FONCAIXA ICO-FTVPO 1, Fondo de Titulización de Activos

RMBS / Spain

Closing Date

11 February 2009

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DEFINITVE RATINGS

Series	Rating	Amount (million)	% of Notes*	Legal Final Maturity	Coupon
AS	**Aaa**	€5.6	1.08	Nov. 31	3mE + 0.50%
A(G)	**Aaa**	€478.0	90.92	Nov. 31	3mE + 0.50%
B	**Aa1**	€20.8	4.00	Nov. 31	3mE + 0.80%
C	**A3**	€15.6	3.00	Nov. 31	3mE + 1.50%
D	**C**	€5.2	1.00	Nov. 31	3mE + 4.00%
Total		€525.2	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 rated 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.

** calculated as % of the Series AS, A(G), B and C Notes*

OPINION

Strengths of the Transaction

- There is good seasoning of 3.48 years.
- The relatively low weighted-average loan-to-value (WALTV) ratio of 68.76%.
- 100% of the loans are paid monthly via direct debit.
- No second-lien products have been included in the pool.
- At closing, none of the securitised loans is in arrears. Additionally, none of the loans included in the pool have been in arrears for more than 90 days during the past year.
- Guarantee of Instituto de Crédito Oficial (ICO, a Spanish government financing arm, Aaa/P-1) for the Series A(G) notes
- A Swap in place with la Caixa to hedge interest rate risk in the transaction that provides weighted-average interest rate on the notes, plus 50 bps. As the swap provides significant credit enhancement to the transaction, and may be less liquid than other swaps, the deal is exposed the credit worthiness of la Caixa (Aa1/P-1).
- Repeat originator and the expertise of la Caixa as originator and servicer.
- Pool contains only VPO (Social Housing) properties, which have exhibited less volatility in prices.

Weaknesses and Mitigants

- Pro-rata amortisation of B and C Classes of Notes leads to reduced credit enhancement for the senior Class in absolute terms. This is mitigated by triggers which terminate the pro-rata amortisation of the notes if the performance of the transaction deteriorates.

- The deferral of interest payments on Classes B and C benefits the repayment of the Classes senior to each of them, but increases the expected loss on Class B, and C themselves.
- Loans could be frozen at the request of the debtor in case of unemployment. The interest will be capitalised but the total new loan amount will never exceed the original balance. However, granting this feature is subject to la Caixa's approval. At present, no borrower has requested this option. Given that it is similar to the holiday payment (once this period has elapsed the debtor will have to face a higher instalment and that payment shock generates additional risk), Moody's treats this characteristic as a payment holiday feature.
- 65.33% of the portfolio corresponds to subsidy loans ("*prestamos con cuota subsidiada*").The government subsidy is provided as a portion of the instalment (composed of interest and principal). This payment may take up to 12-18 months after the request to be repaid by the government. The interest part of the subsidy is covered through the swap mechanism; however as the transaction is unable to allocate subsidy payments between interest and principal, there may be a delay in the receipt of principal collections. To mitigate this risk, la Caixa will provide a liquidity line available to advance the principal subsidised part of the instalment.
- Various uncertainties on the VPO market:
  - A significant uncertainty in the VPO market comes from the complexity of establishing the house price which makes its evolution and volatility difficult to predict. There is also less historical information available on the historical house price evolution compared with the free market.
  - In a foreclosure, the affected property would not be subject to transferability limitations but any economic aid received by the debtor (plus the corresponding legal interest) may need to be returned to the Government by the financial entity according to the collaboration agreements. Following discussions with the transaction's council, Moody's understands that this responsibility is not transferred to the *Fondos* and, in any case, the originators would only need to pay amounts back if recoveries were to exceed the mortgage debt. La Caixa certifies that it will return any economic aid received by the debtor (plus the corresponding legal interests) to the Government.
  - The different housing plans establish a time limit on the transferability of the VPO properties to avoid any type of fraud (typically five years in plans before the 1998-2001 plan and 10 years from that plan onwards, although it can vary depending on the region). Consequently, the owner of a VPO property cannot sell it (even if complying with the maximum legal price criteria), transfer the ownership or let it before a certain number of years have elapsed. Therefore, unlike in the free market, an obligor with financial problems will be unable to sell the property to repay the mortgage. Moody's has included an adjustment in its modeling to be applied to those loans backed by VPO properties with this limitation.

STRUCTURE SUMMARY *(see page 4 for more details)*

Issuer:	FONCAIXA ICO-FTVPO 1, Fondo de Titulizacion de Activos
Structure Type:	Senior/Mezz/Subordinates/equity tranche
Seller/Originator:	La Caixa (**Aa1**/**P-1**)
Servicer:	La Caixa (**Aa1**/**P-1**)
Back-up Servicer:	N/A
Interest Payments:	Quarterly in arrears on each payment date, 18 March, 18 June, 18 September, 18 December. First Payment Date: 18 March 2009
Principal Payments:	Pass-through on each payment date
Credit Enhancement/Reserves:	Excess spread Reserve Fund Subordination Guarantee of ICO **(Aaa)** for the Series A(G) notes
Liquidity Facility:	€ 12,000,000 provided by la Caixa
Hedging:	Interest Rate Swap to cover interest rate risk with la Caixa and guaranteeing 50 bpps
Principal Paying Agent:	La Caixa (**Aa1**/**P-1**)
Management company:	GestiCaixa S.G .F.T ; S.A
Arranger/Lead Manager:	La Caixa

COLLATERAL SUMMARY *(see page 6 for more details)*

Portfolio Amount:	€599,999,990
Loans Count:	8,771
Pool Cut-off Date:	6 February 2009
WA Original LTV:	78.70%
WA Current LTV:	68.75%
WA Seasoning:	3.48 Years
WA Remaining Term:	16.95 years
Interest Rate Type:	100% floating rate
Geographic Concentration:	Madrid 30.10%, Andalucia 23.23%, Catalunya 14.58%
Loan Purpose:	The loans have been granted to finance the purchase and refurbish residential homes located in Spain. All the properties are already constructed
Average Loan Size:	€59,286
Historical Loss Experience:	None of the loans included in the pool have been in arrears for more than 90 days during the past year
MILAN Aaa CE:	3.4%
Moody's EL:	0.4%

TRANSACTION SUMMARY

RMBS deal guaranteed by Instituto de Crédito Oficial under the ICO-FTVPO programme

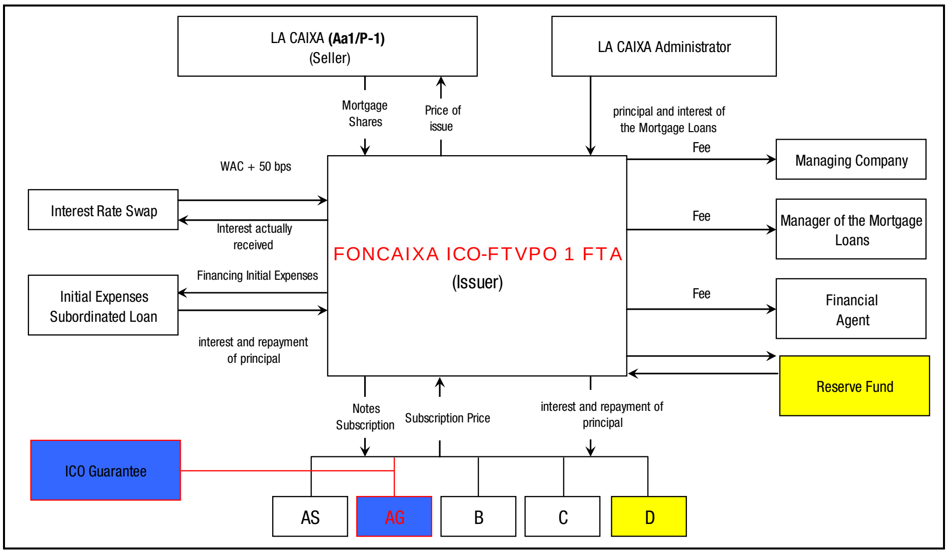
FONCAIXA ICO-FTVPO, FTA 1 is an RMBS transaction benefiting from a guarantee of the Instituto de Crédito Oficial (ICO, a Spanish government financing arm, Aaa/P-1) on the senior A(G) notes. In April 2008, ICO launched a guarantee facility for the securitisation of loans backed by VPO properties. The programme structure is similar to the other two existing guarantee programs in the Spanish market for SMEs (FTGENCAT and FTPYME) although it has a different purpose, which is to attempt to reactivate the construction sector by reorienting it towards the VPO segment where the demand for social residential housing is still strong. ICO will guarantee tranches equal or higher than €100 million rated Aaa prior to the awarding of the guarantee (i.e. the guarantee tranches must achieve a **Aaa** rating without taking into consideration the guarantee).

VPOs are residential properties that are offered at a price below the free market value because of various forms of government aid. This price reduction is possible because of the subsidies provided by the government to the construction companies, which enables them to reduce the final purchase price of the property (for more information please refer to Moody's Updated RMBS Methodology For Rating Spanish Government Sponsored Housing (VPO) RMBS).

STRUCTURAL AND LEGAL ASPECTS

The rating of the Series A(G) is Aaa at closing regardless of the guarantee of the ICO

This transaction consists of the securitisation of a pool of first-lien mortgages originated and serviced by la Caixa, the third-largest financial institution in Spain with a track record in the securitisation market. Foncaixa ICO-FTVPO 1 Fondo de Titulización de Activos (hereafter referred to as the "Fondo") is the 11th RMBS securitisation by la Caixa. The Series A(G) notes benefit from a guarantee of ICO ratings for interest and principal payments. Nevertheless, the expected loss associated with the Series A(G) notes at closing is consistent with a Aaa rating regardless of the ICO guarantee. ICO's guarantee payments may take up to three months to feed through after the request to pay, and the transaction will not incorporate a liquidity line to ensure the timeliness of the interest or principal guarantee payments



La Caixa will sell a portfolio of mortgage loans to the *Fondo*, a special purpose vehicle (SPV). The *Fondo* will in turn issue four series of notes to fund the purchase of the mortgage loan portfolio. Additionally, It will also issue class D notes to finance the reserve fund.

Borrower payments swept into la Caixa GIC account every day

The treasury account is held at la Caixa **(Aa1/P-1)**. The proceeds from the loans, amounts received under the swap agreement and the reserve fund will be deposited in the treasury account.

Some triggers have been put in place to protect the reinvestment account from any possible downgrade of la Caixa. If la Caixa's short-term rating falls below **P-1**, it will have to find a suitably rated guarantor or substitute itself within 30 labour days.

La Caixa guarantees an annual yield on the amounts deposited in the treasury account equal to the index reference rate of the notes.

Reserve fund fully funded upfront with the proceeds from the issuance of the Series D notes

The reserve fund will initially be funded with the proceeds from the issuance of the Series D notes. It will be used to cover any potential shortfall on items (1) to (9) of the order of priority (detailed below) on an ongoing basis. At any point in time, the amount requested under the reserve fund will be the lesser of the following amounts:

1) 1.0% of the initial balance of the notes excluding series D
2) The higher of the following amounts:
   - 2.0% of the outstanding balance of the notes excluding series D
   - 0.5% of the initial amount of the notes excluding series D

This total amount requested will not be reduced on the payment date on which any 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%
– There is any amount drawn from the reserve fund

Additionally, the reserve fund will not amortise during the first three years of the life of the transaction

Interest rate swap guaranteeing the interest rate of the notes plus 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 actually received from the loans
– La Caixa will pay the weighted-average coupon on the notes plus 50 bppa, over a notional calculated as the daily average outstanding amount of the loans not more than 90 days in arrears

If la Caixa’s long-term ratings are downgraded below A2 or short-term rating belong P-1, it will have 30 labour days to (i) collateralise its obligation under the swap in compliances with Moody’s swap criteria; or (ii) find a suitably rated guarantor or substitute according to standard swap replacement language that complies with Moody’s swap criteria.

Priority of payments

On each quarterly payment date, the *Fondo’s* available funds (principal and interest 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. Cost and fees, excluding servicing fee
2. Any amount due under the swap agreement and swap termination payment if the *Fondo* is the defaulting or the sole affected party
3. Interest under drawdown amounts under the liquidity line
4. Interest payment to Series AS and A(G) and reimbursement of any amount obtained from the ICO on previous payment dates to cover any potential shortfall on interest payment to Series A(G)
5. Interest payment to Series B (if not deferred)
6. Interest payment to Series C (if not deferred)
7. Principal Payment to Series A, B, C and reimbursement of any amount obtained from the ICO on previous payment dates to cover any potential shortfall on principal payment to Series A(G)
8. Interest payment to Series B notes (if deferred)
9. Interest payment to Series C notes (if deferred)
10. Replenishment of the reserve fund
11. Interest payment to Series D notes
12. Principal payment to Series D notes
13. Termination payment under the swap agreement (except if the *Fondo* is the defaulting or the sole affected party)
14. Junior expenses

Principal due to the Notes incorporates an 12-month “artificial write-off” mechanism

The transaction’s structure benefits from an “artificial write-off” mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (i) the outstanding amount of the notes; and (ii) the outstanding amount of the non-written-off loans (the "written-off loans" being defined as those loans with any amount due but unpaid for more than 12 months, or earlier if the loan is in foreclosure).

Interest deferral trigger

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

Table 2:

Class B:	The accumulated amount of written-off loans is higher than 11.0% of the initial amount of the assets pool and Class A is not fully redeemed
Class C:	The accumulated amount of written-off loans is higher than 9.0% of the initial amount of the assets pool and Classes A and B are not fully redeemed

Pro-rata amortisation

Initially, principal repayment is made sequentially following note seniority.

– The Class B notes will start amortising pro rata with the Class A notes when they represent 8% of the outstanding balance under Classes A, B and C.

– The Class C notes will start amortising pro rata with the Class A and Class B notes when they represent 6% of the outstanding balance under Classes A, B and C.

Pro-rata amortisation entails greater risk than fully sequential transactions, given that the credit enhancement decreases in absolute terms. The risks introduced by pro-rata amortisation are mitigated by the following triggers, that move the order of principal allocation back to sequential:

Table 1:

Pro-rata amortisation triggers

Class B	**Class C**
The arrears level (loans more than 90 days in arrears, excluding the written off loans) exceeds 1.25%	The arrears level (loans more than 90 days in arrears, excluding the written off loans) exceeds 1.0%
The reserve fund is not funded at the required level	
The loan balance is less than 10% of the initial loan balance	

COLLATERAL

As of 6 February 2009, the definitive portfolio comprised 8,771 loans for a total amount of €599,999,990. The collateral backing the notes' issuance solely comprises first-lien mortgage loans.

– 100% of the loans are linked to floating interest rate.

– 100% of the portfolio corresponds to first home properties (owner-occupied).

– 100% of the loans are paid via direct debit on a monthly basis.

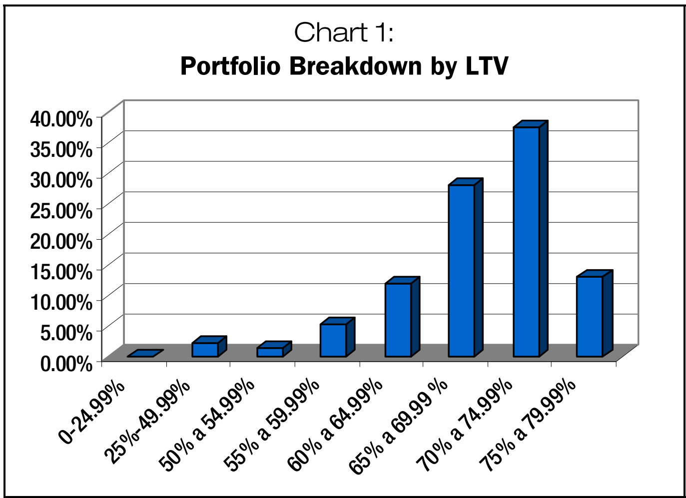
– The top 20 debtors represent 0.46% of the portfolio.

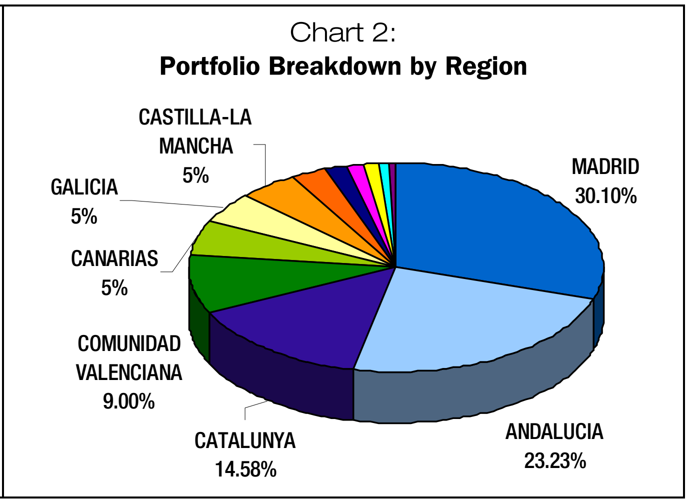
– The latest maturity falls in 9 May 2028.

– The loans were originated between 1999 and 2007, with a weighted-average seasoning of 3.48 years and a weighted-average remaining term of 16.95 years.

– The original weighted-average LTV is 78.70%. The current weighted-average LTV is 68.75%. The maximum LTV in the portfolio is 77.78%.

– There is geographical concentration in Madrid 30.10%, Andalucia 23.23% and Catalunya 14.58%.





The securitised loans belong to National Plans 1998-2001 (14.09% of the portfolio) and 2002-2005 (85.91% of the portfolio)

Main characteristics:	National Plan 1998-2001	National Plan 2002-2005
New constructed houses for families with annual incomes below average	€27,045	5.5 x SMI
Transferability limitation	10 years	10 years
Declassification not before	15 years	15 years
Maximum income to enjoy the subsidy	€27,045	4.5 x SMI (€31,909)
Subsidies (%) options	5%-10%-15%-20%-30%	From 5% to 45% (by +5% steps)
Subsidies (max duration)	2-3-5-10-15 yrs (for each % above)	10yrs (except for 5%-10% -> 5 yrs)

*** SMI: minimum salary established for a full time employee in Spain. Currently named IPREM.*

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

La Caixa is Spain's largest savings bank, it is the third-largest banking group and the biggest financial institution in Catalonia and the Balearic Islands, where it holds market shares of 26.1% of customer funds, 16.1% of loans and 21.8% of branches. Catalonia is one of Spain's wealthiest regions and enjoys a diversified economy. La Caixa has more than doubled its number of branches since 1990, with 62.5% 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 10.3% share of deposits, 9% of loans and 12% 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 7% 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 an 11 % market share in Spain - and SMEs through a highly automated distribution network backed by a decentralised business model.

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, branches opened over the past 10 years (43% of la Caixa's network) now contribute 20% of the group's business volumes and 17% of banking profits. We expect this trend to continue and thus assess the bank's franchise value as "improving". La Caixa's strategic plan aims to achieve 6,000 branches by 2010.

Servicer

If la Caixa is declared bankrupt, fails to perform its obligations as servicer or is affected by a deterioration in its financial situation, la Caixa or the management company will have to designate a new suitable institution as guarantor of la Caixa's obligations under the servicing agreement or even as new servicer.

Likewise, the management company may require la Caixa, upon an insolvency process or because the management company considers it appropriate, to notify the transfer of the loans to the *Fondo* to the relevant debtors. If it fails to comply with this obligation within five business days, the notification would then be carried out by the management company.

Moody's believes that la Caixa is capable of fulfilling its servicing obligations in the transaction.

Paying Agent

La Caixa will act as paying agent of the *Fondo*. If la Caixa's short-term rating is downgraded below **P-1**, it will have to be replaced in its role of paying agent by a suitably rated institution within labour 30 days.

Management company

Gesticaixa is an experienced management company in the Spanish securitisation market. 91% belongs to Criteria Caixacorp, S.A and 9% to VidaCaixa, S.A de Seguros y Reaseguros. The mentioned companies are controlled 79.45% by Caixa dÉstalvis I Pensions de Barcelona (la Caixa, rated Aa2/P-1/B+), and its obligations within the structure are supported by all of its shareholders

MOODY'S ANALYSIS

Moody's Updated Methodology for Rating Spanish Government Sponsored Housing (VPO) RMBS

Moody's initially analysed and monitors this transaction using the rating methodology for EMEA RMBS transactions as described in the Rating Methodology reports "“Moody's Updated Methodology For Rating Spanish Government Sponsored Housing (VPO) RMBS ", January 2009 and "Cash Flow Analysis in EMEA RMBS: Testing Structural Features With the MARCO model", January 2006.

Moody's used a lognormal approach

The first step in the analysis is to determine a loss distribution for the pool of mortgages to be securitised. Due to the high volume of loans and supporting historical data, Moody's uses a continuous distribution model to approximate the loss distribution: lognormal distribution.

In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility associated with this expected loss. These parameters are derived from the MILAN model.

In order to extrapolate expected losses for the loan pool, Moody's has compared the underwriting criteria of the originators with those of other mortgage originators in Spain.

Moody's thus determines a number representing the enhancement that would be required for a pool of mortgages to obtain a '**Aaa'** rating under highly stressed conditions. This credit enhancement number (the “**Aaa** CE” number) is obtained by means of a loan-by-loan model.

The Aaa CE number is determined by using MILAN, Moody's loan-by-loan model for rating RMBS transactions

The MILAN model looks at each loan in the pool individually and, based on its individual characteristics such as LTV or other identified drivers of risk, computes a benchmark CE number. This number assumes stressed recovery rates (through house price decline), interest rates and costs of foreclosure, as well as a stressed recovery time. The weighted-average benchmark CE number is then adjusted according to the positive and negative characteristics of each loan and to those of the pool as a whole, in order to produce the “**Aaa** CE” number.

The “**Aaa** CE” number and the Expected Loss Number form the basis of Rating Committee discussions and are used to derive the lognormal distribution of the pool losses.

Modelling assumptions for the transaction

The standard deviation of the distribution is found by setting the probability of a loss greater than the expected loss that is consistent with the Idealised Expected Loss target of the “**Aaa** CE” number

The key parameters used to calibrate the loss distribution curve for this portfolio include:

– Milan **Aaa** CE of 3.4% and

an expected loss of 0.4%

MARCO, Moody's cash-flow model, is used to assess the impact of the structural features of RMBS transactions

Once the loss distribution of the pool under consideration has been computed, a cash flow model, Moody's Analyser of Residential Cash-Flows (MARCO), is used to assess the impact of structural features of the transaction, such as the priorities of interest and principal, and the related triggers, swap features and excess margins, liquidity mechanisms and the value of excess spread.

The sum of the loss experienced by each note Class in each scenario, weighted by the probability of such loss scenarios, will then determine the expected loss on each tranche and hence the rating, in line with Moody's target losses for each rating category

RATING SENSITIVITIES AND MONITORING

Moody's publishes periodic updates: performance overviews for each transaction

The ratings are sensitive to a number of parameters, the most important ones being the performance of the pool of loans and Caja Madrid's credit, due to its role as originator, servicer, paying agent and swap counterparty.

Gesticaixa S.G.F.T; S.A will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and on 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 its transaction 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

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:

Special Reports

- Introducing Moody's Arrears Index for Spanish Mortgage-Backed Securities, March 2002 (SF12700)
- Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)

Performance Review

- Spanish RMBS Q3 2008 Performance Review, December 2008 (SF149455)

Rating Methodologies

- Moody's Approach to Rating Spanish RMBS: The "MILAN" model, March 2005 (SF49068)
- Moody's Updated Methodology for rating Spanish RMBS, July 2008 (SF133138)
- Moody's Updated Methodology For Rating Spanish Government Sponsored Housing (VPO) RMBS, January 2009 (SF151453)

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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