GC FTGENCAT II, Fondo de Titulización de Activos

Multi-seller
ABS – SMEs loans
Spain

CLOSING DATE:
4 April 2003

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RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Maturity Expected
AG	**Aaa**	€706,800,000	74.40	25/7/2025	25/6/2023
AS	**Aa1**	€176,700,000	18.60	25/7/2025	25/6/2023
BG	**Aa2**	€17,600,000	1.85	25/7/2025	25/6/2023
BS	**A1**	€17,600,000	1.85	25/7/2025	25/6/2023
C	**Baa1**	€31,300,000	3.30	25/7/2025	25/6/2023
Total		€950,000,000	100		

The ratings address the 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, such as those associated with the timing of principal prepayments and other market risks, have not been addressed and may have a significant effect on yield to investors.

OPINION

Strengths of the Transaction

- Credit enhancement provided through (1) excess spread, (2) a line of credit, and (3) subordination of the notes
- Guarantee of the Generalitat de Catalunya for two classes of notes
- Swap hedging interest rate risk for the overall portfolio
- More than two thirds of the pool backed by a mortgage guarantee

Weaknesses and Mitigants

- Geographical concentration in the region of Catalonia
- Limited historical data for some originators

STRUCTURE SUMMARY

Issuer:	GC FTGENCAT II, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating rate notes
Sellers/Servicers:	Banco de Sabadell, S.A. (**A1**/**P-1**) (26.3%)
	Banco Bilbao Vizcaya Argentaria, S.A. (**Aa2**/**P-1**) (23.7%)
	Banco Santander Central Hispano, S.A. (**A1**/**P-1**) (23.7%)
	Caixa D'Estalvis i Pensions de Barcelona – la Caixa (**Aa2**/**P-1**) (13.2%)
	Banco Español de Crédito, S.A. (**A1**/**P-1**) (6.3%)
	Banco Pastor, S.A. (**A2**/**P-1**) (4.2%)
	Banco Popular Español, S.A. (**Aa1**/**P-1**) (2.6%)
Interest Payments:	Quarterly on each payment date
Principal Payments:	All classes will amortise sequentially and on a pass-through basis
Payment Dates	25 January, 25 April, 25 July and 25 October
	First payment date: 25 July 2003
Issue Price	100%
Credit Enhancement/Reserves:	Excess spread
	Line of credit
	Subordination of the notes
	Guarantee of the Generalitat de Catalunya (regional government of Catalonia) for classes AG and BG
	Liquidity facility
Hedging:	Interest rate swap to cover interest rate risk
Paying Agent:	La Caixa
Management Company (Gestora):	GestiCaixa, S.G.F.T, S.A.
Arrangers/Lead Managers:	Banco de Sabadell, S.A.
	Banco Bilbao Vizcaya Argentaria, S.A.
	Banco Santander Central Hispano, S.A.
	La Caixa
	Banco Español de Crédito, S.A.
	Banco Pastor, S.A.
	Banco Popular Español, S.A.
	Depfa Bank Plc.

PROVISIONAL POOL SUMMARY

Receivables:	Loans to Spanish enterprises, 93.40% of which are granted to small and medium- sized enterprises (SMEs)
Number of Contracts:	10,864
Total Amount:	Approximately €1,347 million
Geographic Diversity:	100% in the region of Catalonia
WA Seasoning:	1.95 years
WA Remaining Term:	8.72 years
Interest Basis:	Almost 100% floating
WA Interest Rate (current):	4.34%
Delinquency Status:	Not in arrears at the time of securitisation

OVERVIEW

Second multi-originator SMEs loans deal guaranteed by the regional government of Catalonia

GC FTGENCAT II is the second SMEs loans transaction carried out within the Spanish Market with the guarantee of the Generalitat de Catalunya. This transaction comes after the implementation in December of 2001 of a law, issued by the regional government of Catalonia, by means of which the Generalitat de Catalunya 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 de Catalunya.
2) At least 50% of the loans must be granted to non-financial SMEs, as defined by the European Commission in its recommendation of 3 April 1996, based in Catalonia.
3) The duration of each loan at the constitution of the fund must exceed one year.

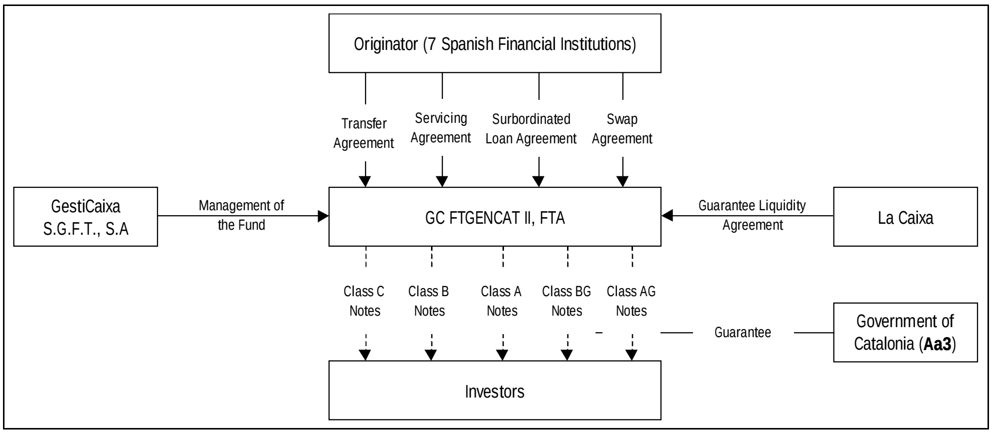
The Generalitat de Catalunya will in turn guarantee up to 50% of **A1** or **A2**-rated securities and up to 80% of **Aa1** or **Aa2**-rated securities issued by the fund, provided that the institutions transferring the loans to the securitisation fund reinvest at least 50% of the proceeds of the sale 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 de Catalunya.

GC FTGENCAT II benefits from the participation of six banks and one savings bank (la Caixa), all of them rated by Moody's and with a strong presence not only in the region of Catalonia but also in the rest of Spain.

STRUCTURAL AND LEGAL ASPECTS

Structure that incorporates the guarantee of the Generalitat de Catalunya with a neutral effect for the non-guaranteed classes



Through this deal, seven of the top Spanish financial institutions sell a portfolio of loans to the Fondo, which in turn will issue five classes of notes to finance the purchase of the loans (at par). The capital structure consists of three tranches:

- A subordinated tranche C
- A mezzanine tranche B (50% guaranteed by the Generalitat de Catalunya (namely, the class BG notes))
- A senior tranche A (80% guaranteed by the Generalitat de Catalunya (namely, the class AG notes)

Each tranche of notes is supported by the tranches subordinated to itself, a line of credit and the excess spread guaranteed under the swap agreement.

Guarantee of the Generalitat de Catalunya

The Economy and Finance Department of the Generalitat de Catalunya will proceed to the payment of potential shortfalls in principal or interest in respect of the class AG and BG notes upon request of the management company (*gestora*), until their total redemption.

Since the guarantee payments from the Generalitat de Catalunya may take up to three months after the request to feed through, the *gestora* has entered into a liquidity facility agreement with la Caixa (**Aa2**/**P-1**). Under such agreement, la Caixa will advance up to €12 million, which will be used only to cover potential shortfalls in interest. The interest on the liquidity facility will be repaid out of the issuer's available funds (see Payment Structure and Allocation section), while the draw-down amounts will be reimbursed out of the guarantee payments. Should la Caixa's short-term rating fall below **P-1**, it will have to find a suitably rated guarantor or substitute within 30 business days as provider of the liquidity line.

Interest Rate Risk

To hedge the potential mismatch risk derived from the different index reference rates on the assets side and the notes side, the *Fondo* will enter into a swap agreement with each of the originators. The total notional of the swap agreements will be equal to the outstanding amount of the notes, and it will be distributed among the different swap agreements according to the participation of each originator in the transaction.

According to each swap agreement, and on each payment date, the *Fondo* will pay the weighted average interest rate on the loans less 0.50%, and will receive a rate equal to the weighted average interest rate of the notes, both over a notional calculated as stated above.

Each originator, in the case it is rated below **A1**, will have to (i) cash-collateralise its obligations under the swap agreement to an amount satisfactory to Moody's, or (ii) be replaced or guaranteed by a suitable rated entity.

Banco Pastor, which is **A2** rated, will post collateral equal to 102% of the marked-to-market (MTM) value of its swap agreement. The MTM value will be updated weekly.

Renegotiation

Any renegotiation of the terms and conditions of the loans is subject to the *gestora's* approval, except for interest rate negotiations. However, an originator will not be able to renegotiate the interest rate of any loan in its sub-pool if the respective weighted average interest rate falls below three-month Euribor plus 1%. In the same way, the terms of the renegotiation may not extend the maturity of any loan later than 25 July 2023.

Line of Credit and Reserve Fund

The transaction will benefit from a line of credit provided by the originators (according to their participation in the transaction), to help the *Fondo* meet its payment obligations. The line of credit will be cross-collateralised among the originators.

The amount initially available under the line of credit will be 2.5% of the issuance, 0.25% being drawn and deposited in the treasury account in the form of a reserve fund. Additionally, if any of the originators loses its **P-1** rating, its corresponding part of the line of credit will be automatically drawn and deposited in the treasury account as a reserve fund.

Any release under the line of credit will be subject to the rating agencies' approval.

Amounts available under the line of credit and the reserve fund will be used to cover potential shortfalls on interest or principal on an ongoing basis.

Cash Accounts and Treasury Account

The proceeds from the loans will be held in cash accounts in each of the originators, and will be transferred to the treasury account every three months just before each payment date. In the event of any of the originators being downgraded below **P-1**, it will have to perform such transference on a weekly basis.

The treasury account will be held at la Caixa. The reserve fund, amounts received under the swap agreements and amounts drawn from the liquidity line or the line of credit will be deposited in the treasury account, together with the proceeds of the loans.

Moody's has set up some triggers in order to protect the treasury account from the possible downgrade of the short-term rating of la Caixa. Should la Caixa's short-term rating fall below **P-1**, it will have to find a suitably rated guarantor or substitute within 30 business days.

La Caixa and the rest of the originators guarantee an annual yield of the amounts deposited in the treasury account and the cash accounts equal to three-month Euribor less 0.25%.

Payment Structure and Allocation

At the issue date, the proceeds from the notes will be used to purchase the loans that will form part of the asset pool. The starting expenses and the notes issuance costs will be financed through a subordinated loan granted by the originators.

At any payment date, the issuer available funds (principal and interest received from the asset pool, the reserve fund, the amounts available under the line of credit, amounts received under the swap agreement and interest earned on the transaction accounts) should be applied in the following simplified order of priority:

(i) Fees and Expenses, excluding servicing fee

(ii) Any amounts due under the swap agreement

(iii) Interest on classes AS and AG (pro rata)

(iv) Interest on classes BS and BG (pro rata)

(v) Interest on class C (when not deferred)

(vi) Interest on draw-down amounts (if any) under the liquidity facility

(vii) Classes AS and AG principal (pro rata)

(viii) Classes BS and BG principal (pro rata)

(ix) Interest on class C (when deferred)

(x) Class C principal

(xi) Replenishment of the reserve fund and reimbursement of any amounts drawn from the line of credit

(xii) Junior expenses

The payment of interest on the class C notes will be brought to a more junior position in the order of priority if the outstanding amount of loans more than 90 days past due on each payment date is higher than 6% of the outstanding amount of the asset pool on that payment date.

The reimbursement of the amounts obtained from the Generalitat de Catalunya will be repaid on each of the following payment dates out of the issuer's available funds, occupying the same position in the payment allocation structure as the payment for which they were used. The guarantee payments have no impact on the non-guaranteed classes.

At any payment date, the amount of principal due under the notes will be constituted by the difference between: (1) the outstanding amount of the notes and (2) the difference between (i) the outstanding amount of the portfolio and (ii) the outstanding amount of the loans with any amount due but unpaid for more than 18 months (or before if the debtor is declared bankrupt or the management company considers that there are not reasonable expectations of recovery under each such loan). The principal due will be initially used for the repayment of class AG and AS notes. Once they are fully amortised, it will be used for the repayment of class BG and BS, and finally for the repayment of class C.

A principal deficiency will occur, on any payment date, if the issuer available funds are not sufficient to reimburse the principal due under the notes, according to the cash flow allocation rules stated above. The amortisation deficit attributable to classes AG and BG will be covered by the guarantee from the Generalitat de Catalunya.

Clean-up Call Option

Each originator will have the right to repurchase its own asset pool when the assets current balance is lower than 10% of the initial balance. This right may only be exercised by fully agreement of all the originators. The purchase price must be enough to repay all the outstanding obligations of the *Fondo* with the noteholders.

COLLATERAL – PROVISIONAL POOL

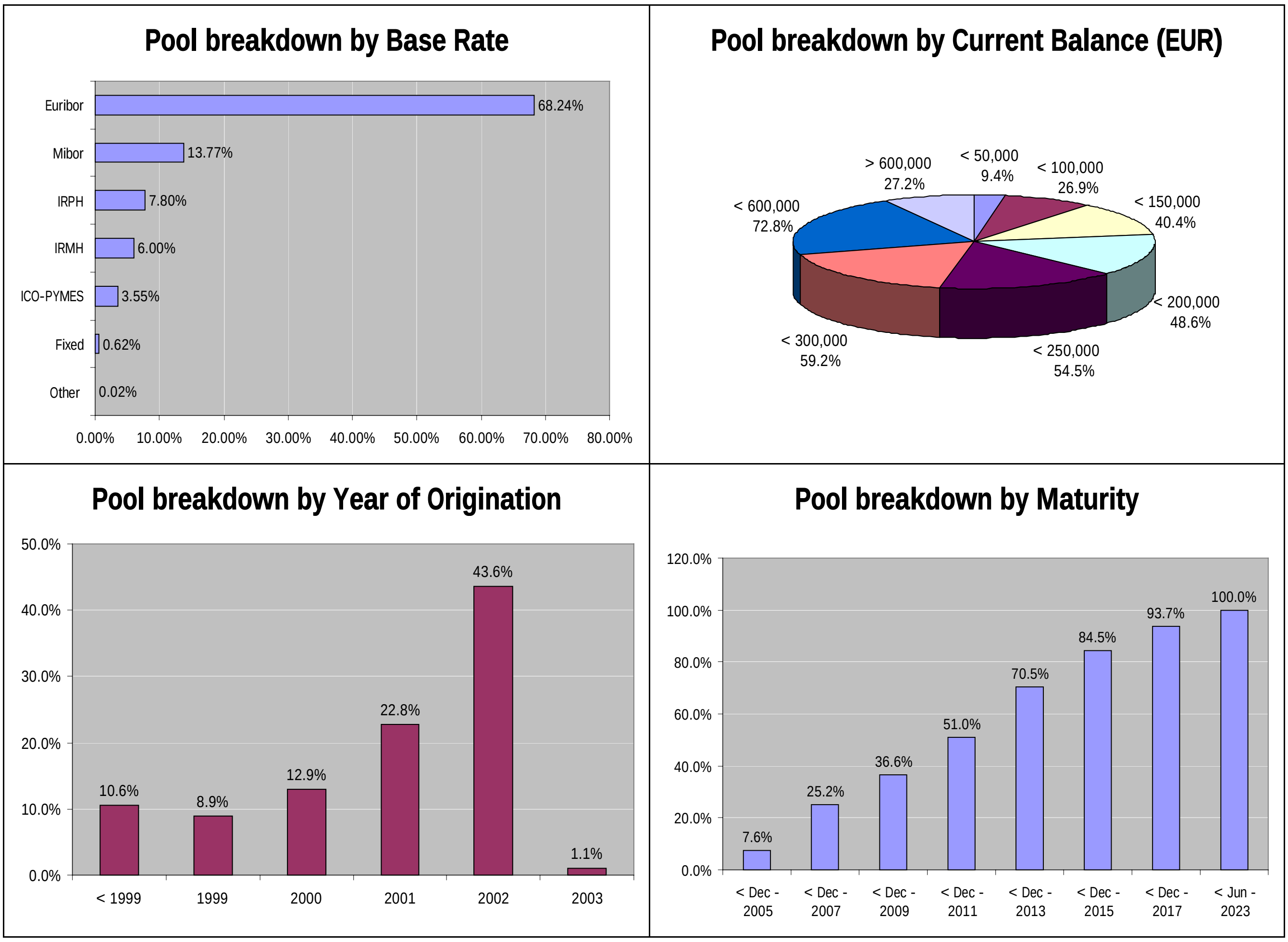
Pool of loans concentrated in the region of Catalonia and with a huge share secured by a mortgage guarantee

The last audited pool (as of 27 February 2003) consists of 10.864 loans totalling €1,347 million. The maximum exposure is €7.3 million, which represents 0.54% of the total pool.

100% of the loans comprising the asset pool are granted to Catalan companies, 90.48% of the outstanding amount corresponding to SMEs. In terms of industrial concentration, almost half of the loans are granted to enterprises in the real estate, sales or hotels business.

On average, the loans have a seasoning of 1.95 years, and will mature in November 2011. No loan should mature later than June 2023.

Around 67% of the loans in terms of outstanding are secured by a mortgage guarantee. These loans will be transferred to the *Fondo* in the form of *certificados de transmisión de hipoteca* (mortgage transfer certificate), a new instrument created by the Revision of the Financial Law in November 2002, which allows for the transference of secured assets and their attached security not eligible to be transferred as a *participación hipotecaria* (PH) (which may include loans higher than an 80% LTV limit) to Spanish securitisation funds.



The originators represent and guarantee that, as of the date of the transfer:

- There are no amounts due and unpaid under any of the loans
- There has not been a breach of any of the loan agreements
- The pool of loans comply with the conditions to apply for the guarantee of the Generalitat de Catalunya

ORIGINATORS, SERVICERS AND MANAGEMENT COMPANY

Seven of the top Spanish financial institutions are the originators and servicers of the loans

FTGENCAT II is a transaction backed by performing loans granted to Catalan SMEs and originated by seven top Spanish financial institutions. All the originators are rated by Moody's between **Aa1** and **A2**.

Each of the originators will act as servicer of its own sub-pool. Each servicer will hold the proceeds received from the loans in a cash account owned by the *Fondo*, until 6 business days prior to each payment date, when they will be transferred to the *Fondo*'s treasury account held in la Caixa.

In case of failure by one of the originators to perform its obligations under the servicing agreement, an external servicer should replace it within 30 business days. Otherwise, the management company itself would step in as servicer for this portion of the portfolio.

Moody's believes that the originators will be able to perform their servicing obligations in the transaction.

GestiCaixa, S.G.F.T., S.A., is an experienced management company in the Spanish securitisation market. The *gestora* is fully owned by la Caixa, and its obligations within the structure are supported by all of its shareholders.

MOODY'S ANALYSIS

Modelling and Historical Analysis

Moody's used a lognormal approach based on mean default and recovery rate estimations

Moody's has been provided with historical static default and recovery information comprising different origination periods and origination frequency depending on the originator.

Moody's has analysed the historical data and, based on the data provided and on the expectation for the portfolio forming part of this transaction, has estimated a mean default rate, adjusted for (1) the seasoning of the portfolio (considering different values for each sub-pool) and (2) the expectation of the future performance. The standard deviation was derived from the historical data and stressed to take into account an expected less favourable macro-economic environment.

Moody's used an expected loss methodology that reflects the probability of default for each class of notes times the severity of the loss expected for each class of notes. For this analysis, net losses were assumed to be lognormally distributed with a standard deviation of 1.26% and a mean of 2.3%. Losses were allocated to the notes in accordance with their priority of payment and relative size. Moody's modelling tests the cash flow and the different triggers, to determine the support they provide to the transaction if the loans cash flow is weakened for any reason, along with the sensitivity to a variation in the initial assumptions. The excess spread, together with the line of credit and the subordination of the various classes, provides credit enhancement that is sufficient to achieve expected losses consistent with the range of the prospective ratings of the notes.

Structural Analysis

Moody's considers how the cash flows generated by the collateral are allocated to the parties within the transaction, and the extent to which various structural features of the transaction may provide additional protection to investors, or act as a source of risk themselves.

Legal Analysis

Moody's considers whether the legal documents ensure that the cash flows are allocated to the assumptions made in its analysis.

RATING SENSITIVITIES AND MONITORING

Moody's will monitor the performance of the transaction on an ongoing basis

GestiCaixa, S.G.F.T., S.A., in its capacity as management company, will prepare quarterly monitoring reports (or before if needed) with respect to the portfolio and payment of 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 the transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

RELATED RESEARCH

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:

- ”AyT FTGENCAT I, Fondo de Titulización de Activos”, Pre-Sale Report, December 2002
- “Swaps in European Term Securitisations”, Special Report, May 2002
- “FTPYMES: Rating Methodology – Revised”, Special Report, May 2002
- “The Lognormal Method Applied to ABS Analysis”, Special Report, July 2000
- “Moody's Approach to Jointly Supported Obligations”, Special Report, December 1997

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