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September 15, 2010

Presale:

GC FTPYME Sabadell 8 Fondo de Titulización de Activos

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Presale:

GC FTPYME Sabadell 8 Fondo de Titulización de Activos

€1 Billion Floating-Rate Notes

This presale report is based on information as of Sept. 15, 2010. The 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 ratings that differ from the preliminary ratings.

Class	Prelim rating*	Prelim amount (mil. €)	Available credit support (%)	Interest	Legal final maturity
A1(G)¶	AAA (sf)	250	29	Three-month EURIBOR plus 130 bps	January 2045
A2(G)¶	AAA (sf)	390	29	Three-month EURIBOR plus 135 bps	January 2045
A3	AAA (sf)	160	29	Three-month EURIBOR plus 140 bps	January 2045
B	BB (sf)	200	9	Three-month EURIBOR plus 150 bps	January 2045
Cash reserve	—	90	—	—	—

*The rating on each class of securities is preliminary as of Sept. 15, 2010, and subject to change at any time. Initial credit ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinions. Standard & Poor's ratings address timely interest and ultimate principal. ¶The Kingdom of Spain will act as guarantor for the class A1(G) and A2(G) notes. The stand-alone preliminary ratings on the class A1(G) and A2(G) notes are 'AAA (sf)'. EURIBOR—European interbank offered rate.

Transaction Participants	
Originator	Banco de Sabadell, S.A.
Trustee	Gesticaixa S.G.F.T., S.A.
Arrangers	Banco de Sabadell, S.A.
Servicer	Banco de Sabadell, S.A.
Interest swap counterparty	Banco de Sabadell, S.A.
Bank account provider	Banco de Sabadell, S.A.
Paying agent	Banco de Sabadell, S.A.
Underwriters	Banco de Sabadell, S.A. and West LB AG
Subordinated loan provider	Banco de Sabadell, S.A.

Supporting Ratings

Institution/role	Ratings
Banco de Sabadell, S.A. as bank account provider, interest swap counterparty, servicer, and paying agent	A/Negative/A-1

Transaction Key Features*	
Closing date	September 2010
Collateral	Loans granted to Spanish SMEs and self-employed borrowers
Principal outstanding (€)	1,114,071,586.52
Country of origination	Spain

Transaction Key Features* (cont.)	
Concentration	Largest 10 obligors (8.08% of preliminary pool and 9.00% over the issue amount). Regional concentration: Catalonia (48.48%), Madrid (15.24%), Valencia (6.16%), Andalucía (5.5%), and Asturias (4.87%). Industrial concentration: Real estate (22.36%) and construction (11.48%)
Average current loan size balance (€)	289,745.54
Weighted-average interest rate (%)	3.50
Arrears	At closing, a maximum of 1% of loans in arrears for less than 66 days and an additional maximum of 5% of loans in arrears for less than 30 days
Redemption profile	Amortizing (98.36%) and bullet (1.64%)
Cash reserve (%)	9.00

*Preliminary pool data as of Aug. 30, 2010. SME—Small and midsize enterprise.

Transaction Summary

Standard & Poor's Ratings Services has assigned preliminary credit ratings to the asset-backed floating-rate notes to be issued by GC FTPYME Sabadell 8, Fondo de Titulización de Activos (GC FTPYME Sabadell 8).

The originator is Banco de Sabadell S.A. (Banco Sabadell), which at closing will sell to GC FTPYME Sabadell 8 a €1 billion closed portfolio of secured and unsecured loans granted to Spanish small and midsize enterprises (SMEs) and self-employed borrowers based in Spain.

To fund this purchase, Gesticaixa S.G.F.T., S.A., the trustee, will issue four classes of floating-rate, quarterly paying notes, on the issuer's behalf.

The class A1(G) and A2(G) notes will benefit from an irrevocable and unconditional guarantee for principal and interest payments from the Kingdom of Spain (AA/Negative/A-1+).On receipt of a notice of a shortfall in the available funds to meet either the interest or principal repayment obligations, or both, the Spanish Treasury must cover the shortfall at the relevant payment date. The guarantee was implemented under the annual FTPYME program administered by the Spanish Treasury. The stand-alone preliminary ratings on the class A1(G) and A2(G) notes are 'AAA (sf)'.

The preliminary ratings on GC FTPYME Sabadell 8's notes reflect the subordination of the respective classes of notes below them, the reserve fund, the presence of the interest rate swap (which provides excess spread of 60 bps), and comfort provided by various other contracts.

Banco Sabadell will act as bank account provider, servicer, swap counterparty, and paying agent.

Our preliminary ratings reflect our analysis of the ability of the servicer, Banco Sabadell, to fulfill its role in the transaction, and the cash flow mechanics of the transaction assuming various stress scenarios.

This report includes a scenario analysis for the transaction designed to show the likely impact of changes to a number of collateral performance drivers on our cash flow analysis and ratings (see "Scenario Analysis" below). This is part of a broad series of measures that we announced in 2008 to enhance our analytics and dissemination of information (see "A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process," published on Feb. 7, 2008).

Notable Features

This transaction will be Banco Sabadell's 14th public SME securitization in Spain. The transaction follows a similar structure to the previous transactions, the main difference being the split between the series A notes and the way they amortize. Banco Sabadell's objective is to create ECB (European Central Bank)-eligible assets, increasing the bank's liquidity cushion, and it intends to sell class A1(G) and A2(G) notes to investors.

The series A notes are divided into three sub-tranches: The class A1(G), A2(G), and A3 notes. Class A2(G) features a lockout period from closing, lasting 18 months before it starts amortizing.

As in other Spanish transactions, interest and principal from the underlying assets are combined into a single priority of payments, with cumulative default triggers and asset-liability test triggers in the payment of the interest, to protect senior noteholders.

Strengths, Concerns, And Mitigating Factors

Strengths

- Banco Sabadell is an experienced originator and servicer, with 14 SME transactions.
- In our view, credit enhancement adequately covers the various stresses we applied to the transaction. Credit enhancement comprises subordination, the available excess spread, the rating on the servicer, and the subordinated loan that will fully fund the reserve fund on the closing date.
- Of the preliminary pool, 50.68% represents mortgage loans which carry a higher level of recoveries than unsecured loans.
- The swap structure provides support to the rated notes. We have given credit for this in our cash flow analysis (see "Interest swap agreement").

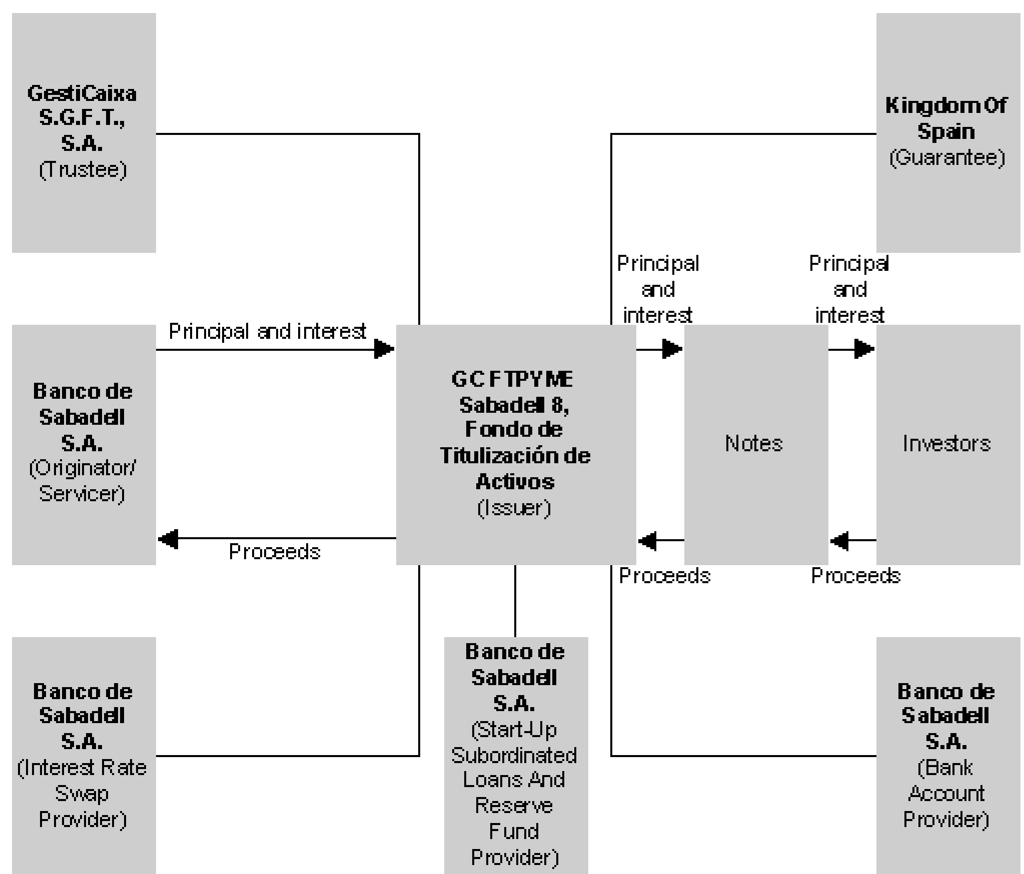
Concerns and mitigating factors

- There is borrower concentration risk, as the top 10 borrowers represent 8.08% of the preliminary pool and the biggest borrower represents 1.35% of the amount to be issued. We took borrower concentrations into account in our credit analysis when stressing the default rates at each rating level.
- A percentage of the loans have a higher level of risk due to their amortization profile: 1.64% of the loans in the securitized pool follow a bullet amortization profile. Borrowers on this type of loan repay principal due in one lump sum at maturity. We took into account loan amortization profiles in our credit and cash flow analysis.
- There is one interest deferral trigger that is more protective toward senior noteholders than subordinated noteholders in cases of poor transaction performance. This feature is seen in the priorities of payments that combine interest and principal. Hitting an interest deferral trigger would lead to the issuer using interest from the junior notes to repay the most senior notes. This interest deferral trigger structure is typical in Spanish securitization transactions and we size credit enhancement accordingly for the junior notes (see "Priority Of Payments").
- The reserve fund can start amortizing after three years if it reaches 18% of the outstanding balance of the class A1(G), A2(G), A3, and B notes, subject to a floor of half of its initial value, certain conditions need to be met to amortize the reserve fund (see "Reserve fund").

Transaction Structure

At closing, GC FTPYME Sabadell 8 will fund the purchase of the closed portfolio by issuing four classes of notes through the trustee, Gesticaixa S.G.F.T. (see chart 1).

Chart 1
GC FTPYME Sabadell 8 Fondo de Titulización de Activos Transaction Structure



The issuer is not a separate entity at law, but holds a distinct and closed pool of assets available for distribution to the noteholders.

The issuer is a "fondo de titulización de activos" created for the sole purpose of purchasing the unsecured loans and the mortgage certificates from Banco Sabadell, issuing the notes, and carrying out related activities. The assets are insulated from the insolvency of the originator and the trustee.

The issuer will pay principal and interest on the notes quarterly following a determined priority of payments. The transaction features some structural enhancements derived from the swap agreement, amortization of the notes, the reserve fund, and Banco Sabadell's servicing.

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 (defaults are defined as loans in arrears for more than 12 months) will protect senior noteholders by subordinating the payment of junior interest further down the priority of payments.

Collateral Description

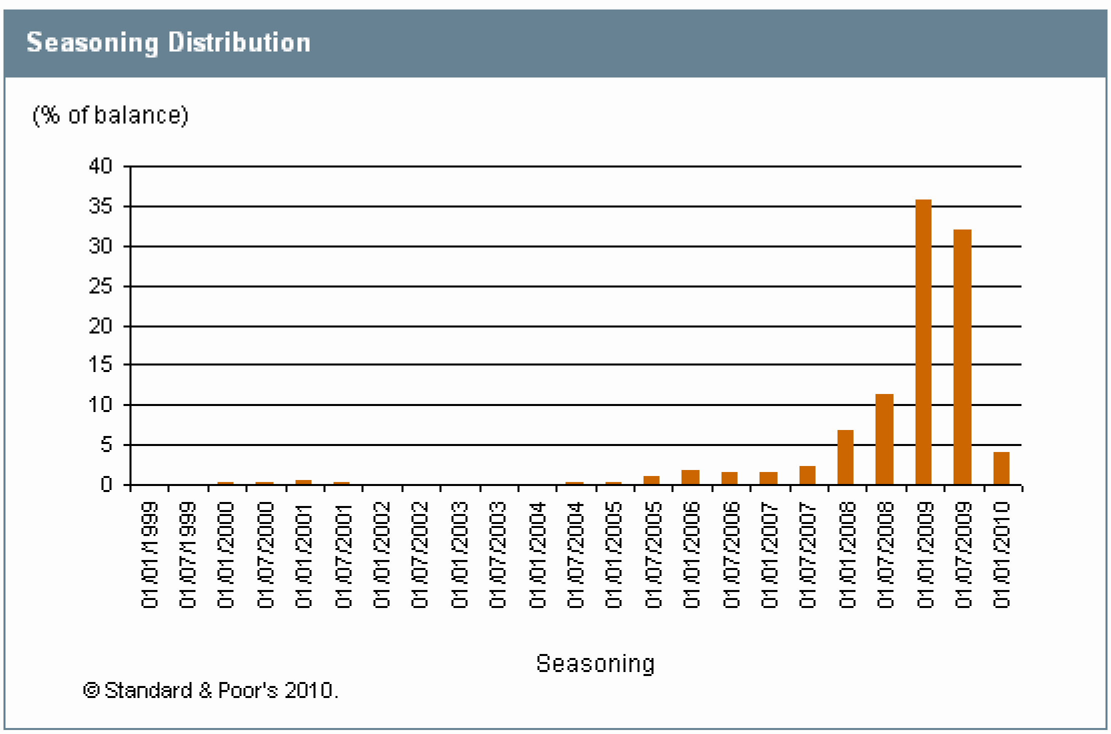
As of Aug. 30, 2010, the preliminary pool comprised 3,845 secured and unsecured loans, and the total number of borrowers was3,643. The preliminary pool was originated between March 1999 and February 2010, and the weighted-average seasoning was 19.8 months.

The largest obligor represents 1.21% of the preliminary pool and 1.35% of the final amount to be issued. The largest 10 obligors represent 8.08% of the preliminary pool and 9.00% of the final amount to be issued.

Loans in the preliminary pool can follow three different amortization profiles. 87.29% of the loans follow a normal amortizing schedule, while a further 11.07% have an initial grace period where only interest will be paid. The remaining 1.64% of the pool are loans with a bullet amortization schedule, where the entire principal is paid at maturity.

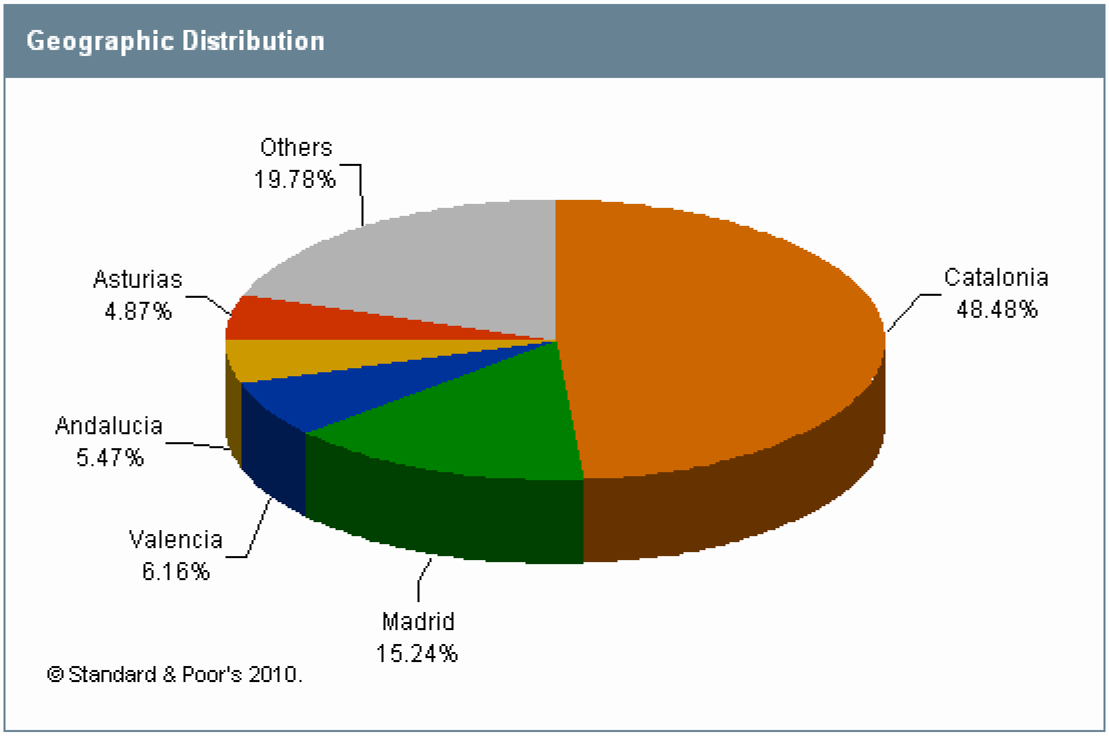
The weighted-average remaining life of the preliminary pool is 93 months. With a weighted-average seasoning of 19.8 months, 77.54% of the loans were originated more than 12 months ago (see chart 2).

Chart 2



The preliminary pool is exposed to different Spanish regions (see chart 3).

Chart 3



The largest industry concentration is real estate, which represents 22.36% of the preliminary pool. The second-highest concentration is construction (11.48%), followed by wholesale trade, except of motor vehicles and motorcycles (9.07%).

Of the outstanding amount of the preliminary pool, 50.68% is secured by mortgages over properties, commercial premises, land, etc., in Spain. The average loan-to-value (LTV) ratio of these loans is 44.47%.

Of the preliminary pool, 84.35% is indexed to floating rates. The weighted-average interest of the preliminary pool is 3.50% and 78.69% of the loans pay monthly installments.

Table 1 shows the distribution of the preliminary pool by size of company and by type of collateral.

Table 1

Preliminary Pool Distribution

	Distribution between type of security		
Turnover	Secured (%)	Unsecured (%)	% of outstanding portfolio
Self-employed	5.13	4.18	4.66
€<300,000	32.81	12.37	22.73
€300,000 to €900,000	17.30	9.01	13.21
€900,000 to €6 million	28.62	26.06	27.36
€6 million to €30 million	12.40	24.82	18.52
€30 million to €100 million	3.74	23.56	13.51

Cash-collection arrangements

Banco Sabadell, as servicer, will collect the amounts due under the loans and transfer them daily to the issuer account held at Banco Sabadell.

The minimum rating required to be the bank account provider is 'A-1', so if Banco Sabadell is downgraded below 'A-1', it should take remedy actions following our "Revised Framework For Applying Counterparty And Supporting Party Criteria" (see "Related Criteria And Research").

Commingling reserve

To protect against commingling risk, if Banco Sabadell is downgraded below a short-term rating of 'A-2', then:

- Within 30 calendar days, the servicer should find an eligible guarantor with at least a short-term rating of 'A-1'. The guarantor should provide the issuer with a first-demand, unconditional, and irrevocable guarantee equal to the commingling reserve amount to be applied to pay any amounts the servicer fails to pay to the issuer for the loans. This amount, if required to be paid, would be deposited in an issuer bank account in accordance with the bank account and cash management agreements. We would expect to review the guarantee at the time the downgrade occurs; or
- Within 10 calendar days, the servicer should deposit in the issuer's bank account an amount equal to the commingling reserve amount to be applied to pay any amounts the servicer fails to pay the issuer for the loans.

Alternatively, we encourage the servicer to request our written confirmation that the ratings on the notes would not be adversely affected.

On the date this commingling reserve is required, the initial amount should be a sufficient proportion of the principal amount outstanding to avoid affecting the ratings on the notes.

Cash reserve

The structure will benefit from a cash reserve fund. On the closing date, a subordinated loan will fully fund the reserve fund, which will be fixed for the first three years and which the issuer will use on each payment date to pay the different items of the priority of payments described below.

The reserve fund required on each payment date is the minimum of:

- 9% of the original total balance of classes A1(G), A2(G), A3, and B; and
- 18% of the outstanding total balance of classes A1(G), A2(G), A3, and B.

After three years have elapsed, the cash reserve account will amortize if the following conditions are met:

- The outstanding balance of the loans in the pool with any payment in arrears for more than 90 days is lower than 1% of the outstanding balance of the non-delinquent loans (loans in arrears for more than 90 days) in the pool; or
- The reserve fund is at the required level on the previous payment date.

The minimum reserve fund level can never be lower than 4.5% of the initial total balance of the class A1(G), A2(G), A3, and B notes.

Interest swap agreement

On the issuer's behalf, the trustee will enter into a swap agreement with Banco Sabadell. This swap will provide protection against adverse interest rate resetting and movements.

The issuer will pay to the swap counterparty the interest due on the non-defaulted loans during the calculation period and the interest received from the amortization account during the first 18 months of the transaction. The issuer will receive from the swap counterparty an amount equivalent to the weighted-average coupon on the notes plus 60 bps per year over a notional, which will be the outstanding balance of the notes, and the servicing fee amount.

This type of swap not only provides a hedge for the interest rate risk, but it also provides credit support to the transaction, given that it covers the substitute servicing fee, the weighted-average coupon on the notes, and also guarantees a spread of 60 bps in the transaction.

If an ineligible counterparty is not replaced within the remedy period, we may lower the ratings on the notes to levels that could be supported by the counterparty's then-current rating. We will take into consideration the amount of collateral in analyzing the transaction after the counterparty is downgraded. Our analysis assumes that a replacement of the ineligible counterparty will occur. However, given the bespoke nature of this swap, it may be difficult to find a replacement. Therefore, the market should understand and consider the risk of downgrade to the transaction if a replacement is not found.

Under the transaction documentation, any counterparty replacement or guarantee is subject to our rating confirmation. The downgraded counterparty bears all the costs of the remedies.

Redemption of the notes

Amortization occurs for the:

- Class A1(G) notes, from the first payment date until fully amortized;
- Class A2(G) notes, from the payment date that occurs 18 months after closing (soft-bullet). It will amortize from this date, even though class A1(G) has not amortized in full;
- Class A3 notes, once the class A1(G) and A2(G) notes are fully redeemed, unless the pro rata conditions are met; and
- Class B notes, once the class A1(G), A2(G), and A3 notes are fully redeemed, unless some pro rata conditions are met.

From the first payment date, 40% of the amortization amount will go to class A1(G) and 60% to class A2(G). Until 18 months after the closing date, this 60% will be kept in an amortization account.

Pro rata amortization conditions: Classes A1(G), A2(G), and A3

If the proportion of: (i) the outstanding balance of non-delinquent loans plus the amounts received from the assets during that period, and (ii) the net outstanding balance of the class A1(G), A2(G), and A3 notes, is less than or equal to 1, classes A1(G), A2(G), and A3 will amortize pro rata.

Pro rata amortization conditions: Classes A and B

The conditions for the pro rata amortization of the class B notes are that they amortize pro rata with the class A notes if:

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- Pro rata amortization for classes A1(G), A2(G), and A3 is not been applied.
- The reserve fund it is at its required level.
- The outstanding balance of the series A and B notes is equal to or higher than 10% of the original amount.
- The outstanding balance of the class B notes has doubled by percentage over the outstanding balance of the notes they represented at closing, over the original balance.
- The outstanding balance of loans in arrears is lower than 1.25% of the outstanding balance of the non-defaulted loans for class B.

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 the proceeds of the interest swap, the reserve fund, principal received under the loans, and any other proceeds received in connection with the loans.

The issuer can mix all interest and principal received to pay principal and interest due under the notes in the following order:

- Fees;
- Administration fees;
- Net payments under the swap agreement (other than swap termination payments due to a default or breach of contract by the swap counterparty);
- Interest on the class A1(G), A2(G), and A3 notes; and reimbursement of any amount owed to the Kingdom of Spain under the guarantee program to pay interest on the class A1(G) and A2(G) notes;
- Interest on the class B notes if not deferred;
- Amortization of the notes and reimbursement of any amount owed to the Kingdom of Spain under the guarantee program to pay principal on the class A1(G) and A2(G) notes;
- Interest on the class B notes if deferred;
- Replenishment of the cash reserve;
- Interest and principal payments under the subordinated loan, established to fund the cash reserve;
- Swap termination payments, if any, when the issuer is not the defaulting party;
- Interest payments and principal repayments under the subordinated start-up loan; and
- Cash back to Banco Sabadell.

A trigger aims to ensure that in a stressful economic environment, the more senior notes amortize before the issuer pays interest on the subordinated class of notes.

Interest on the class B notes will be subject to a deferral on a given payment date to a lower position in the priority of payments in the following situation. If the cumulative ratio of defaulted loans (the outstanding balance of the loans when qualified as defaulted, divided by the balance of the pool at closing) is greater than 25%, interest on the class B notes will pay in a lower position in the priority of payments, until the class A notes, and then the class B notes, redeem.

Credit Analysis

Default rate

We used a stochastic approach to assess the pool's credit risk. We then sized the required credit support for each class of rated notes using Standard & Poor's CDO Evaluator. In sizing the portfolio default and loss rates, CDO Evaluator took into account our mapped rating for each small and midsize enterprise (SME), the correlation within and between industries, the maturity of each exposure, and transaction-specific recovery rates.

We entered the mapped SME ratings into CDO Evaluator to determine the portfolio's expected default frequency. CDO Evaluator computed the cumulative default rates for each rating level along the capital structure using Monte Carlo simulations based on the Credit Risk Tracker credit estimate of each asset in the portfolio.

The scenario default rates derived by using CDO Evaluator identify the maximum level of portfolio defaults that each tranche should be able to withstand during the life of the transaction at its respective rating level without defaulting.

Recoveries

To obtain the base-case recovery rate, we examine loss given defaults (LGDs) on a loan-level basis, the average recovery rate from previous Spanish SME transactions with similar concentrations of secured and unsecured loans, and historical recovery data of the Banco Sabadell loan book. We then applied a haircut to obtain the loss severity for different scenarios.

Cash Flow Analysis

Prepayments

We stressed the annual prepayment rate up to 24.0% and down to 0.5%.

Yield

We modeled the spread guaranteed by the asset swap.

Commingling

We did not model any commingling stress in the structure, as there is downgrade language to set up the foundation of a contingent commingling reserve if the servicer is downgraded below 'A-2' (see "Commingling reserve" above).

Timing of defaults

We assume defaults occur periodically in amounts calculated as a percentage of the default rate. We have applied seven different default curves in our analysis (see tables 2 and 3 below).

Table 2

Timing Of Defaults

Percentage of DR (equal)	Months when applied	Percentage of DR (slow) (%)	Months when applied	Percentage of DR (fast) (%)	Months when applied
1/3	1	5	7	30	1
1/3	13	5	13	30	7
1/3	25	10	19	20	13
—	—	20	25	10	19
—	—	30	31	5	25

Table 2

Timing Of Defaults (cont.)					
—	—	30	37	5	31

DR—Default rate.

Table 3

Timing Of Defaults

Percentage of DR (standard back) (%)	Months when applied	Percentage of DR (standard front) (%)	Months when applied	Percentage of DR (standard 5 years even) (%)	Months when applied	Percentage of DR (standard 4 years even) (%)	Months when applied
15	1	40	7	20	7	25	7
30	7	20	13	20	13	25	13
30	13	20	19	20	19	25	19
15	19	10	25	20	25	25	25
10	25	10	31	20	31	—	—

DR—Default rate.

Timing of recoveries

For this transaction, we assume that the issuer would regain 150% of recoveries 42 months after a payment default. The value of recoveries at each rating level is 100% minus the loss severity assumed at each rating level.

Interest and prepayments rate

We modeled three interest rate scenarios—up, down, and flat—using both high and low prepayment assumptions. Interest rates were 0.65% at the time of modeling and we modeled them to rise by 2% a month to a cap of 12% ("up" scenario) and a floor of 0% ("down" scenario).

Scenario Analysis

As part of a broad series of measures that we announced in 2008 to enhance our analytics and dissemination of information, we have committed to provide a "what-if" scenario analysis in rating reports to explain our key rating assumptions and the potential effect of positive or negative events on the ratings.

This scenario analysis section incorporates:

- A description of our methodology and scenario stresses;
- Results of the effects of the stresses on ratings; and
- Results of the effects of the stresses on our cash flow analysis.

Methodology

When rating European asset-backed securities (ABS) transactions, we have developed a scenario analysis and sensitivity-testing model framework. This demonstrates the likely effect of scenario stresses on the ratings in a transaction over a one-year outlook horizon. For this asset class, we consider scenario stresses over a one-year horizon to be appropriate given the relatively short weighted-average life of the assets backing the notes. For these types of securities, there are many factors that could cause the downgrade and default of a rated note, including asset performance and structural features. However, for the purposes of this analysis we focused on the three fundamental drivers of collateral performance, namely:

- Gross default rate;
- Recovery rate; and
- Prepayment rate.

Given current economic conditions, the stress scenarios proposed reflect negative events for each of these variables. Increases in gross default rates could arise from a number of factors, including rises in unemployment and company insolvencies, together with falls in house prices and a reduction in the availability of credit. In addition, these effects would most likely cause collateral recovery rates to fall as the structural imbalance between supply and demand leads to reductions in asset prices. In this environment, we also expect prepayment rates to fall as fewer refinancing options leave obligors unable to prepay finance agreements and demand for replacement vehicles falls.

For this analysis, we have included two stress scenarios to demonstrate the rating transition of a bond (see table 4).

Table 4

Scenario Stresses

Rating variable	Scenario 1 (relative stress to base case)	Scenario 2 (relative stress to base case)
Gross default rate (%)	30.0	50.0
Recovery rate (%)	(30.0)	(50.0)
Constant prepayment rate (%)	(20.0)	(33.3)

It is worth noting that our base case assumptions for each transaction are intended to be best estimates of future performance for the asset portfolio. Our approach in determining these base cases would take account of historically observed performance and an expectation of potential changes in these variables over the life of the transaction. The sensitivity of rated bonds in each transaction will differ depending on these factors, in addition to structural features of the transaction, including its reliance on excess spread, payment waterfalls, and levels of credit enhancement at closing.

For each proposed scenario stress, we separate the applied methodology into three distinct stages. In the first stage we stress our expected base case assumptions over a one-year period to replicate deviations away from our expected performance over the stress horizon. We assume the stresses that we apply occur at closing, with gross losses applied based on our expectation of a cumulative default curve for the portfolio.

The second stage applies our usual rating methodology, including revising our base case assumptions at the one-year horizon to reflect the assumed deviations as a result of the stressed environment. In the final stage of the analysis we re-rate the transaction at the one-year horizon, after revising our base case assumptions and applying our standard credit and cash flow stresses at each rating level. The output of the analysis shows the likely rating transition of the rated notes given the applied stresses and the value and timing of any forecasted principal and interest shortfalls under the most stressful scenario.

Scenario stress and sensitivity analysis

When applying scenario stresses in the manner described above, the results of this modeling are intended to be a simulation of what could happen to the ratings on the notes for the given transaction. For the purposes of our analysis for this transaction, we applied the two scenarios described above in our cash flow modeling. The implied base case stresses and scenario stress results are shown in tables 5 to 8.

Table 5

Scenario Stresses (Series A, 'AAA' Rating)

Stress horizon—12 months

Rating variable	Base case	Scenario 1	Scenario 2
Gross loss rate (%)	35.16	45.71	52.74
Loss Severity (%)	70.00	79.00	85.00
Constant prepayment rate (%)	10.00	8.00	6.67

Table 6

Scenario Stress Analysis—Rating Transition Results

Scenario stress	Class	Initial rating	Scenario stress rating
Scenario 1	A1(G), A2(G), and A3	AAA	A
Scenario 2	A1(G), A2(G), and A3	AAA	A

Table 7

Scenario Stresses (Class B, 'BB' Rating)

Stress horizon—12 months

Rating variable	Base case	Scenario 1	Scenario 2
Gross loss rate (%)	15.96	20.75	23.94
Loss severity (%)	57.50	70.25	78.75
Constant prepayment rate (%)	10.00	8.00	6.67

Table 8

Scenario Stress Analysis—Rating Transition Results

Scenario stress	Class	Initial rating	Scenario stress rating
Scenario 1	B	BB	BB
Scenario 2	B	BB	CCC

Where interest or principal shortfalls occur under the most senior notes, the holders of these notes and/or the trustee can call an event of default. This could lead to multiple events, such as the senior fees of the transaction stepping up, the swap terminating (with the issuer needing to make termination payments), and application of the post-enforcement priority of payments. All of these events have an effect on the transaction cash flows.

For the purposes of the analysis above, we make a simplified assumption that the trustee will not call an event of default.

Surveillance

We maintain continual surveillance on the transaction until the notes mature or are otherwise retired. To do this, we analyze regular servicer reports detailing the performance of the underlying collateral, monitor supporting ratings, assess pool cuts, and make regular contact with the servicer to ensure that minimum servicing standards are sustained and that any material changes in the servicer's operations are communicated and assessed.

Key performance indicators for this transaction include:

- Rating migration of the collateral and default levels;
- Different concentrations of the collateral;

- Collateral prepayment levels;
- The evolution of the ratings on the supporting parties; and
- Increases in credit enhancement for the notes.

Related Criteria And Research

- Preliminary Ratings Assigned To GC FTPYME Sabadell 8's Spanish ABS Of SMEs Transaction, Sept. 15, 2010
- Revised Framework For Applying Counterparty And Supporting Party Criteria, May 8, 2007
- European Legal Criteria for Structured Finance Transactions, Aug. 28, 2008
- Global Interest Rate and Currency Swaps: Calculating the Collateral Required Amount, Feb. 26, 2004
- Standard & Poor's Global Interest Rate and Swap Counterparty Rating Criteria Expanded, Dec. 17, 2003
- Standard & Poor's Rating Methodology for CLOs Backed by European Small- and Midsize-Enterprise Loans, Jan. 30, 2003
- Securitizing Spanish-Originated Loans to Small and Midsize Enterprises, April 7, 2003
- Spanish SME Performance Report: Delinquencies For Spanish SME Asset-Backed Securities Transactions Reach A New High, July 23, 2009
- Spanish SME ABS Collateral Deterioration Focused On Construction Sector And Coastal Regions, Dec. 17, 2009

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