

**Rating Action: Moody's downgrades ratings on Catalunya guaranteed notes in 3 Spanish ABS SME**

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Global Credit Research - 08 Oct 2010

Paris, October 08, 2010 -- Moody's today downgraded the ratings of three Spanish ABS SME senior notes guaranteed by the region of Catalunya (Generalitat de Catalunya, rated A1). The rating action follows the high dependency between Catalunya and Spanish SMEs concentrated in Catalunya that Moody's assumed to determine the benefits of the guarantee to the senior ABS SME notes. The rating of the A2(G) class in the GAT FTGENCAT 2007, FTA transaction remains on review for possible downgrade due to a continued exposure to increased swap counterparty risk (see press release of July 2009). A complete list of rating actions by issuer is provided at the end of this press release.

In a related rating action today (see separate press release), Moody's also downgraded the ratings of Spanish ABS SME senior notes guaranteed by the Spanish government (Aa1).

**RATINGS RATIONALE**

Moody's approach to rating the guaranteed notes is based on a joint default analysis (JDA), combining (i) the intrinsic credit risk of the senior notes backed by loans to Spanish Small and Medium Size Enterprises (SMEs) irrespective of the guarantee (ii) the credit risk of the guarantor (A1) and (iii) the assumption of a high dependency between the guarantor and the SMEs. Examples of the JDA approach have been provided in Moody's rating methodology "The Application of Joint Default Analysis to Regional and Local Governments", published December 2008.

Moody's assumed a high asset correlation between the Spanish SMEs and the region of Catalunya to assess their joint default probability. As a result, the affected senior Spanish ABS SME notes have been downgraded to the higher of the guarantor's rating and a rating consistent with their intrinsic credit quality irrespective of the guarantee.

During its review, Moody's tested a 20 to 50% assumption range for the asset correlation between a default of the average SME obligor in the portfolio backing the ABS transactions and that of the region of Catalunya. This range of asset correlations was determined based on the default history in emerging markets countries that were affected by a sovereign crisis (see "Emerging Market Corporate and Sub-Sovereign Defaults and Sovereign Crises: Perspective on Country Risk" published by Moody's in February 2009).

Moody's used simple calculations to test the dependency between a default on a senior ABS SME note and that on its Spanish guarantor. The calculations assumed (i) a perfectly granular portfolio of SME obligors, each with the average default probability of the entire portfolio and (ii) a credit enhancement below the note that was consistent with its intrinsic credit risk. In these calculations, the expected loss for a guaranteed note is the product of the default probability of the region of Catalunya (A1) and the loss on the senior ABS tranche conditional on a default by the region of Catalunya. In this scenario, Moody's assumed that the average recovery assumption for the pool of SMEs would be approximately halved, compared with the assumption used to determine the intrinsic credit quality of the guaranteed note and the ratings of the non-guaranteed notes.

The principal methodology used in rating the non-guaranteed notes or assessing the intrinsic credit quality of the guaranteed notes were "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", published in March 2009 and "Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa" published in June 2007. Other methodologies and factors that may have been considered in the process of rating these notes can also be found on Moody's website.

Moody's Investors Service did not receive or take into account a third party due diligence report on the underlying assets or financial instruments related to the monitoring of this transaction in the past 6 months.

**Detailed rating actions by issuer**

Issuer: FONCAIXA FTGENCAT 5 Fondo de Titulizacion de Activos

....EUR449.4MA(G) Certificate, Downgraded to Aa1 (sf); previously on Jul 5, 2010 Aaa (sf) Placed Under Review for Possible Downgrade

Issuer: GAT FTGENCAT 2006 FONDO DE TITULIZACI3N DE ACTIVOS

....EUR239.1MA2(G) Notes, Downgraded to A1 (sf); previously on Jul 5, 2010 Aa1 (sf) Placed Under Review for Possible Downgrade

Issuer: GAT FTGENCAT 2007, FTA

....EUR280.8MA2(G) Certificate, Downgraded to Aa2 (sf); previously on Jul 31, 2009 Downgraded to Aa1 (sf) and Remained On Review for Possible Downgrade

**REGULATORY DISCLOSURES**

The rating have been disclosed to the rated entities or their designated agents and issued with no amendment resulting from that disclosure.

Information sources used to prepare the credit rating are the following: parties involved in the ratings, public information, confidential and proprietary Moody's Investors Service information.

Moody's Investors Service considers the quality of information available on the issuer or obligations satisfactory for the purposes of maintaining the credit ratings.

However, the credit rating actions were based on limited historical data on asset correlations between a sovereign state and an ABS tranche

backed by corporate borrowers in that sovereign state.

Moody's Investors Service may have provided Ancillary or Other Permissible Service(s) to the rated entities or their related third parties within the three years preceding the Credit Rating Action. Please see the ratings disclosure page [www.moody's.com/disclosures](http://www.moody's.com/disclosures) on our website for further information.

The lead analyst and rating office for each of the transactions affected is generally different from the contact and office listed at the end of this press release. For each transaction, the lead analyst is available on the issuer page and the rating office on the ratings tab of the issuer on [www.moody's.com](http://www.moody's.com).

In addition, Moody's publishes a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at [www.moody's.com/SFQuickCheck](http://www.moody's.com/SFQuickCheck).

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MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see ratings tab on the issuer/entity page on [Moody's.com](http://Moody's.com) for the last rating action and the rating history.

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**Hecho Relevante de**

**GAT FTGENCAT 2007 Fondo de Titulización de Activos**

En virtud de lo establecido en el apartado 4.1.4 del Módulo Adicional a la Nota de Valores del Folleto Informativo de **GAT FTGENCAT 2007 Fondo de Titulización de Activos** se comunica a la COMISIÓN NACIONAL DEL MERCADO DE VALORES el presente hecho relevante:

- La Agencia de Calificación **Moody's Investors Service**, con fecha 8 de Octubre de 2010, comunica que ha bajado la calificación asignada a las siguientes Series de Bonos emitidos por **GAT FTGENCAT 2007 Fondo de Titulización de Activos**:
  - **Serie A2(G): Aa2** (anterior Aa1)
- Así mismo comunica que mantiene la emisión bajo revisión para posible Downgrade.

Adjuntamos la comunicación emitida por Moody's Investors Service.

Barcelona, 19 de Octubre de 2010

Carles Fruns Moncunill  
*Director General*