Empresas Banesto 4, Fondo de Titulización de Activos

ABS/SME Loans / Spain

Estimated Closing Date
29 May 2009

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Provisional (P) Ratings

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon	Subordi-nation	Reserve fund	Total Credit Enhance-ment*
A	(P)**Aaa**	€1,660.0	80.00	Sept. 2050	3mE +0.30%	20.0%	20.3%	40.3%
B	(P)**A1**	€ 207.5	10.00	Sept. 2050	3mE +0.60%	10.0%	20.3%	30.3%
C	(P)**Baa3**	€ 207.5	10.00	Sept. 2050	3mE +1.75%	0.0%	20.3%	20.3%
Total		€2,075.0	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 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.
**   No benefit attributed to excess spread.*

Timely payment of interest rated: *Yes*

The subject transaction is a cash transaction of SME loans extended to obligors located in Spain and is a static structure. The portfolio consists of commercial loans, some secured by real estate and some unsecured, used to fund general working capital and long term business expansion.

Asset Summary

Sellers/Originators:	Banco Español de Crédito, S.A. ("Banesto") **(Aa2/P-1; on review for posible downgrade)**
Servicer(s):	Banesto
Receivables:	Loans to Spanish Small and Medium Enterprises
Methodology Used:	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)
Model Used:	CDOROM & ABSROM
Total Amount:	€2,075,000,000
Length of Revolving Period:	Static
Number of Borrowers:	5,796
Number of Groups:	Not available
Effective Number:	111 *(calculated considering obligors' exposure)*
WA Remaining Term:	5.9 years
WA Seasoning:	1.5 years
WAL Years:	3.1 years
Interest Basis:	19.5% fixed rate loans and 80.5% floating rate loans
WA Current LTV:	58.2% (7.3% of the portfolio has an LTV higher than 80%)
Delinquency Status:	No loans in arrears for more than 30 days will be included in the final portfolio and loans in arrears for less than 30 days will not exceed 5% of the portfolio.

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of August 2008. 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.*

Note a table of contents for this report appears on its final page.

Default Rate Observed (extrapolated data):	2.58%
Coefficent of Variation (raw data):	97%
Recovery Rate Observed (raw data):	43% after 2 years

Liabilities, Credit Enhancement and Liquidity

Excess Spread Range:	0% to 7.5%
Credit Enhancement/Reserves:	0.75% excess spread (guaranteed by the swap) 20.3% reserve fund Subordination of the notes
Form of Liquidity:	Liquidity ledger on the cash reserve
Number of Interest Payments Covered by Liquidity:	One quarterly payment
% of Reserve Fund Dedicated to Liquidity:	At each payment date it will be determined as the sum of the items 1 to 3 of the waterfall (i.e. senior expenses, swap payments and interest on the notes)
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	18 March, 18 June, 18 September, 18 December First payment date: 18 September 2009
Hedging Arrangements:	*Fondo* will pay collections received and the swap counterparty will pay interest on the notes plus 0.75%

Counterparties

Issuer:	Empresas Banesto 4, FTA
Sellers/Originators:	Banesto
Servicer:	Banesto
Back-up Servicer:	A back-up servicer will be appointed if Banesto is downgraded below **Baa3**
Back-up Servicer Facilitator:	None
Cash Manager:	Santander de Titulizacion S.G.F.T. S.A. ("SdT") **(NR)** owned by Santander Group (Aa1/P-1; on review for negative outlook)
Back-up Cash Manager:	None
Interest Rate Swap Counterparty:	Banesto
F/X Swap Counterparty:	Not applicable
Basis Counterparty:	Not applicable
Issuer Account Bank:	Banesto
Collection Account Bank:	Banesto
Paying Agent:	Banesto
Note Trustee (Management Company):	SdT
Issuer Administrator:	SdT
Arranger:	SdT
Lead Managers:	
Other Parties:	

Moody's View

Outlook for the Sector:	Negative
Unique Feature:	Asset type and structure has been seen previously in the market
Degree of Linkage to Originator:	Medium
Originator's Securitisation History:	
# of Precedent Transactions in Sector:	3
% of Book Securitised:	12% (including the present transaction and considering the outstanding balance of all portfolios securitised)
Behaviour of Precedent Transactions:	Notes of PYMES BANESTO 2, FTA are currently on review for possible downgrade due to worse than expected collateral performance
Key Differences between Subject and Precedent Transactions:	Lower percentage of mortgage guaranteed loans, higher exposure to bullet loans and loans with grace periods, and less granular portfolio
Portfolio Relative Performance:	
Default Rate Assumed/Ranking:	In line with peer group

Coefficient of Variation Assumed on Default Rate/Ranking:	In line with peer group
Recovery Rate Assumed/Ranking:	Slightly lower than peer group (mainly due to lower security of the portfolio)
Delinquencies Observed in Portfolio:	Not provided

Strengths and Concerns

Strengths:

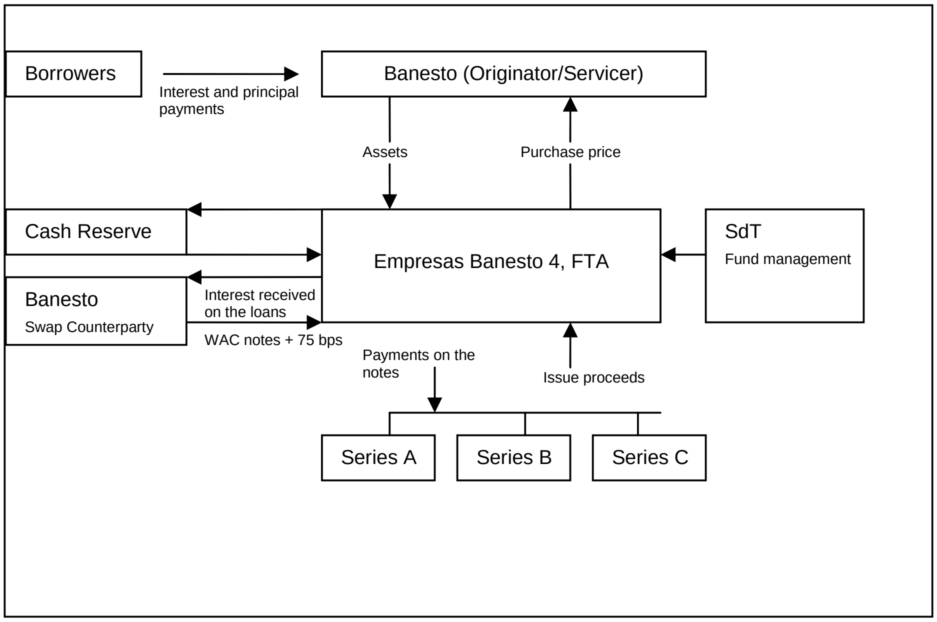
- **Portfolio Security and Arrears:** 34.6% of the portfolio is backed by a mortgage guarantee (Weighted Average Loan-to-Value (LTV) is around 58.2%, and 100% are first-lien mortgages). No loans in arrears for more than 30 days will be included in the final portfolio and loans in arrears for less than 30 days will not exceed 5% of the portfolio.
- **Hedged Interest Rates:** An interest swap agreement will guarantee the weighted-average margin on the notes plus 0.75% of excess spread, and the servicing fees in case of substitution of Banesto as servicer.
- **Back-up Servicing:** Banesto will identify a back-up servicer if it is downgraded below **Baa3**. At this stage, the back-up servicer will enter into a back up servicer agreement, and will only step in at the discretion of the management company.

Concerns and Mitigants:

- *Moody's committees particularly focused on the following factors, listed in order of those most likely to affect the ratings:*
- **Concentrated Portfolio:** The portfolio's effective number is 111, calculated considering the provisional portfolio. However, the definitive portfolio will be selected totalling €2,075 million of this €2,230 million portfolio and no criteria or additional comforts limiting top obligor selection are available (nor will the portfolio be available prior to issuance of the Notes). Therefore, Moody's has treated this in its quantitative assumptions similar to many other Spanish SME transactions by taking the most concentrated portfolio (see Moody's analysis for more information). For comparison purposes, this further reduces the effective number to 96 in Moody's quantitative analysis. Note further that this is a static transaction.
- **Exposure to Real Estate:** Approximately 23.8% of the portfolio is exposed to the Construction and Building sector and around 16.5% is concentrated in the Hotels, Motels, Inns and Gaming sector (according to Moody's industry classifications). This feature has been taken into account in Moody's quantitative analysis, as further explained under "Treatment of Concerns."
- **Bullet loans and grace periods:** The portfolio has a relatively high exposure to bullet loans and loans with principal grace periods (approximately 19.0% of the loans are bullet[1] and around 32.5% of the portfolio benefits from a grace period). These features entail a higher risk, as the exposure does not reduce as time elapses. This risk was treated in Moody's quantitative analysis again as further explained under "Treatment of Concerns."
- **Deferral of interest:** The deferral of interest payments on each of Series B and C benefits the repayment of the series senior to each of them, but increases the expected loss on Series B and C. The size of the reserve fund and the subordination take into account this deterioration on the expected loss.

[1] Principal is repaid at maturity of the loan

Chart 2:
Structure Chart



Allocation of Payments/Waterfall: On each quarterly payment date, the *Fondo*'s available funds (i.e. amounts received from the portfolio, the reserve fund, the commingling reserve (if applicable), amounts received under the swap agreement, and interest earned on the treasury account) will be applied in the following simplified order of priority:

1. Senior expenses;
2. payments to swap counterparty including swap termination payments if the *Fondo* is the defaulting party;
3. Interest on Series A; interest on Series B; interest on Series C;
4. Principal on Series A; principal on Series B; principal on Series C

The notes will amortise sequentially.

Allocation of Payments/PDL like mechanism: A PDL is defined as the negative difference between the principal available funds and a target principal amount. A target principal amount is the difference between the notes' outstanding principal and the performing assets. A nonperforming asset is defined as one with any amount due but unpaid for more than 18 months or one written off according to management's discretion.

Performance Triggers:

Trigger	Conditions	Consequence
Interest deferral trigger	– The written-off level exceeds 31.3% and 24.3% for Series B and C, respectively	Interest payments on Series B and/or C Notes will be brought to be more junior in the waterfall and will be paid after the more senior series' principal is paid, until the Series senior to it is fully redeemed
Reserve Fund Amortisation	– The arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1.5% or – The reserve fund is not funded at its required level on the previous payment date or – Less than two years have elapsed since closing	The target amount of the reserve fund will not be reduced on any payment date on which these occur

Liquidity: The reserve fund will be funded up front with a subordinated loan, granted by the originator for an amount equal to 20.3% of the notes. It will provide both credit and liquidity protection to the notes.

After the first two years from closing, the reserve fund may amortise over the life of the transaction to the higher of the following amounts subject to the reserve fund trigger described above:

- 40.6% of the outstanding balance of the series A, B, and C notes or;
- 10.15% of the initial balance of the series A, B, and C notes

A ledger has been established in the cash reserve, which at each payment date will be equal to senior fees, swap payments and interest on the notes of the previous payment date. The purpose of this ledger is to ensure the payment of senior fees, amounts due under the swap agreements, and the interest due to the notes during one quarter, in scenarios where there is a potential lack of liquidity (like those derived from a servicer disruption event or in a high delinquency scenarios). Amounts from the ledger will only be used if the rest of the available funds are not enough to fulfil the payment obligations to the above items. In the event of liquidation of the *Fondo*, amounts from the ledger will no longer be segregated from the rest of the available funds.

Subordination of Interest: The payment of interest on Series B and C will be brought to a more junior position if, on any payment date, and for each of these series the written-off level exceeds 31.3% and 24.3% for Series B and C, respectively

Assets:

Asset transfer:

True Sale: According to the legal opinion received, a true sale securitisation of assets will be carried out in compliance with the Spanish securitisation law.

Bankruptcy Remoteness: Under the Spanish Securitisation Law, a Spanish SPV (FTA/FTH) is not subject to the Spanish Insolvency Law. It is only the management Company, acting in the best interest of the noteholders, that can may decide to liquidate the *Fondo*.

Interest Rate Mismatch: 19.5% of the portfolio corresponds to fixed rate loans and 80.5% to floating-paying loans, whereas the notes will be floating liabilities. As a result the *Fondo* will be subject to, on the one hand, base rate mismatch risk on the floating portion of the portfolio (i.e. the risk that the reference rate used to compute the interest amount payable on the notes will differ from the interest rate payable on the underlying SME loans; and on the other hand, fix-floating risk (i.e. the risk that the reference rate of the notes will differ from the interest rates payable on this portion of the portfolio).

Mitigant: The *Fondo* will enter into a swap agreement with Banesto to mitigate these risks and to obtain a minimum level of excess spread guaranteed. Under the swap agreement:

- The *Fondo* will pay the interest received from the loans since the previous payment date.
- The swap counterparty will pay the sum of (i) the weighted-average coupon on the series A, B, and C notes plus 75 bps, over a notional calculated as the outstanding amount of the non written-off loans at the beginning of the period net of the outstanding amount of the loans which are more than 90 days in arrears at the end of the period, plus the servicing fees if Banesto is substituted as servicer.

The swap documentation complies with Moody's swap criteria.

Cash Commingling: All the payments received from the securitised loans are made through direct debit and deposited into an account in the name of the servicer. As a result, in the event of insolvency of Banesto and until notification is delivered to the relevant debtors to redirect their payments, payments by the underlying debtors will continue to be collected by the servicer and may be commingled with other funds belonging to Banesto.

Mitigants:

- Payments are transferred every two days to the treasury account in the name of the *Fondo* held by Banesto.

If the short-term rating of the treasury account provider falls below P-1, the management company will within 30 business days:

- Find a suitably rated guarantor or substitute; or
- Collateralise the payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes;

- If Banesto's long-term rating falls below **Baa3**, the servicer will fund a commingling reserve. This reserve will be equal to the highest future scheduled monthly amount of principal and interest collections, at the time of the downgrade, assuming a 0% delinquency rate and 10% prepayment rate. This reserve will be part of the available funds if the servicer does not transfer received collections to the *Fondo* (draw down amounts will be equal to the amount of collections received and not transferred by Banesto).

- In the event of insolvency, administration by the Bank of Spain, liquidation or substitution of the servicer, or because the management company deems it reasonable, the management company may demand that the servicer notifies obligors of the portfolio's transfer to the *Fondo* and advises obligors that payments on their loans will only be effective as a discharge if made into the treasury account in the name of the issuer. The management company has also the ability to carry out the notification.

Set off: 100% of obligors have accounts with the seller.

Mitigant: Set off is very limited because only unpaid instalments prior to the declaration of insolvency might be offset against the deposits hold by the debtors (such instalments must be considered as fully due and payable prior to the insolvency).

Originator Profile, Servicer Profile and Operating Risks

Date of Operations Review:	17 March 2009 (teleconference)

Originator Background:

Rating:	Aa2/P-1/B-; On review for possible downgrade
Financial Institution Group Outlook for Sector:	Negative
Ownership Structure:	100% Santander Group
Asset Size:	€118.1 billion (as of Dec. 2008)
% of Total Book Securitised:	12% (including the present transaction and considering the outstanding balance of all portfolios securitised)
Transaction as % of Total Book:	2.7%
% of Transaction Retained:	67%

Originator Related Triggers

Key Servicer Termination Events:	Insolvency, administration by the Bank of Spain, breach of servicer's obligations, or servicer's financial condition being detrimental to the Fund or noteholders' interests (always at discretion of the management company)
Downgrade of Original Servicer's Rating to Certain Level	
Appointment of Back-up Servicer Upon:	Servicer's loss of Baa3 rating
Key Cash Manager Termination Events:	Insolvency
Notification of Obligors of True Sale	Insolvency, administration by the Bank of Spain, liquidation or substitution of the servicer, or because the management company deems it reasonable (always at discretion of the management company)
Conversion to Daily Sweep	None (sweep is done every 2 days)
Notification of Redirection of Payments to *Fondo*'s Account	Insolvency, administration by the Bank of Spain, liquidation or substitution of the servicer, or because the management company deems it reasonable (always at discretion of the management company)
Accumulation of Set Off Reserve	N/A

Receivable Administration:

Method of Payment:	100% by direct debit
% of Obligors with Account at Originator:	100%
Distribution of Payment Dates:	Spread over the month

Cash Manager:

Cash Manager and Its Rating:	SdT **(NR)**
Main Responsibilities:	Preparation of investor report
	Obligation to make payments according to waterfall
	Draw on source of liquidity
Calculation Timeline:	Determination date
Back-up Cash Manager and Its Rating:	None
Main Responsibilities of Back-up Cash Manager:	N/A

Collateral Description

Chart 3:
Portfolio Breakdown by Year of Origination

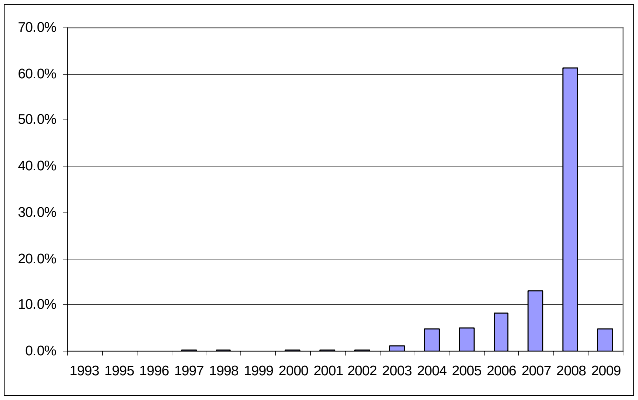


Chart 4:
Portfolio Breakdown by Year of Maturity

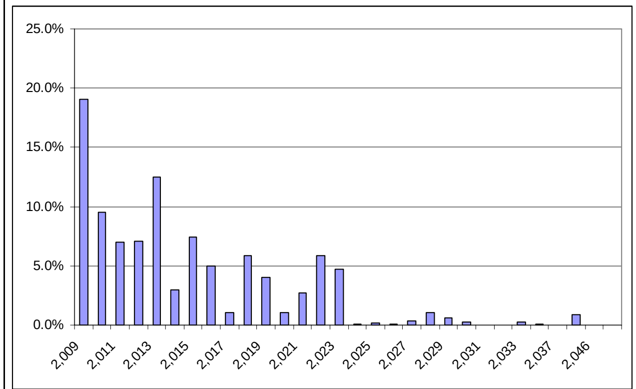


Chart 5:
Portfolio Breakdown by Industry Diversification

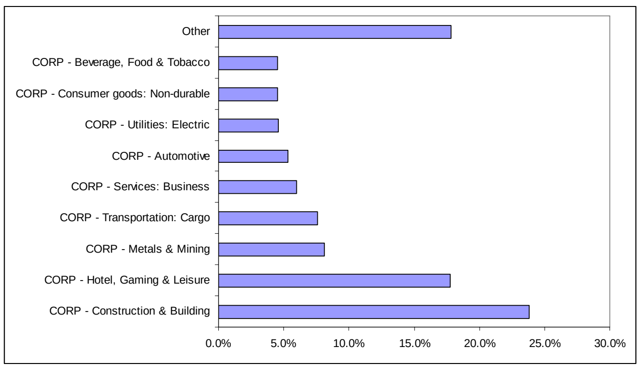
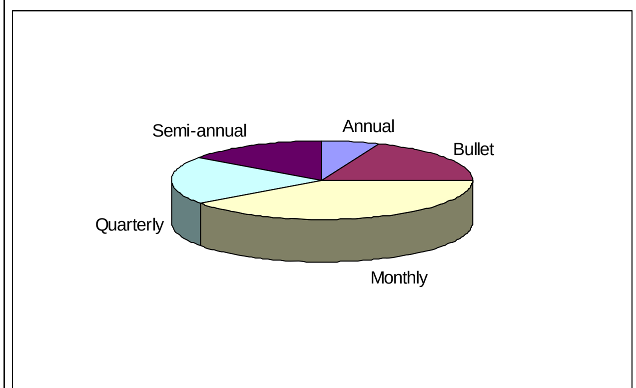


Chart 6:
Portfolio Breakdown by Principal Frequency of Payments



Audits: Performed by Deloitte S.L., in compliance with the Spanish regulatory framework.

Product Description: The portfolio consists of commercial loans extended to Spanish SMEs, some secured by real estate and some unsecured, to fund general working capital and long term business expansion. The tenor of the products varies (from 1 year to 30 years) depending on the purpose of the loans, and the portfolio securitised includes both fixed and floating rate loans. Loans are either bullet (around 19% of the portfolio) or standard amortising loans (French amortisation).

Eligibility Criteria:

The key eligibility criteria are as follows:

- Loans granted to enterprises domiciled in Spain, excluding self-employed
- No loans granted to Real Estate Developers for the construction of properties, lease contracts, and syndicated loans
- No loans granted to companies belonging to the originator's financial group
- Fully drawn down loans
- 100% direct debit loans
- Loans not more than 30 days past due, and loans in arrears for less than 30 days will not exceed 5% of the portfolio.

Additional Information on Borrowers:

Top Debtor Concentration:	3.4% of portfolio
Top 5 Debtors:	14.0% of portfolio
Top 10 Debtors:	23.6% of portfolio
Top 25 Debtors:	41.1% of portfolio
Industry Concentration:	23.8% building and real estate; 16.5% Hotels, Motels, Inns and Gaming; 7.6% Cargo Transport
Geographic Diversity:	Madrid (31.0%), Cataluña (21.1%), Andalusia (9.1%)

Additional Information on Portfolio:

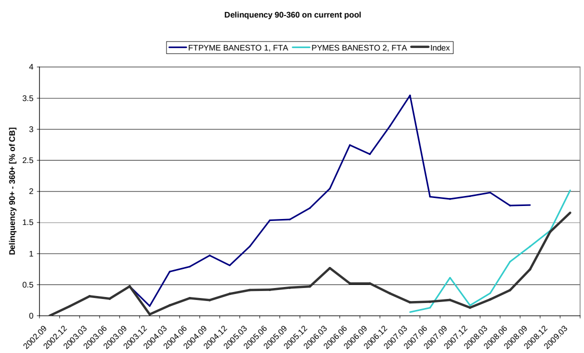
Number of Contracts:	6,258
Type of Contracts:	100% term
Contract Amortisation Style:	81.0% French and 19.0% Bullet
% Large Corporates:	14.0%
% Bullet Loans:	19.0%

% Real Estate Developers[2]:	11.6%
WA Interest Rate:	4.9%
WA Internal Rating:	N/A
LTV:	58.2%
Guarantees:	Mortgage guarantees: 34.6%; personal guarantees: 65.4%
Mortgage Guarantees:	Commercial: 7.9%; Residential properties: 8.0%;; industrial 4.0%; land 12.4%

Credit Analysis

Precedent Transactions' Performance: The performance of the notes of FTPYME Banesto 1, FTA is within Moody's expectations, whereas notes of PYMES BANESTO 2, FTA are currently on review for possible downgrade due to worse than expected collateral performance. As of December 2008, the outstanding 90+ delinquencies (i.e. delinquencies equal or greater than 90 days) were equal to 1.37% of the current portfolio balance compared to 1.11% as of the previous quarterly reporting date. As part of the review, Moody's considered also the exposure of the transaction to the real estate sector (either through security in the form of a mortgage or debtors operating in the real estate sector). The deterioration of the Spanish economy has been reflected in the negative sector outlook Moody's published on the Spanish SMEs securitisation transactions.

Chart 7:
Delinquencies 90 - 360 on Current pool in Banesto transactions



Default Definition: The definition of a defaulted asset in this transaction is one with any amount due but unpaid for more than 18 months or one written off according to management's discretion.

Data Quantity and Content: Moody's has received data from 2000 to 2008 reflecting gross defaults and from 2000 to 2007 reflecting recoveries. In Moody's view, the quantity and quality of data received is average compared to transactions which have achieved high investment grade ratings in this sector.

Assumptions Note that other values within a range of the stated figures listed below may result in achieving the same ratings.

Note assumptions & actual amount

CPR	5% (actual = PYME Banesto 16.7%; PYME Banesto 4 1%)
Distribution	Monte Carlo distribution from CDOROM
Default rate:	13% (actual = 2.6%)
Stdev/mean:	52% (actual = 97%)
Timing of default:	Flat over 2 years (with 18 months lag)
Recoveries:	30% for default scenarios below 2.5 times the mean default and 25% for higher default scenarios (fix)
Recovery lag:	5% during the first year, 45% during the second year and 50% during the third year
Correlation Default/ Recoveries	None
Amortisation profile:	Actual pool amortisation
Fees:	0.5%
Fees floor:	€ 25,000
Euribor:	4%
PDL definition	18 months
Write-off:	18 months

Derivation of default rate assumption: Moody's analysed historical performance data as well as other sources of information (i.e. performance monitoring data on previous deals, macroeconomic data) to determine the default assumption. It should be noted that historical data provided by Banesto does not capture an entire stressed economic cycle given that the last economic crisis was in the early 1990s and vintages prior to 2007 reflect positive economic conditions. New vintages show higher default rates, reflecting a deterioration of the performance under the current stressed economic conditions. However, those vintages are still too young to allow a meaningful extrapolation analysis.

As a result, Moody's has complemented historical data analysis with a top-down approach[3], as detailed below. Given that the top borrowers represent a significant portion of the securitised portfolio, and given the absence of public ratings or Moody's credit estimates available for these borrowers, Moody's made conservative default probability (PD) assumptions for the top 10 borrowers; in the range of B1-Caa1 depending on the sector of activity and specific information on the borrower and on the loan purpose, but not on any other information such as financial statements or discussions with management. Thus, these probabilities are viewed as conservative. For the rest of the pool Moody's split the portfolio into four sub-pools based on the economic sector where the debtor was active: (1) Construction and Building; (2) Real Estate Developers; (3) Hotels, Motels, Inns and Gaming; and (4) all other industries. Moody's rating proxies assumed are shown in the table below

Borrower's main sector of activity	Rating proxy
Construction & Building	B1
Real Estate Developer	B3

[2] No loans granted to Real Estate Developers for the construction of properties, lease contracts, and syndicated loans

[3] For more details, please see "Refining the ABS SME Approach: Moody's Probability of Default assumptions in the rating analysis of granular Small and Mid-sized Enterprise portfolios in EMEA", March 2009.

Hotels, Motels, Inns and Gaming	B1
Other industries	Ba3

Please note that the above assumptions include adjustments that take into account the current macro-economic environment (generally in the range of 1-2 notches) as well as the originator underwriting ability.

Moody's further adjusted the assumptions presented in the table above to account for the size of the companies (one notch up for large corporate and one a notch down micro-SMEs). Finally, Moody's also adjusted the PD assumptions according to the loan characteristics: for bullet loans the PD was increased considering an additional one-year exposure to default at the time of refinancing, and for loan with a grace period an additional 10% PD stress was applied.

The standard deviation of the default distribution was determined splitting the portfolio into 35 sectors of activity and assuming a fixed pair-wise correlation parameter (where the inter-industry correlation was stressed to 6%).

The charts below show the default and recovery data provided by Banesto (from on a sample with similar characteristics than the portfolio being securitised)[4]

Chart 8:
Vintage Cumulative Default Curves

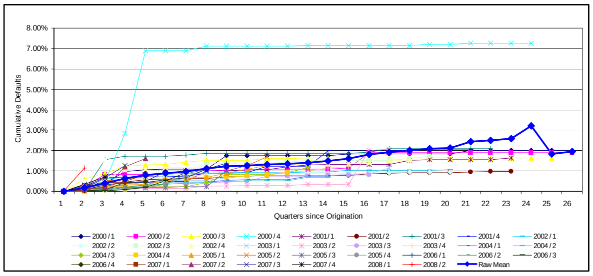
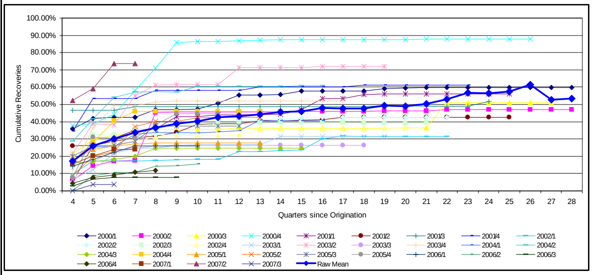
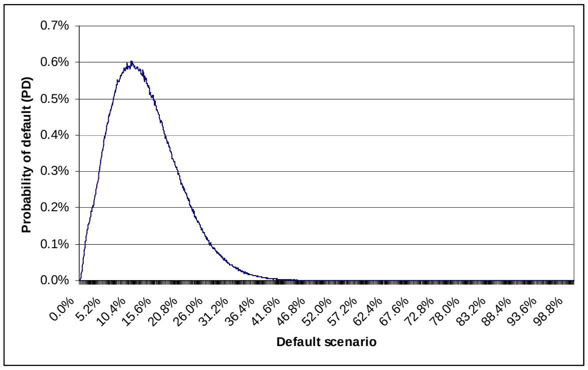


Chart 9:
Vintage Recovery Rates



Timing of defaults: Moody's tested several timing of default curves to assess the robustness of the ratings. In the base scenario, the timing of defaults curve assumed is flat over two years (with 18 months lag)

Chart 10:
Default distribution



[4] The outlier observed in chart 8 (4Q2000 vintage) was due to the default of a large corporate. Defaulted amounts had been recovered two years later.

Derivation of Recovery Rate Assumption*:* Moody's considers that the recovery data was compiled during good economic cycles; therefore, observed data might overestimate recovery rates during a stressed economic environment. In addition, please note that if a loan returns to performing status, its recovery rate is recorded as 100%. Assumptions for recoveries were made on the basis of (i) historical information received for this deal; (ii) statistical information on the Spanish SME market; (iii) feedback from Moody's corporate team; and (iv) other qualitative and pool-derived aspects. Regarding the last point, Moody's estimated the recovery rate on the secured portion of the portfolio based on property valuation data, applying conservative haircuts to take into account house price deflation and associated costs to the recovery process.

Modelling Approach: Given the number of assets and the size of the largest exposures in the portfolio, Moody's decided to derive the gross default 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 as follows:

- The default probability contribution of each single entity, and
- The correlation structure among the different industries represented in the portfolio

Moody's tested the credit enhancement levels by using a cash flow model, which has been adjusted to take into account a number of structural features.

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 analysed the strength of triggers to reduce the exposure of the portfolio to originator or servicer bankruptcy.

To determine the rating assigned 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 assigned to each series of notes.

Treatment of Concerns:

– **Concentrated portfolio:** The portfolio's effective number is 111, calculated considering the provisional portfolio. The definitive portfolio will be selected totalling €2,075 million of this €2,229 million portfolio and no eligibility criteria or additional structural protections limiting top obligor selection are available (nor will the portfolio be available prior to issuance of the Notes). Therefore, Moody's has treated this in its quantitative assumptions similar to many other Spanish SME transactions by taking the most concentrated portfolio. The effective number for the most concentrated portfolio, 96, has been modelled. In addition, as highlighted above, Moody's has taken conservative probability of default assumptions for the top obligors.

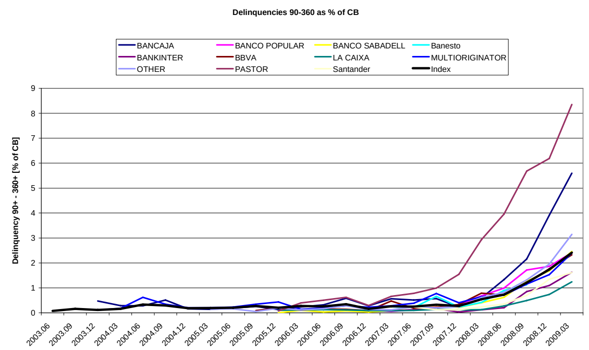
– **Exposure to real estate:** Approximately 24% of the portfolio is exposed to the Construction and Building sector (according to Moody's industry classification). Moody's assumed a higher default probability for Real Estate Developers (rating proxy equal to B3) and for obligors operating in the real estate industry (rating proxy equal to B1), as opposed to for all other obligors (Ba3). In addition, given the concentration of the portfolio in the Hotels, Motels, Inns and Gaming sector (around 16% according to Moody's classification) and the historical observed volatility of the sector, Moody's has assumed a probability of default in line with the Construction and Building sector.

– **Bullet loans and grace periods:** The portfolio has a relatively high exposure to bullet loans and loans with principal grace periods (approximately 19.0% of the loans are bullet and approximately 32.5% of the portfolio benefits from a grace period). As described in the Section "Credit Analysis", probability of default assumptions were adjusted for loans with these features.

Benchmark Analysis

Performance Relative to Sector: In Moody's view, the present transaction's historical performance data provided on gross defaults compares slightly positively to other recent transaction in this sector". Compared to its peer group of Spanish SMEs rated in 2008, the portfolio reflects slightly lower gross defaults and a slightly lower average recovery rate (due in part to the high portion of unsecured loans in the sample).

Chart 11:
Spanish SME Cumulative Defaults
(by Originator)



Source: Moody's Investors Service, periodic investor reports

Benchmark Table—below will not be used

Monitoring

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.

Originator Linkage: The degree of linkage to the originator is medium.

Significant Influences: In addition to the counterparty issues, the following factors may have a significant impact on the subject transaction's ratings: further deterioration in the real estate market beyond the recovery lag and stress that was modelled.

Counterparty Rating Triggers	Condition	Remedies
Interest Rate Swap Counterparty	In accordance with Moody's swap guidelines*	
Issuer Account Bank	Loss of P-1	Replace
Servicer	Loss of Baa3	Appointment of back up servicer

** See Framework for De-Linking Hedge Counterparty Risks from Global Structured Finance Transactions Moody's Methodology, May 15 2006*

Monitoring Report: Moody's has reviewed the template for the monitoring report and would like to receive the following important data in addition to the information reflected on the report:

- Gross cumulative default data (default definition 90 days in arrears)
- Cumulative write off data (gross and net of recoveries)
- Prepaid principal amount

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:

Methdology Used:

- 1

Issuer Profile

- Caixa Catalunya, February 2006

Credit Opinion

- Caixa Catalunya, May 2008

Performance Overview

- GAT FTGENCAT 2005, Fondo de Titulización de Activos, June 2008
- GAT FTGENCAT 2006, Fondo de Titulización de Activos, July 2008
- GAT FTGENCAT 2007, Fondo de Titulización de Activos, July 2008

Pre-Sale Report

- GAT FTGENCAT 2007, Fondo de Titulización de Activos, November 2007 (SF)
- GAT FTGENCAT 2006, Fondo de Titulización de Activos, September 2006 (SF82713)
- GAT FTGENCAT 2005, Fondo de Titulización de Activos, December 2005 (SF65935)

Special Report

- 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)
- Moody's Approach to Rating the CDOs of SMEs in Europe, February 2007 (SF90480)

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)

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.

Appendix 1: Originator's Underwriting and Collection Practices

Originator Ability:	
Sales and Marketing Practices:	– *Number employees: 8,000*
	– *Origination channels: 100% branch (%)*
	– *Incentive based compensation: Yes*
Underwriting Policies and Procedures:	– *Automatic underwriting: Not available*
	– *% Approval rate: Not available*
	– *% loans manually underwritten: Not available*
	– *% of loans underwritten at branch level (as opposed to central office): Not available*
	– *% exceptions to underwriting policy: Not available*
	– *Income and credit history verification: Yes*
	– *Internal credit scoring and use of external bureaus: Yes*
Collateral Valuation Policies and Procedures:	– *Advance rate against purchase price: Not available*
	– *Valuation process: Yes (in compliance with market standards and legal requirements)*
Closing Policies and Procedures:	– *Reconciliation of data on system and origination files: Yes*
Credit Risk Management:	– *Strategic target market and product type: Yes*
Originator Stability:	
Quality Controls and Audits:	– *Frequency of external and internal audits, particularly underwriting practices to policy and collection practices: Not available*
	– *Fraud prevention process: Yes*
Regulated by:	
Management Strength and Staff Quality	– *Average tenure with company: Not available*
	– *Average Turnover of underwriting staff and length of tenor for head of credit risk management: Not available*
	– *Compensation structure ie incentive for receivables growth: Not available*
Arrears Management:	
# of Receivables per Collector:	
Staff Description:	– *Average tenure with company: Not available*
	– *Turnover: Not available*
	– *Compensation structure i.e. incentive for collections achieved: Not available*
Early Stage Arrears Practices:	– *Automated dial centre? Yes*
	– *Letter sent day 3; calls made day 2 and day 90*
Late Stage Arrears Practices:	– *When passed to litigation team? 150 days*
	– *Involvement of external collectors or law firms: No*
	– *Sales of past due accounts: Not available*
Average Time to Repossess:	
Loan Modifications:	– *What constitutes a loan modification? Not available*
	– *Who can loan modifications be offered to? Not available*
	– *Approval process for modifications? Yes*
	– *Income verification as part of modification? Yes*
	– *Performance of modified loans Not available*

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