FONCAIXA FTGENCAT 3, 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 2005. 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

[October 2005]

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PROVISIONAL (P) RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A(S)	(P)**Aaa**	€175.7	26.76	Sep. 2038	3mE + [•]%
A(G)	(P)**Aaa**	€449.3	68.44	Sep. 2038	3mE + [•]%
B	(P)**A1**	€10.7	1.63	Sep. 2038	3mE + [•]%
C	(P)**Baa2**	€7.8	1.19	Sep. 2038	3mE + [•]%
D	(P)**Ba2**	€6.5	0.99	Sep. 2038	3mE + [•]%
E	(P)**C**	€6.5	0.99	Sep. 2038	3mE + [•]%
Total		€656.5	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

- Strong interest rate swap provided by Caja de Ahorros y Pensiones de Barcelona (La Caixa rated **Aa2**/**P-1**), whereby La Caixa has to pay the weighted average coupon on the notes plus 50 bppa over the outstanding amount of the notes, but the *Fondo* is only obliged to pay the interest due on 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 *Generalitat* of Catalonia for Series A(G)
- 77% of the pool backed by mortgage guarantee
- Excess spread-trapping mechanism through a 12-month "artificial write-off"
- 100% of the portfolio is paid via direct debit

Weaknesses and Mitigants

- 39.92% of loans are flexible, which leads to a higher expected default frequency and more severe losses. However, all these loans are backed by first-lien mortgages.
- Strong geographical concentration in the region of Catalonia (100%), mitigated in part by the fact that this is La Caixa's region of origin, where it has greatest expertise. Additionally, Moody's mitigates the potential increase in the volatility of losses in because the highest concentrations require additional credit enhancement.

- Pro-rata amortisation of Series B, C and D 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, C and D 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:	FONCAIXA FTGENCAT 3, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes
Seller/Originator:	Caja de Ahorros y Pensiones de Barcelona, (La Caixa, **Aa2**/**P-1**)
Servicer:	Caja de Ahorros y Pensiones de Barcelona, (La Caixa, **Aa2**/**P-1**)
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment dates:	20 March, 20 June, 20 September, 20 December
Credit Enhancement/Reserves:	0.50% excess spread per annum
	1.00% reserve fund
	Subordination of the notes
	Guarantee of the *Generalitat* of Catalonia (**Aa3**/**P-1**) for series A(G)
Hedging:	Interest rate swap to cover interest rate risk
Interest Rate Swap Counterparty:	La Caixa
Paying Agent:	La Caixa
Note Trustee (Management Company):	Gesticaixa, S.G.F.T., S.A. (Gesticaixa)
Arranger:	Gesticaixa
Lead Managers:	La Caixa

COLLATERAL SUMMARY (AS OF OCTOBER 2005) ***(see page 8 for more details)***

Receivables:	Loans to Catalan enterprises
Total amount:	€793,167,547
Number of Contracts:	11,267
Number of Borrowers:	9,230
Geographic Diversity:	Catalonia (100%)
WA Remaining Term:	13.83 years
WA Seasoning:	2.18 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**
A(S)	72.97%*	1.00%	73.97%*
A(G)	3.85%*	1.00%	4.85%*
B	3.20%*	1.00%	4.20%*
C	1.00%	1.00%	2.00%
D	0%*		1.00%*
E			

* Subject to pro-rata amortisation triggers

Excess spread at closing is 0.50%

INTRODUCTION

The third SME loans deal guaranteed by the regional government of Catalonia

FONCAIXA FTGENCAT 3 is the third SME loans transaction carried out within the Spanish market with the guarantee of the regional government (*Generalitat*) of Catalonia. This transaction comes after the implementation in December 2004 of a law, issued by the regional government of Catalonia, by means of which it guarantees part of the notes issued by securitisation funds. The loans included in the securitisation fund must comply with certain conditions:

1) They must be originated by institutions that have previously signed an agreement with the Economy and Finance Department of the *Generalitat* of Catalonia.
2) At least 80% of the loans must be granted to Catalan-based non-financial SMEs, as defined by the European Commission.
3) The duration of each loan at the constitution of the fund must exceed one year.

The *Generalitat* of Catalonia will in turn guarantee up to 80% of **Aa**-rated securities issued by the fund, provided that the institutions transferring the loans to the securitisation fund reinvest at least 50% of the proceeds of the sale in granting new loans (such loans complying with conditions (2) and (3) above). Of this amount, 50% must be reinvested within 12 months, and the remaining 50% within two years.

It is noteworthy that the guarantee is fully binding for the *Generalitat* of Catalonia.

TRANSACTION SUMMARY

Cash securitisation of loans granted to Catalan enterprises carried out under the FTGENCAT programme

FONCAIXA FTGENCAT 3, FTA (the "*Fondo*") is a securitisation fund created with the aim of purchasing a pool of loans granted by La Caixa to Catalan enterprises, in compliance with the conditions required by the FTGENCAT programme in order to qualify for the *Generalitat* of Catalonia guarantee.

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

- A subordinated Series D, rated **Ba2**
- A subordinated Series C, rated **Baa2**
- A mezzanine Series B, rated **A1**
- A senior tranche composed of two **Aaa**-rated series: a subordinated Series A(G) and a senior Series A(S)

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 La Caixa. 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, any renegotiation of the loans' interest rate and the existence of caps on this interest rate.

In addition, the *Fondo* will benefit from a subordinated loan provided by La Caixa 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 A(G) benefits from the guarantee of the *Generalitat* of Catalonia for interest and principal payments. The transaction will incorporate a liquidity line to ensure the timeliness of the interest guarantee payments.

The provisional pool consists of 11,538 debtors and 9,230 loans. The portfolio is entirely concentrated in Catalonia. 77% of the pool is secured by a first-lien mortgage guarantee over different types of properties.

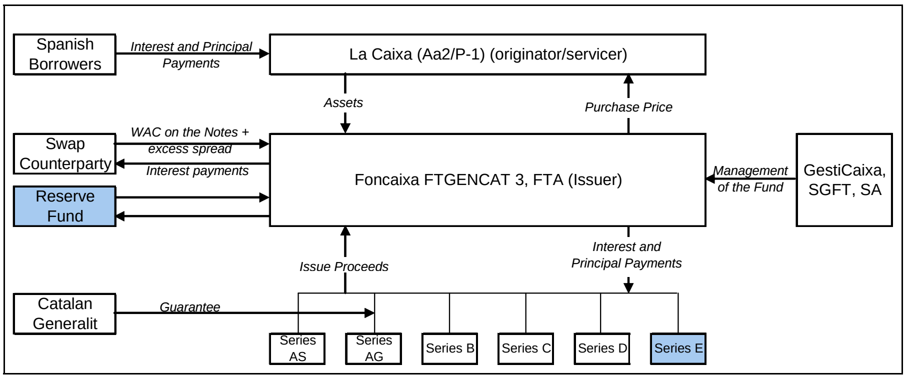
Moody's based the provisional ratings primarily on: (i) an evaluation of the underlying portfolio of loans; (ii) historical performance information; (iii) the swap agreement hedging the interest rate risk; (iv) the credit enhancement provided through the Guaranteed Investment Contract (GIC) account, 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 September 2038.

The ratings do not address full redemption of the notes on the expected maturity date.

STRUCTURAL AND LEGAL ASPECTS

Standard FTGENCAT 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



Strong swap agreement guaranteeing 50 bppa of excess spread

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

- The *Fondo* will pay the interest accrued from the non-written-off loans from the previous payment date plus the yield from the amortisation account
- La Caixa will pay the weighted average interest rate on the notes plus 50 bppa over a notional equal to the outstanding amount of the notes A, B, C and D

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 La Caixa's notional does include the amount of principal deficiency should it occur.

In the event of La Caixa's long-term rating being downgraded below **A1**, 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 La Caixa 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

Initially funded with the benefits from the issuance of the Series E notes, the reserve fund will be used to cover any potential shortfall on interest or principal during the life of the transaction:

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

- 1.00% of the initial balance of the notes A, B, C and D
- The higher of:
  - 2.00% of the outstanding balance of the notes A, B, C and D
  - €5.0 million

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 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 La Caixa. 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 La Caixa's short-term rating. Should La Caixa'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.

La Caixa 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 June 2007, all funds available to the repayment of the notes will be transferred to a special account held at La Caixa (namely, the amortisation account). The management company will keep track of the amount of funds available for 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 June 2007; on this payment date, the amounts deposited in the account will be used for the redemption of the notes.

Limitations on the renegotiation of the loan

The management company authorises La Caixa 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 Sep 2035.
- 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 event of La Caixa 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 A(S) and A(G) and reimbursement of any amount obtained from the *Generalitat* of Catalonia guarantee on previous payment dates to cover any potential shortfall on interest payment to Series A(G)
4) Interest on draw-down amounts (if any) under the liquidity line
5) Interest payment to Series B (if not deferred)
6) Interest payment to Series C (if not deferred)
7) Interest payment to Series D (if not deferred)
8) Retention of an amount equal to the principal due under the notes
9) Interest payment to Series B (if deferred)
10) Interest payment to Series C (if deferred)
11) Interest payment to Series D (if deferred)
12) Replenishment of the reserve fund
13) Interest payment to Series E
14) Principal payment to Series E
15) 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, C and D 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, (2) 100% of the outstanding amount of Series C and (3) 100% of the outstanding amount of Series D Series A(S) and A(G) are not fully redeemed or there is any amount pending to be reimbursed to the Generalitat of Catalonia guarantee by reason of principal
Series C:	The principal deficiency (as defined below) exceeds the sum of (1) 100% of the outstanding amount of Series C, and (3) 100% of the outstanding amount of Series D Series A(S), A(G) and B is not fully redeemed
Series D	The principal deficiency (as defined below) exceeds the sum of (1) 100% of the outstanding amount of Series D Series A(S), A(G), B and C 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 A, B , C, D 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 A(G) will be covered by the guarantee from the *Generalitat* of Catalonia.

Principal due allocation mechanism

Until the payment date on which the initial amount of Series B, C and D exceeds 3.30% 2.40% and 2.00%, 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 A(S)
2) Amortisation of Series A(G) and reimbursement to the *Generalitat* of Catalonia guarantee of any amount used to cover any potential shortfall on principal payment to Series A(G)

Nevertheless, the amount retained as principal due will be allocated pro-rata between (1) Series A(S) and (2) Series A(G) and the *Generalitat* of Catalonia guarantee, if the aggregated outstanding amount of Series A(S) and A(G) plus the amount due to the *Generalitat* of Catalonia guarantee 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 amortisation commences for Series B and C, the amount retained as principal due will be distributed pro-rata between the following:

- Amortisation of Series A(S) and A(G) and reimbursement of any amount due to the *Generalitat* of Catalonia that has been used to cover any potential shortfall on principal payment to Series A(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
- Amortisation of Series D

Hence 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%, 1.00% and 0.75% for Series B, C and D, 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 A(S) and A(G) are met.

It is worth noting that the notes will not begin to amortise until the payment date falling on 20 June 2007. 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.

Series E amortisation

The Series E notes will amortise, on each payment date, for an amount equal to the difference between the outstanding amount of the Series E notes and the reserve fund's required amount on the current payment date.

COLLATERAL

Pool of loans granted to enterprises concentrated in Catalonia

As of October 2005, the provisional portfolio comprised 11,267 loans and 9,230 debtors. The loans have been originated by La Caixa in its normal course of business, and comply with the following criteria:

- The loans have been granted to non-financial SMEs domiciled in Catalonia.
- The loans are repaid by direct debit in monthly (97.66%), quarterly (2.15%) and semi-annual (0.19%) 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.

Loans Type (as % of provisional pool)	Traditional SME Loans	60.08%
	Credito Abierto PYME	39.92%

The **Crédito Abierto PYME** product is set up as a line of credit that is granted for the sole purpose of giving the borrower flexibility

in terms of the payment of his/her mortgage loans. Borrowers are allowed to withdraw an amount equal to the already amortised amount, or up to the established credit limit

The 39.92% of the Crédito Abierto PYME being securitised under FONCAIXA FTGENCAT 3 F.T.A is the first withdrawal, which is used for the purpose of acquiring assets and working asset.

Main features of the Crédito Abierto PYME:

1) The subsequent redraws rank *pari-passu* with the first withdrawal in case of execution
2) Each client will receive just one monthly instalment – although each different redraw will be stated separately.
3) The first redraw cannot exceed a 70% LTV limit in order to acquire houses, commercial properties, warehouses among others. The limit is set at 60%, and in order to acquire other types of asset the limit is 50%. Additional redraws are capped at 70% LTV levels for acquiring houses and 50% for the rest of assets.
4) The disposal of second drawdowns is never automatic – La Caixa has full discretion (based on the borrower's payment history, loan purpose among others) as to whether or not a second drawdown is feasible.
5) There is a period during the last 4 years of the life of the loan where subsequent redraws will not be allowed.

Principal Grace Periods

Loans will have the option of enjoying grace periods. Each borrower has the option to request a maximum grace period of 36 months, where interest must be paid, but no principal. Once again, La Caixa has full control to decide whether or not these grace periods are granted.

The loans have been originated between 1988 and June 2005, with a weighted average seasoning of 2.18 years and a weighted average remaining term of 13.83 years. The longest loan matures in September 2035.

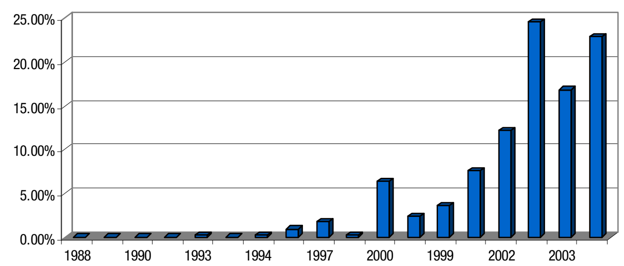
Around 77% of the pool is secured by a mortgage guarantee over different types of properties.

The remaining 23% is secured by personal guarantee.

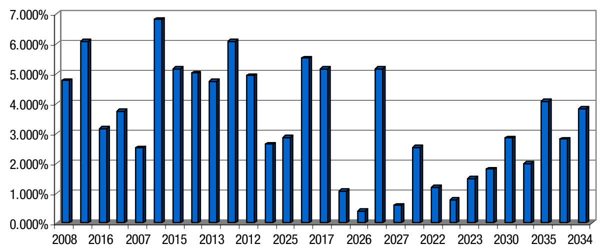
Geographically the pool is concentrated in Catalonia (100%). Around 39.9% of the portfolio is concentrated in the "buildings and real estate" sector according to Moody's industry classification.

In terms of debtor concentration, the pool includes exposures up to 0.65% 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.

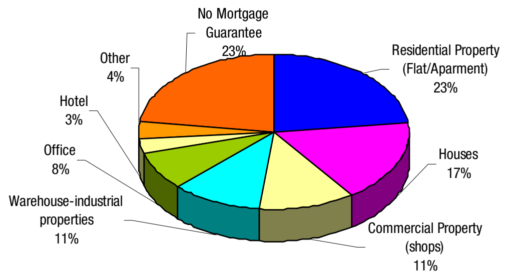
Portfolio Breakdown by Origination Year



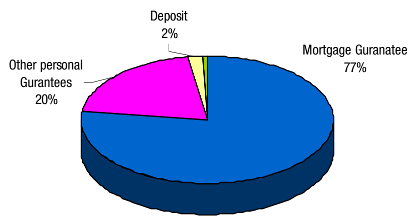
Portfolio Breakdown by Maturity



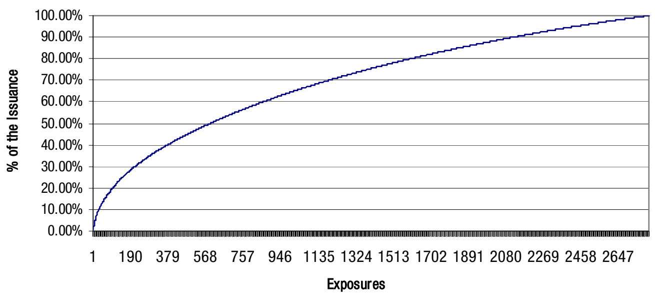
Portfolio Breakdown by Property Type



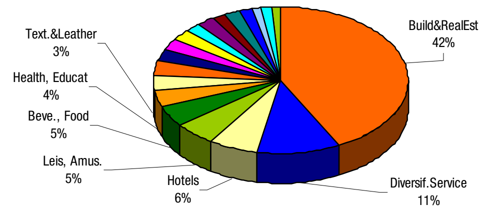
Portfolio Breakdown by Gurantee Type



Concentration



Porfolio Breakdown by Industry



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 *Generalitat* of Catalonia.
- Should any of the mortgaged properties not be covered by an insurance policy, La Caixa 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

La Caixa (rated Aa2/P-1/B+) is Spain's largest savings bank, and the country's third-largest banking group

With total assets amounting to €158 billion at the end of March 2005, La Caixa (rated Aa2/P-1/B+) is Spain's largest savings bank, the country's third-largest banking group and the largest financial institution in Catalonia and the Balearic Islands, where it holds shares of approximately 30% of customer funds, 20% of loans and 24% of branches. Catalonia is one of Spain's most prosperous and fastest growing regions and enjoys a diversified economy. La Caixa is also one of the leading providers of retail financial services in Spain, and has a very ample customer base of 9.2 million clients.

La Caixa's business is largely focused on providing a high volume of standardised banking products and increasingly more value-added services to private individuals – primarily mortgages where it enjoys a 10.9% share – through an ample and highly automated distribution network, and with a very decentralised commercial business model.

A total of 49% of La Caixa's loan portfolio is concentrated in low amounts of below €150,000, as at year-end 2004. Although declining versus other market segments, at 58% of the loan book, private individuals account for the largest share of La Caixa's loan book, 75% of which consists of residential mortgage lending, thereby contributing to low risk profile of La Caixa's loan book. Given the group's main activity as a provider of housing finance, the level of recoveries is relatively high and the loss content low – La Caixa has a 0.24% non-performing loan ratio in its mortgage book.

Corporates account for the remaining 40% share of the loan book – of which 51% to SMEs, 27% to real estate developers and 22% to large corporates – and 2% to public sector. By sector, 55% of the corporate exposure is to real estate and construction

Servicer

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

Paying Agent

La Caixa will act as paying agent of the *Fondo*. In the event of La Caixa'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 14 securitisation funds.

MOODY'S ANALYSIS

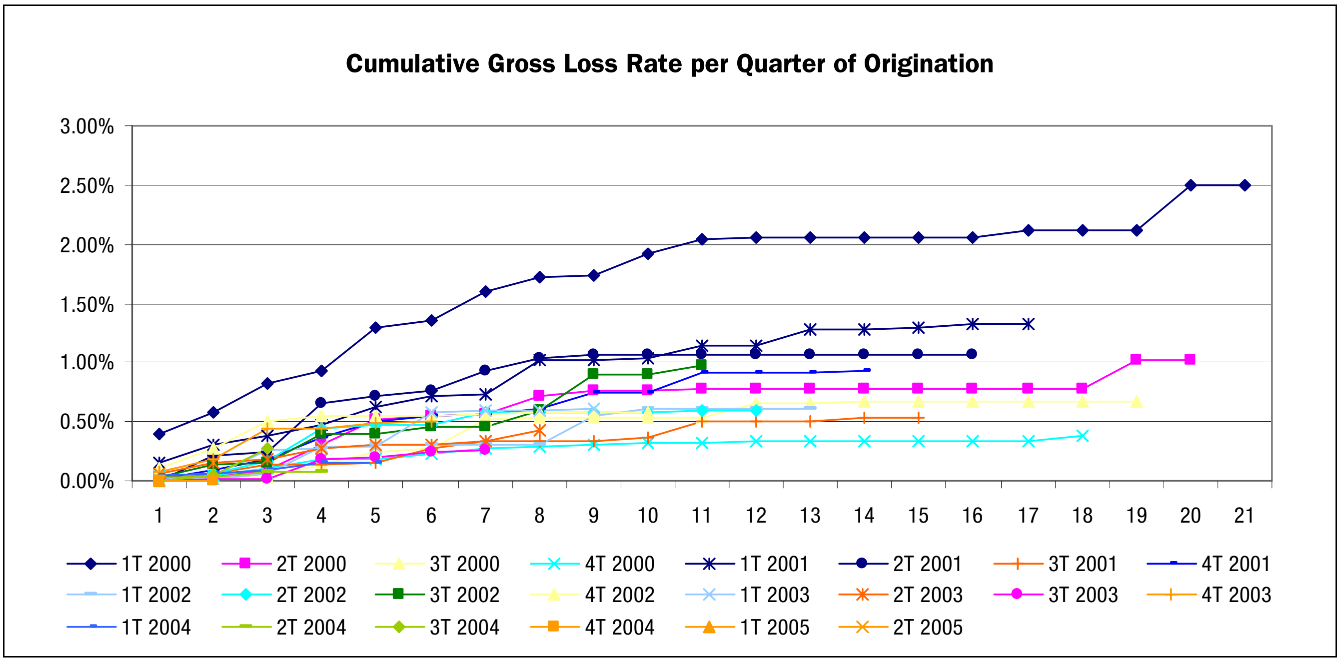
Moody's used a Monte-Carlo simulation to derive the default distribution in the portfolio, based on mean default estimations

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:

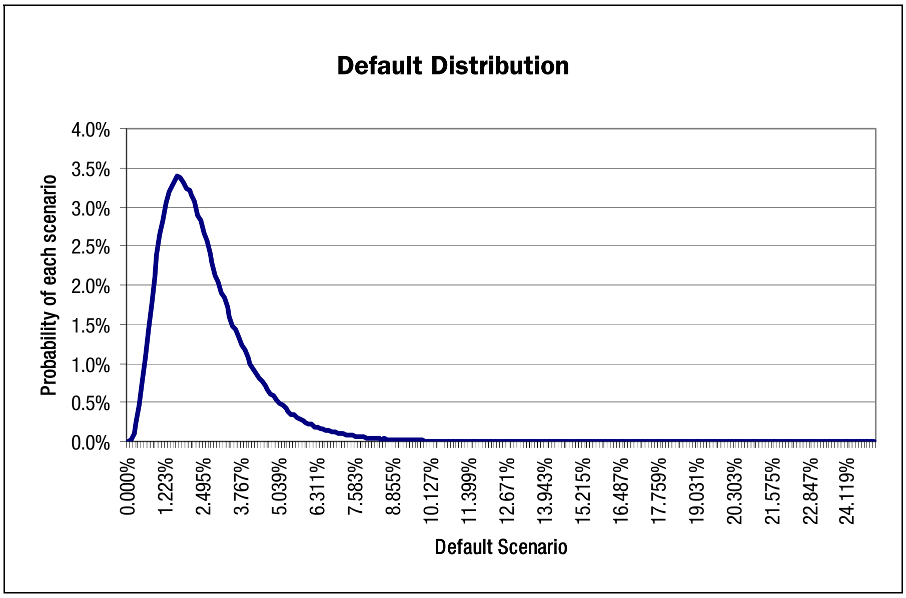
- The gross loss contribution of each single entity
- The correlation structure among the different industries represented in the portfolio

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 no 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.



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.



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.

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