# Foncaixa Hipotecario 9, Fondo De Titulización De Activos

## RMBS / Spain

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of 6th March 2006. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The **definitive** ratings may differ from the **provisional** ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.*

**Estimated Closing Date**

March 2006

**Lead Analyst**

Alberto Barbáchano
Analyst
+34 91 702 6601
*Alberto.Barbachano@moodys.com*

**Backup Analyst**

Luis Mozos
Associate Analyst
+34 91 702 6615
*Luis.mozos@moodys.com*

**Investor Liaison**

London

Edward Bowden
Investor Liaison Specialist
+44 20 7772-5454
*Edward.Bowden@moodys.com*

New York

Brett Hemmerling
Investor Liaison Specialist
+1 212 553-4796
*Brett.Hemmerling@moodys.com*

**Client Service Desk**

London: +44 20 7772-5454
*csdlondon@moodys.com*

Madrid: +34 91 702-6616

**Monitoring**

*monitor.rmbs@moodys.com*

**Website**

www.moodys.com

## PROVISIONAL (P) RATINGS

| Class | Rating | Amount (million) | % of Notes | Legal Final Maturity | Coupon |
|---|---|---|---|---|---|
| A | (P)**Aaa** | €1463.2 | 97.54 | Jul. 48 | 3mE + [0.10]% |
| B | (P)**A1** | €29.2 | 1.95 | Jul. 48 | 3mE + [0.30]% |
| C | (P)**Baa2** | €7.6 | 0.51 | Jul. 48 | 3mE + [0.55]% |
| Total | | €1,500.0 | 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 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.*

## OPINION

### Strengths of the Transaction

- Very good performance data on previous deals (the subordinated classes of three Foncaixa transactions have been upgraded recently)
- Very good quality collateral in terms of LTV, seasoning, occupancy type and diversification (only 0.33% of the portfolio with high LTV (50% WALTV), 2.51 years WA seasoning)
- The loans consist of first-lien mortgages on first residential properties
- Excess spread-trapping mechanism through a 18-month "artificial write-off"
- Strong swap-to-hedge interest rate risk in the transaction and securing the weighted average interest rate on the notes, plus 50 bps
- Repeat originator and the expertise of La Caixa as originator and servicer
- 100% of the loans are paid via direct debit
- Strict triggers in the line of credit amortisation and pro-rata amortisation

### Weaknesses and Mitigants

- Different loan purpose than to acquire, construct, or refurbish a primary residence, however, a penalty was accordingly applied when calculating the credit enhancement
- Grace periods (only principal as explained below)
- 100% of loans are flexible, which leads to a higher expected default frequency and more severe losses

## STRUCTURE SUMMARY *(see page 3 for more details)*

| | |
|---|---|
| Issuer: | FONCAIXA HIPOTECARIO 9, FONDO DE TITULIZACIÓN DE ACTIVOS |
| Structure Type: | Senior / Mezzanine / Subordinated / Reserve fund |
| Seller/Originator: | La Caixa (**Aa2**/**P-1**) |
| Servicer: | La Caixa (**Aa2**/**P-1**) |
| Interest Payments: | Quarterly on June 15th, September 15th, December 15th, March 15th |
| Principal Payments: | Pass-through on each payment date |
| Credit Enhancement/Reserves: | Spread in the portfolio |
| | Line of credit (LOC) |
| | Subordination of the notes |
| | Guarantee Investment Contract (GIC) account |
| Hedging: | Swap guaranteeing 50 bppa of margin |
| Interest Rate Swap Counterparty: | La Caixa (**Aa2**/**P-1**) |
| Paying Agent: | La Caixa (**Aa2**/**P-1**) |
| Management Company: | Gesticaixa , S.G.F.T., S.A. |
| Arranger: | Gesticaixa , S.G.F.T., S.A. |
| Lead Managers: | La Caixa (**Aa2**/**P-1**), Citigroup (**Aa1**/**P-1**) |

## COLLATERAL SUMMARY (AS OF 6 MARCH 2006) *(see page 6 for more details)*

| | |
|---|---|
| Total Amount: | €1,710,786,471 |
| Number of Contracts: | 24,101 |
| Number of Borrowers: | 24,047 |
| WA Original LTV: | 51.99% |
| WA Current LTV: | 46.16% |
| WA Seasoning: | 2.51 yrs |
| WA Remaining Term: | 20.13 yrs |
| Interest Rate Type: | 99.85% floating |
| WA Interest Rate: | 3.49% |
| Geographic Diversity: | Catalonia (38.19%), Madrid (22.04%) |
| Loan Purpose: | Different than to acquire, construct or refurbish a primary residence |
| Average Loan Size: | €70,984 |
| Delinquency Status: | No loans in arrears at the time of securitisation |

## NOTES

| Class | Subordination | Line of Credit | Total |
|---|---|---|---|
| A | 2.4534%* | 0.80% | 3.2534% |
| B | 0.5067%* | 0.80% | 1.3067% |
| C | 0%* | 0.80% | |

* *Subject to pro-rata amortisation triggers*

## TRANSACTION SUMMARY

***100% flexible loans***

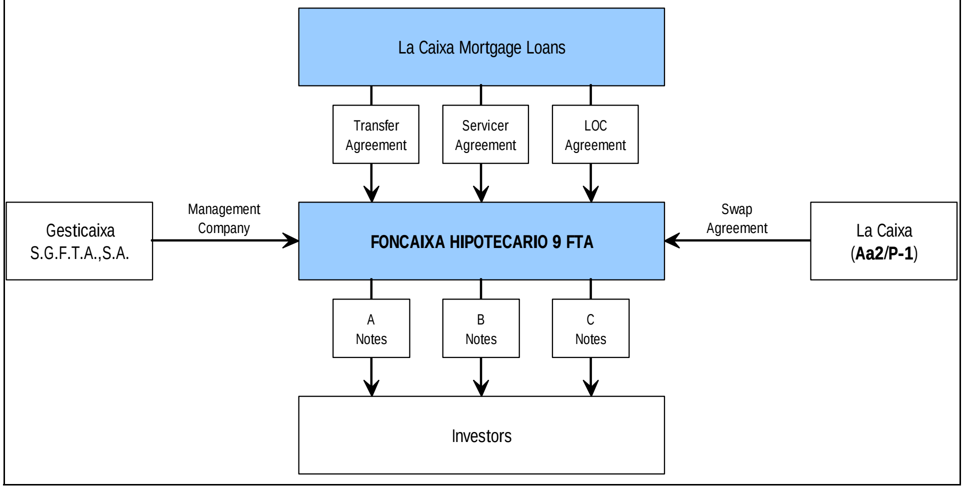
The transaction consists of the securitisation of the first draw-down of a mortgage product that is structured like a line of credit and is currently La Caixa's star product (Crédito Abierto (CrA)).

The CrA product consists on a revolving line of credit by which the debtor will be allowed to draw on the line for an amount equal to the amortised principal. The draw can be made as many times as the revolving period allows for. As on previous deals, only the first drawing of this line of credit is securitised.

## STRUCTURAL AND LEGAL ASPECTS

***Structure incorporating the following key features: hedging of the interest rate risk, deferral of interest based on the size of the principal deficiency, and line of credit***

Chart 1:
**Structure Chart**




***Line of Credit (LOC)***

At every point in time, the amount requested under the LOC will be the lesser of the following amounts:

1. [0.80%] of the initial balance of the notes
2. The higher of the following amounts:
   - [1.6%] of the outstanding balance of the notes
   - [0.60%] of the initial amount of the notes

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 0.65%.
- There is any amount drawn from the line of credit or the reserve fund
- Non-written-off loans enjoying a principal payment grace period exceed 2%

In addition to these triggers, if La Caixa loses its **P-1** rating, the amount available under the line of credit will automatically be drawn and deposited in the treasury account in the form of reserve fund.

***Guarantee Investment Contract (GIC) account***

The treasury account will be held at La Caixa. The proceeds from the loans and the amounts received under the swap agreement will be deposited in the treasury account. La Caixa guarantees an annual yield from the amounts deposited in the treasury account equal to three month Euribor rate applicable on the notes.

Moody's has set up some triggers in order to protect the treasury account from any possible downgrade of La Caixa. Should La Caixa's short-term rating fall below **P-1**, the management company will have 30 days to find a suitably rated guarantor or substitute as holder of the treasury account.

***Interest rate swap hedging the interest rate risk***

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 sum of the weighted average coupon on the notes plus 50 bppa, over a notional calculated as the daily average of the outstanding amount of the performing loans

***Priority of payments***

On each quarterly payment date, the *Fondo's* available funds (principal and interest received from the asset pool, the line of credit or 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 payment to Series A
4) Interest payment to Series B (if not deferred)
5) Interest payment to Series C (if not deferred)
6) Principal Payment to A, B and C,
7) Interest payment to Series B notes (if deferred)
8) Interest payment to Series C notes (if deferred)
9) Reimbursement of the withdrawals of principal effected with charge to the LOC, or replenishment of the reserve fund, in case the LOC is cash-collateralised
10) Termination payment under the swap agreement (except if the Fondo is the defaulting or the sole affected party)
11) Junior expenses

***Interest deferral trigger***

The payment of interest on the series B and C will be brought to a more junior position if, on any payment date, the following criteria are met. From then on, and until the end of the transaction, these interest payments will be deferred.

| | |
|---|---|
| **Series B:** | - The principal deficiency (as defined below) exceeds 260% of the sum of the outstanding amount of Series B and Series C<br>- Series A is not fully redeemed |
| **Series C:** | - The principal deficiency exceeds 575% of the outstanding amount of Series C<br>- Series A and B are not fully redeemed |

***Principal due to the Notes incorporates an 18-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 (1) the outstanding amount of the notes and (2) 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 18 months (or earlier, if the management company considers that there are no reasonable expectations of recovery under each such loan)).

The "artificial write-off" speeds up the off-balance sheet of a non-performing loan; thus, the amount of notes collateralised by non-performing loans is minimised, and, consequently, the negative carry. However, the most important benefit for the transaction is that the amount of excess spread trapped in the structure is larger (the excess spread between the "artificial write-off" time and the "natural write-off" time would otherwise be lost). Therefore, the transaction makes better use of the excess spread, allowing for lower levels of other credit enhancement figures.

A principal deficiency will occur, on any payment date, if the issuer's available funds are not sufficient to reimburse the principal due under the notes, according to the cash flow rules stated above (the difference between these two amounts being the principal deficiency).

***Principal due allocation mechanism***

The amount retained as principal due on item '6' of the order of priority will be dedicated to the amortisation of Series A, B and C according to the following rules:

1) Until the payment date on which the outstanding amount of Series B and C exceeds 3.88% and 1.01% of the outstanding amount under Series A to C, respectively, the amount retained as principal due will be used for the amortisation of Series A.
2) Once Series B and C start to be amortised, the amount retained as principal due will be distributed pro rata between Series A to C, so that the percentages indicated above for Series B to C are maintained on any payment date thereafter.
3) Nevertheless, amortisation of Series B and C will not take place on the payment date on which any of the following events occurs:
   – The arrears level exceeds 1.25% and 1% for Series B and C, respectively
   – If the available amount under the LOC is not equal to the required amount
   – The outstanding amount of the non-written-off loans is lower than 10% of the pool's initial amount

## COLLATERAL

Foncaixa 9's collateral is strong as compared to a Spanish benchmark portfolio. On the negative side, the portfolio consists exclusively of flexible mortgage loans that could potentially increase the probability of default for these loans.

Flexible mortgages should not harm the positive performance impression that the market may have for Spanish plain vanilla mortgage loans. It is a fact that as of today, the performance of La Caixa's previous transactions has been very good, yet we still cannot make any future prediction as to how these products could perform in the future.

As of 6 March 2006, the provisional portfolio comprises 24,101 loans for a total amount of €1,710,786,471. The collateral backing the notes' issuance is entirely composed of first-lien mortgage loans granted for the purpose different than to acquire, construct or refurbish a primary residence.

The original weighted average LTV (WALTV) is 51.99%. The current WALTV is 46.16%. The average loan size is €70,984. The loans are originated between 1993 and 2005 with a weighted average seasoning of 2.51 years. All the loans are paid via direct debit.

### Table 1:

| | | | |
|---|---|---|---|
| Original Balance: | 2,218,947,918 | Average seasoning in months: | 30.15 |
| Current Balance: | 1,710,786,471 | Average seasoning in years: | 2.51 |
| Number of Loans: | 24,101 | Average time to maturity in years: | 20.13 |
| Number of Borrowers: | 24,047 | Maximum maturity date: | 1 Jul 2045 |
| Average Loan (Borrower): | 71,143 | WA interest rate: | 3.49% |
| Average Loan (Property): | 70,984 | Borrower top 20 as % of Current | |
| WA Current LTV | 46.16% | Balance: | 0.82% |
| WA Original LTV | 51.99% | Arrears (between 30 and 90 days) | 0.17% |

***"Crédito Abierto" product***

The Crédito Abierto (CrA) product is in essence a line of credit that is granted for the sole purpose of giving the borrower flexibility in terms of the payment of his/her mortgage loan. Borrowers are allowed to withdraw an amount equal to the already amortised amount or up to the established credit limit.

The securitised loans have two distinct features that need to be taken into account: (a) additional drawdowns and (b) grace periods.

## Additional Drawdowns

Note that, although the revolving period is outstanding throughout the life of the deal, the following two points apply:

1. Subsequent redraws are not automatic, with La Caixa having full discretion as to whether or not it allows them.
2. There is a period during the last four years of the life of the loan during which subsequent redraws will not be allowed.

   Each additional redraw on the line of credit will be treated as an independent loan, although all the different loans will have a pari passu treatment among them.

   Each client will receive a single monthly payment bill although each different redraw will be stated separately.

   The first redraw cannot exceed an 80% LTV limit, with additional redraws capped at 70% LTV levels. In any case, the combination of both first and second drawdowns on the line of credit will never exceed the 80% LTV limit.

   Disposal of second drawdowns is never automatic, with La Caixa having full discretion (based on factors such as the borrower's payment history and the loan purpose) as to whether a second drawdown is feasible or not.

## Grace Periods

Each borrower has the option to request a maximum 36-month grace period, during which interest must be paid, but not principal. Once again, La Caixa has full control over whether or not to grant these grace periods

Chart 2:
**Portfolio breakdown by Region**

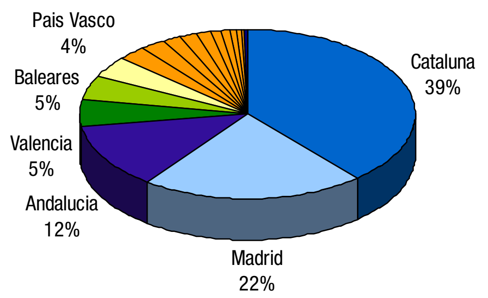
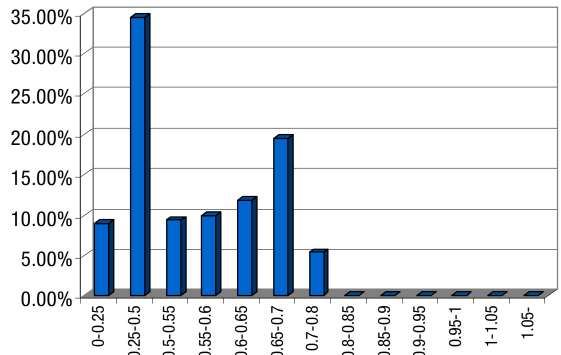



Chart 3:
**Portfolio Breakdown by LTV**



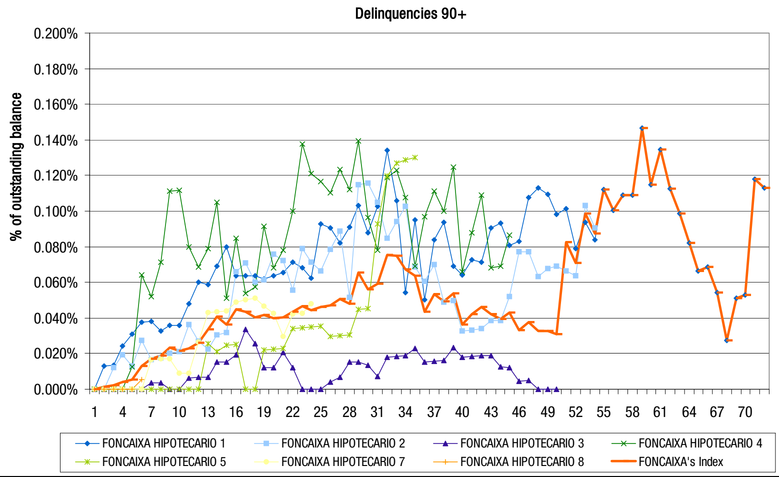

***Limitations on renegotiation of both the interest rate and the maturity of the loans***

Any renegotiation of the terms and conditions of the loans is subject to the management company's approval. Exceptionally, the management company may authorize La Caixa to renegotiate the interest rate or maturity of the loans without requiring its approval. However, La Caixa will not be able to:

1. Renegotiate the interest rate of any loan if the weighted average interest rate of the pool falls below the index reference rate of the notes plus 0.80% or
2. Extend the maturity of any loan beyond July 2045. Moreover, the renegotiation of the maturity of the loans is subject to various conditions, of which the following are the most significant:
   - The global initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the pool.
   - The frequency of payments cannot be decreased.
   - The amortisation profile cannot be modified

*Performance data on previous La Caixa transactions*

Chart 4:
**Performance data on previous La Caixa transactions**




## ORIGINATOR, SERVICER AND OPERATIONS REVIEW

*La Caixa's Aa2/P-1/B+ ratings reflect the institution's solid credit fundamentals*

La Caixa's long-term and financial strength ratings were upgraded from (**Aa3**/**P-1**) to (**Aa2**/**P-1**) in July 2002.

La Caixa's (**Aa2**/**P-1**/**B+**) ratings reflect the institution's solid credit fundamentals – including ample liquidity, low risk profile and strong economic capital – along with its dominant and stable retail banking franchise in Catalonia, one of Spain's most prosperous and fastest-growing regions that enjoys a diversified economy.

With total assets amounting to €180,35 billion, La Caixa is Spain's largest savings bank, its third-largest banking group and the biggest financial institution in Catalonia and the Balearics, where it holds shares of approximately 30% of customer funds, 19% of loans and 24% of branches.

La Caixa's business focuses largely on providing a high volume of standardised banking products to private individuals through a highly automated distribution network and with a decentralised commercial business model.

## MOODY'S ANALYSIS

*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 Moody's Individual Loan Analysis ("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 are used to derive the lognormal distribution of the pool losses.

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 flexible loans analysis in FC 9 leads us to tailor made the analysis for these types of loans. As a result, when calculating the severity, the maximum amount of line of credit is used rather than the actual first withdrawn amount.

The rationale behind this is that since any additional redraw will be treated as an independent loan and it will rank pari passu among the outstanding amounts, the total limit of credit should be considered while calculating the principal and interest loss gross. Consequently the adjusted LTV (calculated as limit of LOC/property market value) will be used in the MILAN.

***"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 per 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

In its capacity as management company, Gesticaixa S.G.F.T. will prepare quarterly monitoring reports with respect to the portfolio and payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data.

Moody's will monitor this 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 to the rating will be publicly announced and disseminated through Moody's Client Service Desk. For updated monitoring information, please contact monitor.rmbs@moodys.com

## RELATED RESEARCH

***Visit moodys.com for more details***

For a more detailed explanation of Moody's rating approach to this type of transaction, similar transactions and performance data, please refer to the following reports:

1. SPECIAL REPORT: Moody's Approach to Rating Spanish RMBS: The "MILAN" model, March 2005
2. SPECIAL REPORT: Cash Flow Analysis in EMEA RMBS: Testing Structural Features with the MARCO Model (Moody's Analyser of Residential Cash Flows), January 2006.
3. SPECIAL REPORT: Introducing Moody's Arrears Index for Spanish Mortgage-Backed Securities, March 2002.
4. SPECIAL REPORT: Moody's Spanish RMBS Arrears Index: Delinquency Levels Remained Persistently Low in 2002 But Are Likely To Rise Given Weakening Global Economy And Factors Affecting Homeowners' Indebtedness, May 2003.
5. SPECIAL REPORT: Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004.
6. SPECIAL REPORT: Spanish RMBS Q3 2004 Performance Review, February 2005
7. FONCAIXA 1 Previous Pre-Sale reports + Performance Overviews
8. FONCAIXA 2 Previous Pre-Sale reports + Performance Overviews
9. FONCAIXA 3 Previous Pre-Sale reports + Performance Overviews
10. FONCAIXA 4 Previous Pre-Sale reports + Performance Overviews
11. FONCAIXA 5 Previous Pre-Sale reports + Performance Overviews
12. FONCAIXA 6 Previous Pre-Sale reports + Performance Overviews
13. FONCAIXA 7 Previous Pre-Sale reports + Performance Overviews
14. FONCAIXA 8 Previous Pre-Sale reports + Performance Overviews

SF71080isf