

Standard & Poor's analysis included a conservative assessment of the credit risk inherent in the transaction. The credit enhancement levels were sized after analyzing the impact that severe stress scenarios would have on the mortgage loan collateral. As a result of this analysis, Standard & Poor's estimated the largest amount of potential losses that could occur as a result of these stress scenarios and set the amount of loss protection required on the bonds.

Specific penalties were applied regarding the levels of aggregate defaults expected on the pool to reflect the foreclosure frequency attached to specific assets and/or assets' location, and any terms and conditions that might increase or decrease credit risk. Standard & Poor's analysis fully reflects the specific features of the Spanish market with respect to loss severity, regarding foreclosure costs and foreclosure periods.

A cash flow model simulating the portfolio's performance within the transaction's documented structure was run under certain rating scenarios to stress liquidity and the level of excess spread in the transaction. Prepayment level, fees, and expenses paid by the issuer, and delinquencies were the most important parameters stressed in all the runs.

Key Performance Indicators

Upward ratings volatility for the RMBS sector

Continual surveillance will be maintained on the transaction until the notes mature or are otherwise retired. To do this, regular servicer reports detailing the performance of the underlying collateral will be analyzed, supporting ratings will be monitored, and regular contact will be made with the servicer to ensure that minimum servicing standards are being sustained and that any material changes in the servicer's operations are communicated and assessed.

In particular, key performance indicators will be:

- The level of arrears (especially the cumulative ratio of loans that are three months past due) and defaults during the life of the transaction;
- The annualized prepayment rate;
- LTV ratios and the ongoing composition of the underlying portfolio;
- The capability of the structure to trap excess spread sufficiently to cover nonperforming receivables; and
- The variation of credit enhancement available to the notes.

Criteria Referenced

- "*European Legal Criteria For Structured Finance Transactions*" (published on March 23, 2005).
- "*Criteria For Rating Spanish Residential Mortgage-Backed Securities*" (published in March 2002).

Related Articles

- "*Banco Pastor, S.A.*" (published on Feb. 15, 2007).
- "*New Issue: IM PASTOR 4, Fondo de Titulizacion de Activos*" (published on June 28, 2006).
- "*New Issue: GC FTPYME PASTOR 4 Fondo de Titulizacion de Activos*" (published on Dec. 11, 2006).
- "*Transition Study: 2006 Sees Upgrades Dominate For Third Successive Year In European Structured Finance* " (published on Jan. 10, 2007).
- "*European Structured Finance Performance Outlook 2007—Fundamental Risks Increasing, But Forecast For Ratings Remains Benign* " (published on Jan. 10, 2007).
- "*Spanish RMBS Index Report Q1 2007*" (published on May 29, 2007).
- "*Sophistication Of Mortgage Credit Pricing To Benefit European RMBS*" (published on Oct. 10, 2005).
- "*Increasing Maturity And Issuance For Spanish Securitization In 2006*" (published on June 30, 2006).
- "*European RMBS H2 2006 Outlook Report: RMBS Continues To Dominate Funded Securitization Market*" (published on July 26, 2006).
- "*Assessment Of The Basel II Framework: Residential Mortgages*" (published on Sept. 28, 2006).

All criteria and related articles are available on RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. The criteria can also be found on Standard & Poor's Web site at www.standardandpoors.com.

Key Contacts	
SF Investor Hotline	(44) 20-7176-3223
Client Support Europe	(44) 20-7176-7176
Press Office Hotline	(44) 20-7176-3605 or media_europe@standardandpoors.com
Local media contact numbers	
Paris	(33) 1-4420-6657
Frankfurt	(49) 69-33-999-225
Stockholm	(46) 8-440-5914
Moscow	(7) 495-783-4017