European Structured Finance
New Issue

FONCAIXA HIPOTECARIO 1, FONDO DE TITULIZACIÓN HIPOTECARIA

Ratings

Floating-Rate Mortgage-Backed Notes due 2048

EUR 585,300,000 Class A...................AAA
EUR 14,700,000 Class B.....................A+

Analysts

José Morán
44 171 417 6261
jmoran@fitchibca.com

Matthew A. Webster, CFA
44 171 417 6252
mwebster@fitchibca.com

Company Contacts

Fund Administrator

GestiCaixa, S.G.F.T.H., S.A. (Sociedad Gestora)
Xavier Jaumandreu
34 93 409 2133

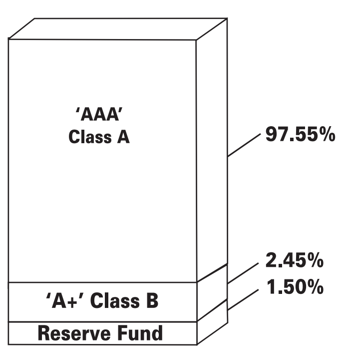
Placement Director

Caixa d'Estalvis i Pensions de Barcelona

Arranger

Citibank, N.A.

Capital Structure



Summary

FONCAIXA HIPOTECARIO 1, FONDO DE TITULIZACIÓN HIPOTECARIA's (FONCAIXA H1) EUR 585.3 million class A and EUR 14.7 million class B floating-rate mortgage-backed notes due 2048 are rated as indicated at left.

FONCAIXA H1 is regulated by Law 19/1992 of 7 July in Spain. The sole purpose of FONCAIXA H1 (note issuer) is to transfer the mortgage loan participations acquired from the participation issuer, Caixa d'Estalvis i Pensions de Barcelona (la Caixa, or LC, rated 'AA–/F1+' by Fitch IBCA), into fixed-income securities. The participations will be subscribed by GestiCaixa, S.G.F.T.H., S.A. (Sociedad Gestora) on behalf of FONCAIXA H1. The Sociedad Gestora is a corporation whose sole purpose is managing mortgage asset-backed funds in accordance with the provisions of the previously mentioned law and the Royal Decree 926/1998 of 14 May in Spain.

The ratings are based on the quality of the collateral, available credit enhancement, adequate underwriting, servicing of the mortgage loans and interest rate swap provided by LC, the Sociedad Gestora's administering capabilities, and the sound financial and legal structures. Credit enhancement for the class A notes, totalling 3.95%, will be provided by the subordinated class B notes (2.45%) and the reserve fund (1.5%). Credit enhancement for the class B notes, totalling 1.5%, will be provided by the reserve fund.

In accordance with the priority of payments described in the Financial Structure section on page 4, interest and principal to the class A and B notes will be paid on a quarterly basis, commencing 15 Sept. 1999. The class A and B notes will receive interest payment based on the three-month Euro Interbank Offered Rate (EURIBOR) plus a margin of 0.15% and 0.40%, respectively. The class A and class B notes will be redeemed in line with the principal amortisation of the collateral. The amortisation of class B notes will begin when the class A notes are fully paid.

The notes are ultimately backed by a pool of residential mortgages originated by LC in Spain. LC is the parent of Spain's fourth largest banking group, ranked by total assets as of mid-1999, offering all the retail and wholesale services of a commercial bank on a national scale.

To determine appropriate levels of credit enhancement, Fitch IBCA analysed the collateral using a loan-by-loan mortgage default model *(see Fitch IBCA Research on "Spanish Mortgage Default Model," dated 20 Jan. 1999, available on Fitch IBCA's web site at www.fitchibca.com)*. Fitch IBCA also modelled the cash flow contribution from excess interest using stress scenarios determined by its default model. The cash flow test showed that each class of rated notes, taking available credit enhancement into account, can withstand loan losses at a level corresponding to the related stress scenario without incurring any principal loss or interest shortfall.

21 July 1999

Key Information

Structure

Note Issuer: FONCAIXA HIPOTECARIO 1, FONDO DE TITULIZACIÓN HIPOTECARIA

Participation Issuer/Originator/Paying Agent/ Collections Accountholder/Swap Provider: Caixa d'Estalvis i Pensions de Barcelona (rated 'AA-/F1+' by Fitch IBCA)

Fund Administrator (Sociedad Gestora): GestiCaixa, S.G.F.T.H., S.A.

Cutoff Date: 14 April 1999

Interest and Principal Payments: Quarterly, commencing 15 Sept. 1999

Final Legal Maturity: 15 Dec. 2048

Underlying Assets: Residential mortgage loans backed by property located in Spain

Collateral

WA Original LTV: 60.98%

WA LTV (at the Cutoff Date): 46.14%

WA Term to Maturity (at the Cutoff Date): 12 years

Number of Loans: 22,956

Original Average Loan Balance: Pta 8,326,901

WA Interest Rate (at the Cutoff Date): 5.65%

Floating Interest Rate Loans: 100%

WA – Weighted average. LTV – Loan-to-value ratio.
Pta – Spanish peseta.

Collateral

The collateral pool consists of 22,956 mortgage loans with a total outstanding balance of approximately Spanish pesetas (Pta) 135 billion. The mortgages are first-ranking mortgages originated by LC in its normal course of business. All the loans are secured by residential properties in Spain. The security for the loans are mortgages registered in the 'Registro de la Propiedad' (the official register).

At the cutoff date, the average principal balance was Pta 5.9 million. The weighted average loan-to-value ratio (LTV) in the portfolio was 46.14%. The LTV is computed by using original appraisal values, which essentially reflect market values. Of the loans, 100% are variable-rate loans, and 78.8% are linked to the average mortgage interest rate from commercial and saving banks in Spain, with the remainder linked to the 12-month Madrid Interbank Offered Rate (MIBOR). The weighted average interest rate at the cutoff date was 5.65%.

The loans in the portfolio have been originated since 1992, with a weighted average remaining term of 149 months. The vast majority of the borrowers pay monthly by direct debit. As of the closing date, no mortgage loans had payments in arrears.

In terms of geographic concentration, the properties securing the portfolio are predominantly in the Cataluña (37.39%), Madrid (18.24%), Andalucía (9.36%), Valencia (7.96%), and Aragón (7.07%) regions. No other region represents more than 4% of the portfolio.

Credit Issues

Fitch IBCA analysed the collateral for FONCAIXA H1 by subjecting the mortgage loans to stresses resulting from its assessments of historical home price movements and defaults *(see Fitch IBCA Research on "Spanish Mortgage Default Model," dated 20 Jan. 1999)*. This study shows that the LTV, reflecting the size of the borrower's downpayment, and the borrower's income multiple (original loan advanced divided by income) prove to be the primary indicators of default risk in Spain.

Default Probability

Generally, the two key determinants of default probability are the borrower's willingness and ability to make the mortgage payments. The willingness of a borrower to pay is usually measured by the LTV. Fitch IBCA assumed higher default probabilities for high LTV loans and lower default probabilities for low LTV loans. The main reason is that in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low LTV loans) have an incentive to sell and maintain/protect their equity, eliminating the need for the lender to repossess the property.

The ability to pay is usually measured by the borrower's net income in relation to the mortgage payment. As is the case with many Spanish originators, this information was not available in FONCAIXA H1 on a loan-by-loan basis. However, LC has a strong focus on a borrower's ability to pay and comparatively strict origination guidelines in this direction. Historical data available for Spain show low levels of default. Therefore, Fitch IBCA assumed that borrowers generally have an average ability to pay.

Loss Severity

To estimate loss severity on the mortgage loans in Spain, Fitch IBCA examined home price movements in Spain on a regional basis from 1987–1997. Fitch IBCA found significant differences in price development among regions, mainly between the regions of Madrid, Cataluña, País Vasco, and the rest of the regions in Spain. The cities of these regions have experienced higher price increases than other cities in Spain. As in most other countries, rural areas tend to develop on a more stable basis. Based on its analysis of the real estate market, Fitch IBCA assumed slightly higher market value declines for certain regions as well as for some large urban areas.

To derive market value declines for the respective stress scenarios, Fitch IBCA then compared the characteristics of the Spanish real estate market with markets in other European countries. Market value declines also incorporate the fact that the length of time of the foreclosure process might be longer than the actual one in a recession period.

As in its other European mortgage default models, Fitch IBCA increased market value declines for higher value properties. These properties are generally subject to higher market value declines in a deteriorating market than homes with average or below-average market values due to limited demand for such properties.

When calculating recovery value, Fitch IBCA's model reduces each property value by the market value decline, external foreclosure costs, and the cost to the servicer of carrying the loan from delinquency through default. For Spain, Fitch IBCA assumes external foreclosure costs represent 10% of the loan's balance at the time of default. To calculate carrying costs, Fitch IBCA uses a worst-case scenario analysis, assuming that the borrower does not pay interest and the collateral is not realised for a period of 3.5 years.

■ Origination and Servicing

In addition to the pool analysis, Fitch IBCA has reviewed and analysed LC's origination and servicing guidelines. Fitch IBCA has conducted several interviews with the respective originator and servicer managers responsible for LC's mortgage loan department. LC follows a tight process of underwriting criteria based on detailed procedures underwriting manual.

LC puts a strong emphasis on a borrower's ability to pay and has employed a credit scoring system since November 1997. Fitch IBCA views the use of a credit-scoring system as highly prudent. The borrower's ability to pay is determined primarily by the borrower credit profile, risk profile of the property, and purpose and LTV of the transaction.

The loans in the portfolio have been originated by LC's local branch network. The residential mortgage business is regionally organised, with approximately 4,013 branches. A branch manager can approve mortgage loans within certain maximum amounts, depending on the credit analysis. If the amount of the mortgage loan exceeds the maximum, approval by a regional manager is mandatory. Exceeding this level of authorisation, approval must be given by a centralised committee. Appraisals for residential properties are usually performed at location, visiting the house, by independent estate agents registered with and governed by the Bank of Spain.

All the borrowers will make their mortgage payment via direct debit. Generally, in the event of a payment being about four days in arrears, the borrower will be contacted by the local branch. During this first stage, which lasts until the payment is 14 days past due, local branches try to work out the outstanding arrears. The system will generate reminder letters on the 15th, 30th, and 45th day after the missed payment date. After 14 days in arrears, a modern centralised telephone recovery centre, with 12 telephone operators, will contact the debtor to reach an agreement on a new payment date. After 30 days in this centre without positive results, the local branches will start pre-foreclosure procedures. On or before 210 days in arrears, the client's account will be transferred to the legal department of the regional unit to handle the foreclosure process.

■ Financial Structure

The mortgage loans will be serviced by LC. The Sociedad Gestora will administrate FONCAIXA H1. To protect investors in the event that LC is not able to continue performing the mortgage servicing functions adequately, the Sociedad Gestora is able to appoint a replacement administration company, in accordance with Law 19/1992 of 7 July in Spain, meeting the rating requirements.

All principal payments received monthly by LC are passed daily to the collections account, which is maintained at LC in the name of FONCAIXA H1. The amounts deposited in the collections account will be kept in cash and will receive a guaranteed interest rate equal to the notes' index interest rate. In the event of a downgrade of LC below 'F1', a guarantee from a company meeting the rating agency requirements must be provided within 30 days to cover LC's obligations with respect to the collections account. If this is not possible, a replacement company meeting the rating agency requirements must be appointed by the Sociedad Gestora.

The paying agent will be LC. Quarterly payments of interest and principal will be passed through to the paying agent from the collections account. In the event of a downgrade of LC below 'F1', a replacement company will be provided, meeting the rating agency requirements, to be able to adequately perform the paying agent functions.

Interest payments to the class A and B noteholders will be made in arrears quarterly, commencing 15 Sept. 1999. The class A and B notes will receive interest payment based on the three-month EURIBOR plus a margin of 0.15% and 0.40%, respectively.

On an ongoing basis, the class A and B notes will be redeemed in line with the principal balance of the collateral amortisation. The amortisation of class B will begin when the class A notes are fully amortised.

The notes are subject to a cleanup call if less than 10% of the notes remain outstanding. Additional provisions allow for redemption upon the occurrence of legal changes affecting the financial equilibrium of FONCAIXA H1.

On each distribution date, the priority of payments will be as follows:

- Expenses and taxes due to FONCAIXA H1, including the Administration fee to the Sociedad Gestora and the fee to the paying agent.
- Amounts due to the swap with reference to the class A notes (see Swap Agreement section).
- Interest to the class A notes.
- Amounts due to the swap with reference to the class B notes.
- Interest to the class B notes.
- Replenishing the reserve fund to its minimum required balance (see Credit Enhancement section).
- Amortisation of the principal of the class A notes.
- Amortisation of the principal of the class B notes.
- Interest accrued by the subordinated loan (see Subordinated Loan section, page 5).
- Amortisation of subordinated loan's principal.
- Servicing commission to LC.
- Financial intermediation margin to LC.

In the event that LC will be replaced as administrator of the mortgage loans, the servicing commission, described in item number 11, will be paid as item number 6.

■ Credit Enhancement

Credit enhancement for the class A notes, totalling 3.95%, will be provided by the subordinated class B notes (2.45%) and the reserve fund (1.5%). Credit enhancement for the class B notes, totalling 1.5%, will be provided by the reserve fund.

The reserve fund is initially 1.5% of the original note balance, funded by a subordinated loan provided by LC. The size of the reserve fund will always be equal to the lower of the initial reserve fund or 2.85% of the outstanding notes, with floor level of 0.35% of the original note balance.

The prior test, notwithstanding any reduction of the reserve fund, will be discontinued if one of the following events occurs:

- The outstanding balance of the mortgage loan participations with payments in arrears of three months is greater than 3% of the outstanding mortgage loan participations.
- The mortgage loan participations with payments in arrears for more than 12 months are greater than the amount obtain from multiplying 0.025% of the original mortgage loan participations balance by the quarterly payments made since closing.

■ Swap Agreement

The class A and B notes benefit from the existence of a swap agreement with LC. The swap agreement provides for the swap counterparty to pay to the Sociedad Gestora the interest applicable to the class A and B notes on behalf of FONCAIXA H1. The Sociedad Gestora, on behalf of FONCAIXA H1, will pay the swap counterparty an amount equal to previous quarter's accrued interest rate on the loans minus a margin of 65 basis points. In the event of a downgrade of LC below 'F1+', within 30 days, a guarantee from a company, qualified with the highest short-term rating category, will be provided to cover the obligations assumed by LC as swap counterparty. If this is not possible, or if LC is not able to continue performing under the swap agreement, for any reason, a replacement swap counterparty meeting the rating requirements must be provided. The swap agreement does not follow the international standards of the International Swaps & Derivatives Association (ISDA); however, Fitch IBCA has reviewed the agreement and found that this has no negative credit impact.

■ Subordinated Loan

Additionally, LC has granted a subordinated loan of approximately EUR 9,395,000, which will be used to: (i) initially fund the reserve fund; (ii) pay constitution and underwriting expenses of

FONCAIXA H1; and (iii) cover, at closing, the initial difference between the balance of the notes and the balance of the mortgage participations. The subordinated loan is to be redeemed in line with the decrease of the reserve fund for the amount used to (i) in an amount equal to the amortisation of (ii) and, for the first payment date, in an amount equal to (iii). The loan will receive interest payments equal to three-month EURIBOR plus a margin of 0.40%.

Legal Structure

At closing, the mortgage loans have been sold by LC to the Sociedad Gestora on behalf of FONCAIXA H1. The Sociedad Gestora is a special purpose company with limited liability incorporated under the laws of Spain and is owned by:

- Caixa d'Estalvis i Pensions de Barcelona, 80%.
- VidaCaixa, S.A. de Seguros y Reaseguros, 9%.
- Caixa de Barcelona Seguros de Vida, S.A. de Seguros y Reaseguros, 6%.
- HipoteCaixa, E.F.C., S.A., 5%.

The Sociedad Gestora's activities are limited to the management of mortgage asset-backed notes.

The participation issuer, LC, has transferred the purchased rights (the loan claims and collateral securing the loans) to FONCAIXA H1. LC has also transferred or pledged all present or future claims or rights under the various transaction documents to FONCAIXA H1.