Foncaixa FTGENCAT 5, Fondo de Titulización de Activos

ABS / Spain

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of 29 October 2007. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The **definitive** ratings may differ from the **provisional** ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.*

Estimated Closing Date

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PROVISIONAL (P) RATINGS

Class	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A (S)	(P)**Aaa**	€[513.10]	51.31	April 53	3mE + [•]%
A (G)	(P)**Aaa**	€[449.40]	44.94	April 53	3mE + [•]%
B	(P)**Aa3**	€[21.00]	2.10	April 53	3mE + [•]%
C	(P)**Baa3**	€[16.50]	1.65	April 53	3mE + [•]%
D	(P)**C***	€[26.50]	2.65	April 53	3mE + [•]%
Total		€[1,026.50]	100.00		

The ratings address the expected loss posed to investors by the legal final maturity. 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.

* *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 on Classes A/B/C, and for ultimate payment of interest and principal at par on or before the rated final legal maturity date on Class D.*

OPINION

Strengths of the Transaction

– Strong interest rate swap provided by Caja de Ahorros y Pensiones de Barcelona (La Caixa, rated **Aa1**/**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 received from the loans

– 70.69% of the pool backed by first-lien mortgage guarantees – WALTV 52.04% (33.35% corresponds to first-home residential properties, 18.65% owner-occupied commercial properties, 12.62% buy to let and 6.07% second homes)

– Good seasoning of 1.77 years

– Granular pool (effective number: 1,071)

– Guarantee of the *Generalitat* of Catalonia (**Aa2**) for Series A(G). The rating of the series A(G) are **Aaa** regardless of the guarantee of the Generalitat of Catalonia

– Excess spread-trapping mechanism through a 12-month "artificial write-off"

– 100% of the portfolio is paid via direct debit

Weaknesses and Mitigants

- 2.5-year revolving period. This is mitigated by strict eligibility criteria that any additional loan must comply with, and early amortisation triggers
- Some of the loans (361) are subject to an interest rate cap, although this risk is eliminated by the interest rate swap
- Strong geographical concentration in the region of Catalonia (100%) due to the FTGENCAT programme requirements. The purpose of programme is to facilitate the access of Catalan SMEs to efficient financing channels. This risk is mitigated in part by the fact that this is La Caixa's region of origin, where it has greatest expertise.
- Pro-rata amortisation of Classes 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 Classes B, C and D benefits the repayment of the series senior to each of them, but increases the expected loss on Classes B and C themselves.
- 41.92% of loans are flexible (Crédito Abierto PYME (CrAPYMES)), which leads to a higher expected default frequency and more severe losses. However, all these loans are backed by first-lien mortgages. In addition:
  - 11.72% of the portfolio is currently enjoying a principal grace period
  - 1.87% of the portfolio can enjoy principal grace periods in the future
  - 13.21% of the portfolio can enjoy interest and principal grace periods in the future

  However, any loans with principal or principal and interest grace periods are backed by first-lien mortgages. La Caixa has full control in deciding whether or not these grace periods are granted.

STRUCTURE SUMMARY

Issuer:	FONCAIXA FTGENCAT5, FONDO DE TITULIZACIÓN DE ACTIVOS
Structure Type:	Senior/Mezzanine/Subordinated/Reserve Fund + 2.5–year revolving period
Seller/Originator:	Caja de Ahorros y Pensiones de Barcelona (La Caixa, **Aa1**/**P-1**)
Servicer:	Caja de Ahorros y Pensiones de Barcelona (La Caixa, **Aa1**/**P-1**)
Back-up Servicer:	N/A
Interest Payments:	Quarterly on each payment date
Principal Payments:	Pass-through on each payment date
Credit Enhancement/Reserves:	Excess spread Reserve Fund Subordination of the notes Guarantee of the *Generalitat* of Catalonia (**Aa2**/**P-1**) for Series A(G)
Liquidity Facility:	N/A
Hedging:	Interest rate swap
Principal Paying Agent:	La Caixa, **Aa2**/**P-1**
Note Trustee:	Gesticaixa
Arranger/Lead Manager:	Gesticaixa/La Caixa

COLLATERAL SUMMARY

Receivables:	Loans granted to Catalan small and medium-sized enterprises (SMEs)
Number of Contracts:	27,757
Number of Borrowers:	23,945
Geographic Diversity:	Catalonia (100%)
Average LTV:	52.04%
Remaining Term:	15.45 years
Seasoning:	1.77 years
Delinquency Status:	At the closing date there will be no loans with more than 30 days in arrears
Historical Loss Experience:	Default and recovery data provided

TRANSACTION SUMMARY

The eleventh SME loan-backed deal guaranteed by the regional government of Catalonia

FONCAIXA FTGENCAT 5 is the eleventh SME loan-backed transaction carried out within the Spanish market with the guarantee of the regional government (*Generalitat*) of Catalonia. It follows the implementation in July 2007 of a law, issued by the Generalitat, 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:

– They must be originated by institutions that have previously signed an agreement with the Economy and Finance Department of the Generalitat of Catalonia.
– At least 80% of the loans must be granted to Catalan-based non-financial SMEs, as defined by the European Commission.
– The duration of each loan from its constitution date until its maturity date 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.

STRUCTURAL AND LEGAL ASPECTS

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

FONCAIXA FTGENCAT 5, 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 three classes of notes to finance the purchase of the loans (at par):

– A subordinated Class C, rated **Baa3**
– A mezzanine Class B, rated **Aa3**
– A senior tranche composed of two **Aaa**-rated series: a subordinated Series A(G) and a senior Series A(S). The rating of the series A(G) are **Aaa** regardless of the guarantee of the Generalitat of Catalonia.

In addition, the *Fondo* will issue a C-rated Series D to fund a cash reserve that will be used to cover any potential shortfall on interest or principal payments to the rest of series

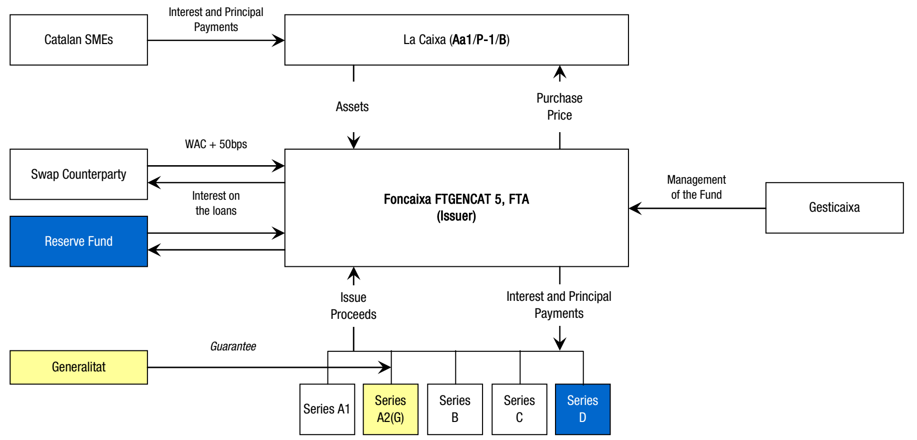
Each class of notes is supported by the class subordinated to itself, a cash reserve and the excess spread guaranteed under the swap agreement with La Caixa. The swap agreement will also hedge the *Fondo* against the risk derived from having different index reference rates and reset dates on the assets 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 and the costs of issuing the notes.

The provisional pool consists of 23,945 debtors and 27,757 loans. The portfolio is entirely concentrated in Catalonia. 70.69% of the pool is secured by a first-lien mortgage guarantee over different types of properties.

Standard FTGENCAT capital structure

Chart 1:
Structure Diagram



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 received from the loans
– 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 Class A, B and C notes

The excess spread thus provided through the swap agreement constitutes the first layer of protection for investors.

It is worth noting, as a strong positive feature of this swap, that the *Fondo* is not obliged to pay the interest accrued by any loan, while La Caixa's notional does include the amount of principal deficiency should this 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 Class D 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:

– 2.65% of the initial balance of the Class A, B and C notes
– The higher of:
  - 5.30% of the outstanding balance of the Class A, B and C notes
  - 1.33% of the initial balance of the Class A, B and C notes

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

– During the first three years following the closing date
– On any payment date on which either of the following scenarios occurs:
  - The arrears level (defined as the percentage of non-written-off loans which are more than 90 days in arrears) exceeds 1.00%
  - 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.

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) due and paid in previous payments dates 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 payment to Class A(S) and A(G)

5) Interest payment to Class B (if not deferred)
6) Interest payment to Class C (if not deferred)
7) Retention of an amount equal to the principal due under the notes
8) Interest payment to Class B (if deferred)
9) Interest payment to Class C (if deferred)
10) Replenishment of the reserve fund
11) Interest payment to Class D
12) Principal payment to Class D
13) 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 Class is repaid before any payment to a subordinated Class is made.

Interest deferral mechanism based on defaults

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

Table 1:

Series B	**Series C**
The accumulated amount of written-off loans is higher than 18.00% of the initial amount of the asset pool	The accumulated amount of written-off loans is higher than 13.00% of the initial amount of the asset pool
Series A(S) and A(G) are not fully redeemed	Series A(S), A(G) and B are not fully redeemed

12-month "artificial write-off" mechanism

The transaction structure for Classes A, B and C benefits from an "artificial write-off", which traps available excess spread to cover losses (if any). This type of "artificial write-off" is hidden in the definition of Principal Due, which is the difference between the Class A, B, and C notes outstanding and the outstanding performing loans (loans less than 12 months in arrears).

Principal due allocation mechanism

The first principal payment date of the notes will be on 10th July 2007 or the payment date after an early amortisation of the Revolving Period occurs. Until the payment date on which the initial amount of Classes B and C exceeds 4.20% and 3.30%, respectively, of the outstanding amount under Classes A, B and C, 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 Classes 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 Class B
– Amortisation of Class C

Hence the percentages indicated above for Classes B and C are maintained at any payment date thereafter. Nevertheless, amortisation of Classes 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% and 1.00% Classes B and C respectively.
– The reserve fund is not funded at the required level on the current payment date.
– 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.

Class D amortisation

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

COLLATERAL

Initial Portfolio

As of October 2007, the provisional portfolio comprised 27,757 loans and 23,945 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 and self-employed individuals domiciled in Catalonia.
- The loans are repaid by direct debit in monthly (96.84%), quarterly (2.43%) and semi-annual (0.73%) instalments, and have accrued at least two instalments.
- No loan incorporates any type of balloon payments.
- 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.

Table 2:

Loan Type	Traditional SME loans	58.08%
(as % of provisional pool)	Crédito Abierto PYME	41.92%

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 41.92% of the Crédito Abierto PYME being securitised under FONCAIXA FTGENCAT 5 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 redraw will be stated separately.
3) 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.
4) Subsequent redraws are not allowed during the last four years of the life of the loan.

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.

Interest and Principal Grace Periods

Loans will have the option of enjoying interest and principal grace periods. Each borrower has the option to request a maximum of 12 months' grace periods during which neither principal nor interest is paid. Unpaid interest is capitalised at the end of the grace period. Once again, La Caixa has full control in deciding whether or not these grace periods are granted.

Chart 2:
Portfolio Breakdown by Origination Year

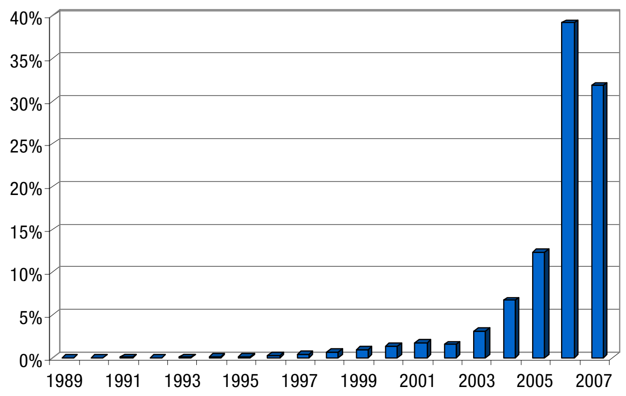


Chart 3:
Portfolio Breakdown by Maturity

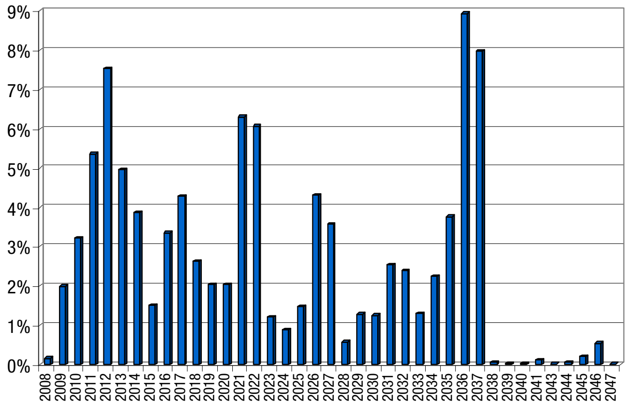


Chart 4:
Portfolio Breakdown by Property Type

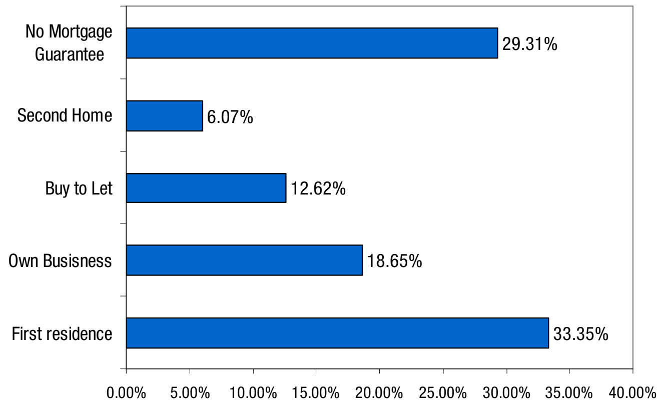
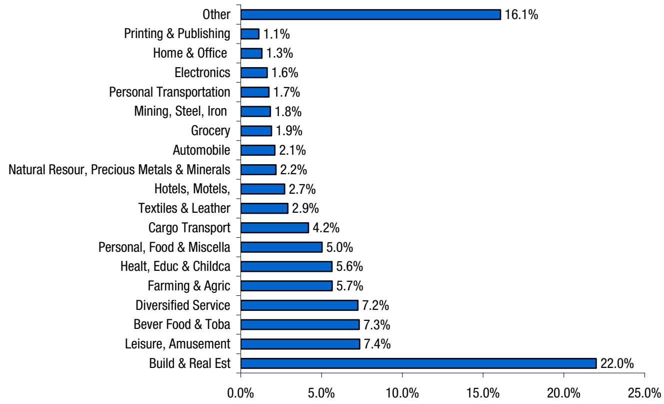


Chart 5:
Portfolio Breakdown by Moody's Industry



The loans have been originated between 1989 and 2007, with a weighted average seasoning of 1.77 years and a weighted average remaining term of 15.45 years. The longest loan matures in April 2047.

Around 70.69% of the pool is secured by a mortgage guarantee over different types of properties.

The remaining 29.31% is secured by personal guarantee.

Geographically the pool is concentrated in Catalonia (100%). Around 22% 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 0.98% of the issuance amount.

Table 3:

Guarantee Type	
Mortgage Guarantee	70.69%
Personal Guarantee	26.44%
Deposit	1.78%
Third-Party Guarantee	1.09%
Total	100.00%

Occupancy Type	
First Residence	33.35%
Second Residence	6.07%
Letting	12.62%
Business	18.65%
No Mortgage Guarantee	29.49%

Property Type	
Residential Property	45.50%
Commercial Property	11.50%
Warehouse	6.10%
Hotels	1.30%
Land	1.00%
Other	5.11%
No Mortgage Guarantee	29.49%

Eligibility Criteria During the Revolving Period

During the 2, 5 yr revolving period, the Issuer will acquire, on a semi-annual basis on each Substitution Date, additional SME loans that meet the eligibility criteria outlined below. In the event that no new SMEs loans were available for purchase, the unused funds will be held in the name of the Issuer for the following Substitution Date. The Revolving period will end on the earlier of (1) the last Substitution Date, 10th April 2010, and (2) the date on which an early amortisation event has occurred. In that case, the available funds will be used to amortise the notes in accordance with the Payment Structure Allocation.

Individual Loan Eligibility Criteria

Additional portfolios

Every two payment dates on which the Issuer acquires new assets, the Originator and the Management Company will represent and warrant that all additional loans meet each of the following criteria:

1. The loan has been originated by La Caixa in its normal course of business following its standard underwriting and credit scoring criteria.
2. The loan has been granted to an SME, self-employed individual or cooperative located and resident in Catalonia and under Spanish law and at least 80% of the loans must be granted to Catalan-based non-financial SMEs, as defined by the European Commission.
3. The loan is performing, or if in arrears, for a period not exceeding 30 days.
4. The borrower has paid at least two instalments under the loan.
5. The loan provides for periodic instalments of principal and interest (no bullet loans).
6. The final maturity date is no later than 1 October 2049.
7. The loan is denominated in euros.
8. Payments under the loan are made by automatic direct debit to a bank account authorised by the relevant obligor at the signature of the loan contract.
9. The loan does not arise from a leasing agreement or loans to real estate developers.
10. Under the Crédito Abierto product only first drawdowns are permitted.

Aggregate Portfolio Test

In addition, the aggregate portfolio must at all times meet the following criteria:

1. The weighted average seasoning of the aggregate portfolio is equal to or greater than [1.60] years.
2. The weighted average remaining term of the aggregate portfolio is equal to or lower than [16] years.
3. The aggregate outstanding balance of loans granted to the same borrower does not exceed [0.98%] of the total portfolio.
4. The aggregate outstanding balance of the top ten borrowers does not exceed [5.50%] of the total portfolio.
5. The concentration in a single activity sector does not exceed [15]% of the total portfolio and the concentration in the three largest sectors does not exceed [40]%.
6. The aggregate outstanding balance of loans backed with a first-lien mortgage guarantee is equal to or greater than [70%] of the total portfolio.
7. The aggregate outstanding balance of loans backed with first-home residential properties is equal to or greater than [33%] of the total portfolio.
8. The weighted average LTV of the aggregate portfolio is not higher than [55%].
9. The aggregate outstanding balance of loans backed with Crédito Abierto is equal to or lower than [42%] of the total portfolio.
10. The aggregate outstanding balance of loans granted to self employed approximately [50%] of the total portfolio
11. The aggregate outstanding balance of loans currently enjoying principal and interest grace periods does not exceed [15%] of the total portfolio

Early Amortisation Triggers

Upon the occurrence of any of the following events, the Substitution Period will automatically terminate and the Issuer will use all the Principal Collections to redeem the notes on a rigorous sequential basis. Any of the following circumstances constitute an Early Amortisation Event:

1. Any interest due under classes A, B and C of notes remains unpaid after the relevant Payment Date;
2. The cumulative aggregate outstanding amount of written-off loans represents more than [2.00]% of the outstanding balance of the pool at closing;
3. The Originator becomes insolvent, involved in any type bankruptcy procedure or its licence to carry out its business is revoked;
4. La Caixa ceases to be the Administrator of the portfolio;
5. The principal outstanding balance of delinquent loans is greater than [1.0]% of the total principal outstanding balance of the outstanding Loans;
6. The Required Cash Reserve Amount was not at its required level on the current Payment Date;
7. On any Substitution Date, the aggregate outstanding balance of outstanding loans is less than [80]% of the outstanding balance of the notes; or
8. A new fiscal regulation is introduced in Spain making the sale of additional assets excessively cumbersome for La Caixa.
9. When any audit report on the financial statements of the Assignor recorded during the Revolving Period (corresponding to the 2007, 2008 and 2009 financial years) has reservations that affect La Caixa's solvency or the type of assets to be pooled into the Fund
10. When 30 business days have elapsed from the occurrence of the early liquidation of the swap agreement and no replacement, guarantor or any acceptable alternative has been found in accordance with the downgrade language of the swap

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

La Caixa's Aa1/P-1/B ratings reflect the institution's solid credit fundamentals

La Caixa is Spain's largest savings bank, its third-largest banking group and the biggest financial institution in Catalonia and the Balearic Islands, where it holds market shares of 26.7% of customer funds, 16.6% of loans and 22.6% of branches. Catalonia is one of Spain's most prosperous and fastest-growing regions and enjoys a diversified economy. La Caixa has more than doubled its number of branches since 1990, with 60.8% of the group's branches now located outside its traditional market. As such, the bank currently derives less than 50% of its operating income from its home markets. Nationwide, La Caixa enjoys a 10.1% share of deposits, 9% of loans and 11.9% of total branches. La Caixa is Spain's market leader in bancassurance, leading issuer of credit cards both in terms of turnover and number of cards in circulation, and has a national market share of 5.5% in mutual funds. La Caixa's aim is to be a universal bank, although the bulk of its business still comes from standardised banking products. The bank is increasingly providing more value-added services to private individuals - primarily mortgages, where it enjoys a 11.1% market share in Spain - through a highly automated distribution network backed by a decentralised business model. The above-mentioned characteristics are appropriately captured by a B score on franchise value.

The bank has over the past decade leveraged its good presence in the Catalan market to strengthen its domestic retail banking position outside its traditional markets. This was initially achieved through a series of bank acquisitions under a strategic expansion plan, and has been completed with an aggressive and closely monitored branch expansion plan. As a result, La Caixa has more than doubled its number of branches since 1990, with 60.8% of the group's branches now located outside its traditional market. Branches opened over the last ten years (45% of La Caixa's network) now contribute 23% of the group's business volumes and 20% of banking profits. We expect this trend to continue and thus assess the bank's franchise value as "improving".

MOODY'S ANALYSIS

Moody's used an inverse normal approach to derive the default distribution in the portfolio, accompanied with stochastic recoveries

Given the level of granularity of the pool, as shown by the effective number of 1,071, Moody's derived the default distribution curves by using the inverse normal density law. To determine such distribution, two main input parameters needed to be assessed:

- The mean default probability of the portfolio, and
- The standard deviation of the default distribution

As regards the first item and given available data, Moody's determined a default contribution for each single entity, basing its analysis on (1) historical information received from the originator; (2) statistical information from the Spanish SME market; (3) Moody's ratings (whether public or using credit estimates) for some of the companies or their affiliates; (4) performance of similar deals including its predecessors; and (5) other qualitative and pool-derived aspects. The value tested as mean default was in the range of 4.5% - 5.0%.

The standard deviation of the default distribution was determined assuming a fixed pairwise correlation parameter; the resulting coefficient of variation was in the range of 55% - 60%.

The timing of default was assumed to be front-loaded and adjusted to the weighted average life of the pool. Sensitivity scenarios were run to check the strength of ratings with less likely back-loaded timing of default scenarios.

Recoveries were assumed to be normally distributed and correlated with default scenarios. Again, given available data, the distribution parameters were estimated based on (1) historical information received for this deal; (2) statistical information from the Spanish SME market; (3) Moody's statistical information for the EMEA SME and corporate market; (4) mortgages and other type of guarantees in the portfolio; and (5) other qualitative and pool-derived aspects. The mean value assumed for the recovery distribution was in the range of 45% - 65%.

Assumptions for prepayments were also tested in Moody's quantitative analysis and were partly derived from historical and statistical information as well as qualitative assessments. The values tested were in the range of 10% - 15%.

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

To determine the rating associated to each series of notes, Moody's used an expected loss methodology that reflected the probability of default for each series of notes times the severity of the loss expected for each series of notes. With this purpose, 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 reproduced many deal-specific characteristics: the main input parameters of the model have been described above. 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 as well as the expected average life. Moody's then compared the quantitative values to the Moody's Idealised Expected Loss table to determine the ratings associated to each series of notes.

It is also worth mentioning that Moody's has not taken into consideration the clean-up call in its quantitative modelling. This had a significant effect on the more junior 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. 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

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 it 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

Visit moodys.com for more details

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

Pre-Sale Reports

– FONCAIXA FTPYME 1, Fondo de Titulización de Activos, November 2003 (SF28910)
– FONCAIXA FTGENCAT 3, Fondo de Titulización de Activos, November 2005 (SF64521)
– FONCAIXA FTGENCAT 4, Fondo de Titulización de Activos, June 2006 (SF77414)
– FONCAIXA 1. Fondo de Titulización Hipotecario , August 1999 (SF7794)
– FONCAIXA 2. Fondo de Titulización Hipotecario, March 2001 (SF9980)
– FONCAIXA 3. Fondo de Titulización Hipotecario, June 2001 (SF10750)
– FONCAIXA 4. Fondo de Titulización Hipotecario , December 2001 (SF11682)
– FONCAIXA 5. Fondo de Titulización Hipotecario, October 2002 (SF16788)
– FONCAIXA 7. Fondo de Titulización Hipotecario, October 2003 (SF26519)
– FONCAIXA 8. Fondo de Titulización Hipotecario, March 2005 (SF52069)
– FONCAIXA 9. Fondo de Titulización Hipotecario, March 2006 (SF71080)
– FONCAIXA 10. Fondo de Titulización Hipotecario May 2007 (SF97209)

Rating Methodologies

– Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa, June 2007 (SF90890)
– Moody's Approach to Rating the CDOs of SMEs in Europe, February 2007 (SF90480)
– FTPYMES: Moody's Analytical Approach to Spanish Securitisation Funds Launched Under Government's FTPYMES Programme", October 2003 (SF27063)
– Moody's Approach to Rating ith-to-Default Basket Credit-Linked Notes, April 2002 (SF13090)

Special Reports

– Moody's Spanish SME Loan-Backed Securities Index, April 2004 (SF35231)
– Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)
– Moody's Approach to Rating ith-to-Default Basket Credit-Linked Notes, April 2002 (SF13090)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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