# Foncaixa Consumo 1, FTA

## New Issue

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Foncaixa Consumo 1, FTA

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## Capital Structure

| Class | Amount (ISOm) | Final Maturity | Rating[a] | CE[a] (%) | Outlook | TT[b] (%) | TTLM[c] |
|---|---|---|---|---|---|---|---|
| A | 2,618.0 | March 2053 | AAAsf | 20.0 | Stable | 85.0 | 28.0 |
| B | 462.0 | March 2053 | BB+sf | 5.0 | Stable | 15.0 | 4.9 |
| **Total issuance** | **3,080.0** | | | | | | |

Closing occurred on 24 November 2011. The transfer of the portfolio to the issuer occurred on 26 November 2011. The ratings assigned above are based on the portfolio information as of 28 October 2011, provided by the originator.
[a] Credit Enhancement (CE): based on a collateral balance of EUR3,080m and a reserve fund of EUR154m
[b] Tranche Thickness (TT) – ratio of class size to collateral balance
[c] Tranche Thickness Loss Multiple - TT(%) divided by Fitch's base case loss expectations. See also, Structured Finance Tranche Thickness Metrics, dated 29 July 2011

## Transaction Summary

Fitch Ratings has assigned ratings to the securitisation of a static EUR3,080m portfolio of loans for consumer purposes issued by Foncaixa Consumo 1, Fondo de Titulización de Activos (Foncaixa Consumo 1, FTA, the issuer) as listed. The loans have been originated and serviced by CaixaBank, S.A. (CaixaBank, the seller and servicer, rated 'A'/Rating Watch Negative/F1). The ratings address the payment of interest and ultimate payment of principal on the class A and B notes in accordance with the terms and conditions of the documentation.

If cumulative defaults on the assets are above 10% of the portfolio's initial balance, the interest on the class B notes may be deferred, which would imply that the interest on the class B would rank below the principal amount due under the senior notes in the transaction's priority of payments.

## Key Rating Drivers

**Mixed Risk:** The collateral is comprised of two product types: standard unsecured consumer loans (31%) and real estate (RE) secured consumer loans (69%). While RE secured loans have a weighted average life (WAL) of about six years, the unsecured portion of the collateral is shorter with a WAL of two years.

**Dual Rating Criteria Approach:** Fitch has used its ABS criteria to analyse unsecured consumer loans granted to individuals and SMEs, and its RMBS criteria to analyse the remaining portfolio.

**Material Counterparty Dependency:** CaixaBank acts as originator, servicer, swap provider, bank account provider and paying agent. At closing, Fitch acknowledged the credit quality of CaixaBank which made it an eligible counterparty and also the triggers and remedial actions included in the documentation of the transaction, should CaixaBank suffer a rating deterioration.

**RE Secured Consumer Loans:** Fitch's default base case and recoveries expectations for RE secured loans are 6.0% and 56.6% respectively, derived from its proprietary Spanish RMBS default model (ResiEMEA), which is based on the criteria for analysing securities backed by Spanish residential mortgage loans.

**Standard Unsecured Consumer Loans:** Fitch has analysed the unsecured portfolio's credit risks and formed a base case default expectation of 5.0% and a recovery rate expectation of 20% for the lifetime of the portfolio. These are based on historical data provided by CaixaBank, dating back to 2006.

## Rating Sensitivity[1]

This section of the report provides a greater insight into the model implied sensitivities the transaction faces when one risk factor is stressed, while holding others equal. The modelling process first uses the estimation and stress of base case assumptions to reflect asset performance in a stressed environment, and secondly, the structural protection was analysed in a customised proprietary cash flow model (see *Financial Structure & Cash Flow Modelling*). The results below should only be considered as one potential outcome given that the transaction is exposed to multiple risk factors that are all dynamic variables.

## Rating Sensitivity to Default Rates

The tables reflect changes if the base case default or recovery rate for the portfolio is increased or decreased by a relative amount. For example, increasing the base case default rate by 40% may result in a one-notch downgrade of the Class A from 'AAAsf' to 'AA+sf'.

### Rating Sensitivity to Increased Default Rate Assumptions

| | Class A | Class B |
|---|---|---|
| Original rating | AAA | BB+ |
| 10% increase in default rates | AAA | BB+ |
| 20% increase in default rates | AA+ | BB |
| 40% increase in default rates | AA | BB |

Source: Fitch

## Rating Sensitivity to Recovery Rates

The change in rating if the base case recovery rates are adjusted is demonstrated below:

### Rating Sensitivity to Reduced Recovery Assumptions

| | Class A | Class B |
|---|---|---|
| Original rating | AAA | BB+ |
| 10% reduction in recovery rates | AAA | BB+ |
| 20% reduction in recovery rates | AAA | BB+ |
| 40% reduction in recovery rates | AA+ | BB |

Source: Fitch

## Rating Sensitivity to Shifts in Multiple Factors

The table below summarises the rating sensitivity to stressing multiple factors concurrently. Three scenarios are evaluated to demonstrate the sensitivity of the rating to varying degrees of stress, ie, mild, moderate and severe changes to the expected levels of defaults and recoveries.

### Rating Sensitivity to Reduced Recovery Assumptions

| | Class A | Class B |
|---|---|---|
| Original rating | AAA | BB+ |
| 10% increase in default rates and 10% reduction in recovery rates | AAA | BB+ |
| 20% increase in default rates and 20% reduction in recovery rates | AA+ | BB |
| 40% increase in default rates and 40% reduction in recovery rates | A+ | B |

Source: Fitch

## Model, Criteria Application and Data Adequacy

CaixaBank provided loan-by-loan information on the collateral (including internal one-year probability of default estimates), vintage data for RE secured consumer and unsecured consumer loan receivables on defaults and recoveries and dynamic delinquency data covering six years of history. Fitch has analysed the portfolio's credit risk and formed a base case default and recovery expectation for unsecured consumer loan receivables based on its ABS methodology *EMEA Consumer ABS Rating Criteria*, published on 14 July 2011. It also utilised

### Related Criteria

***Applicable Criteria***

EMEA Consumer ABS Rating Criteria (July 2011)
Counterparty Criteria for Structured Finance Transactions (March 2011)
Criteria for Interest Rate Stresses in Structured Finance Transactions (March 2011)
*EMEA Criteria Addendum – Spain. Mortgage Loss and Cash Flow Assumptions (July 2011)*

[1] These sensitivities only describe the model-implied impact of a change in one of the input variables. This is designed to provide information about the sensitivity of the rating to model assumptions. It should not be used as an indicator of possible future performance

its proprietary Spanish RMBS default model for the RE secured consumer loan receivables proportion of the pool and formed a base case default and recovery expectation.

The agency received loan-by-loan information for nearly all the fields under its RMBS data requirements. For missing or incomplete fields, Fitch has applied conservative assumptions. Based on the review of the information provided by CaixaBank, Fitch considered the data as adequate in deriving the base case cumulative defaults and recoveries for Foncaixa Consumo 1, FTA.

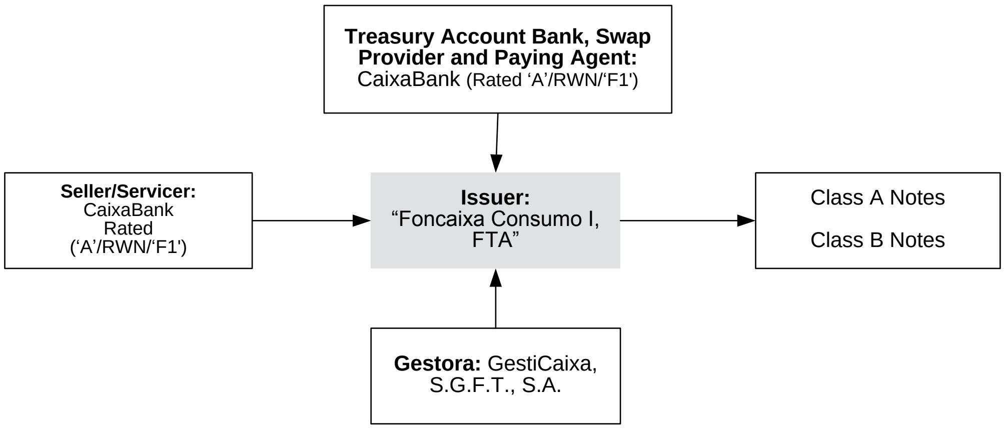
The agency's proprietary cash flow model has been used to complete the rating analysis and simulate the transaction cash flows and capital structure. Fitch's cash flow model has been customised to account for the specific features of the deal. Fitch simulated the cash flows from the assets as two representative pools (RE secured consumer loans and unsecured consumer loans) since the bank provided a scheduled amortisation profile of the portfolio by sub-pool.

Fitch reviewed the Agreed Upon Procedures (AUP) report regarding the data provided by Gesticaixa, S.A., S.G.F.T, ("the gestora", a limited liability company incorporated under Spanish law, whose activities are limited to the management of securitisation funds). An internationally recognised accounting firm conducted the audit report, which included a detailed review of 461 loans from 285.281 loan files. Fitch believes the sample size, the scope of the AUP report and the lack of material error findings suggest the originator provided an acceptable quality of data. As a result, Fitch made no adjustments to its analysis with respect to the data provided.

## Transaction and Legal Structure

Figure 1

**Summary of Transaction**




Source: Transaction documents

### Issuer & True Sale

The issuer is a limited-liability Special Purpose Vehicle (SPV) incorporated under the laws of Spain, the sole purpose of which is to acquire the mortgage loans (RE secured loans) and the unsecured loans from CaixaBank as collateral for the issuance of quarterly-paying notes. Under Spanish law, mortgage loans are not actually transferred as this would entail a lengthy process of re-registering the mortgages at the property registry. Instead, mortgage originators are permitted to issue mortgage participations (PH) and mortgage certificates (CTH).

At closing, mortgage certificates and the unsecured loans were acquired from the seller on behalf of the issuer by the gestora. The cash bond administration function for this transaction will be carried out by the gestora, which is supervised by the Comisión Nacional del Mercado de Valores (CNMV); as such, the gestora is responsible for cash reconciliation, waterfall calculations and their reporting, including the monitoring of applicable triggers. It will also be responsible for taking any action in the interests of the noteholders, such as the replacement of the servicer, account bank or swap counterparty. This is the first consumer securitisation originated in Spain by CaixaBank, S.A. and rated by Fitch.

## Capital Structure and Credit Enhancement (CE)

The issuer has issued two tranches of floating rate, pass-through, quarterly paying and sequentially subordinated notes based on three-months Euribor plus a margin.

Initial CE for class A notes, equivalent to 20.0% of the original collateral balance, is provided by the subordination of class B (15%) plus the reserve fund (RF) of 5.0%. Finally, initial CE for the class B notes is provided only by the RF.

Excess spread, which is guaranteed by the swap provider, will provide the first layer of protection against losses. The RF has been funded on the issuance date via a fully drawn subordinated loan and will amount to 5.0% of the note balance. If defaults exceed the excess spread, the reserve fund will be used to cover losses.

The RF will be permitted to reduce to the lower of: i) 5.0% of the original Class A and B notes' balance; and ii) the higher of: a) 10.0% of the outstanding class A and B notes' balance; and b) 2.5% of the original Class A and B notes' balance.

This amortisation is subject to the following conditions:

- the balance of loans more than 90 days in arrears is less than 1.0% of the outstanding non - defaulted collateral (defined as performing loans and loans with arrears up to 12 months);
- on the preceding payment date, the RF was at its required amount; and
- more than three years have passed since the closing date of the transaction.

## Interest Rate Swap

Close to 25% of the loan receivables bear a fixed rate while the remaining have a variable rate. Since the notes bear a floating interest rate, the issuer faces interest rate mismatches as well as reset risk. To hedge the exposure, the issuer has entered into an interest rate swap at closing with CaixaBank.

Under this contract, the issuer will pay the interest actually received on the performing collateral and will, in return, receive three-month Euribor plus the weighted average margin on the notes, plus a guaranteed margin of 100bp on a notional defined as the balance of performing and delinquent loans up to 90 days in arrears.

The swap will provide a guaranteed margin to the issuer, therefore isolating the issuer from the risk of margin compression on the receivables.

The hedge agreement is an important component of the structure and the documentation includes downgrading language in line with Fitch's swap counterparty rating criteria. For details on Fitch's swap criteria, please refer to the criteria report *Counterparty Criteria for Structured Finance Transactions: Derivative Addendum*, dated 14 March 2011 and available at www.fitchratings.com.

## Priority of Payments

The transaction uses a combined waterfall for principal and interest collections. Additionally, the available distribution amount includes the balance of the reserve fund. Payments will be made from the available distribution amount, on each quarterly payment date, in the following order of priority:

Figure 2
**Priority of Payments**

| | |
|---|---|
| 1 | Senior expenses |
| 2 | Net swap payment |
| 3 | Interest payments on the class A notes |
| 4 | Interest payments on the class B notes unless (if not deferred) |
| 5 | Principal due on the class A and B notes |
| 6 | Class B interest (if deferred) |
| 7 | Replenishment of the reserve fund to its required level |
| 8 | Other subordinated amounts |
| 9 | To pay all remaining excess to CaixaBank |

Source: Transaction documents, Fitch

Class B interests will be deferred if the cumulative defaults exceed 10% of the original collateral balance.

Principal due for the amortisation of the notes on any payment date will be capped at the difference between the outstanding balance on the A and B notes and the balance of non-defaulted collateral (ie, performing and up to 12 months in arrears). Payments will be made subject to the availability of funds, according to the priority of payments.

All the notes are subject to a clean-up call option in favour of the gestora when less than 10% of the initial collateral remains outstanding and the notes can be redeemed according to the established priority of payments. The clean-up call can only be exercised if all the notes are redeemed in their entirety.

## Legal Opinion

Fitch has reviewed opinions that cover Spanish Law and which support Fitch's analytical assumptions; these have been factored into the credit analysis with respect to the transaction. Final ratings have been assigned on the basis that Fitch has been provided with final legal opinions at the closing of the transaction.

These opinions include, among other things: the enforceability of the obligations of the parties under the transaction; and that the bankruptcy remoteness is legal, valid, binding and enforceable.

## Representations and Warranties

The seller provided the issuer with specific representations and warranties (R&Ws) concerning the characteristics of the performing mortgages, and the general and legal circumstances of the loans in the portfolio. For more details, see the related Appendix, which includes all the R&Ws given by the transaction parties. The R&Ws are substantially comparable to those typically contained in EMEA ABS and EMEA Spanish RMBS transactions as described in Fitch's research Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions, dated 19 September 2011. Hence, Fitch made no adjustments to its analysis with respect to the R&Ws.

## Disclaimer

For the avoidance of doubt, Fitch relies, in its credit analysis, on legal and/or tax opinions provided by transaction counsel. As Fitch has always made clear, Fitch does not provide legal and/or tax advice or confirm that the legal and/or tax opinions or any other transaction documents or any transaction structures are sufficient for any purpose. The disclaimer at the foot of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch, and should not be used or interpreted as legal, tax and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions.

## Asset Analysis

### Originator Overview

As part of its rating process, Fitch conducted an operational review of CaixaBank's origination and servicing procedures. Please note that review visits do not constitute due diligence and that Fitch does not perform due diligence but relies upon the accuracy of data provided. Fitch considers the underwriting and servicing capabilities to be in line with market standards among the top Spanish Banks; CaixaBank also has a proven track record in its securitisation activity. In Fitch's opinion, the results of the review were satisfactory.

CaixaBank is 81% owned by La Caixa and includes of all of the group's financial activities. These include retail banking in Spain, the group's insurance business and equity stakes in international banks as well as in local industrial corporates. It is Spain's fourth-largest bank, with a 10% deposit market share at end-2010.

CaixaBank originates RE secured consumer loans and unsecured consumer loans through its branches in Spain. These are two different types of products, RE secured consumer loans are first, second or third dispositions of a line of credit the borrower has with Caixabank and unsecured consumer loans are regular consumer loans with a maximum term of 6-7 years.

### Underwriting

The underwriting process combines a scoring system and different authorisation levels for underwriting that, like for most Spanish originators, depends on the size of the loan and the experience of the person responsible for approving the loan.

CaixaBank analyses each loan application at the branch level where a representative gathers all relevant information and processes the loan through a scoring system. The information that must be provided is: i) loan application signed by all borrowers; ii) ID of borrowers; iii) tax declaration for last year; iv) income slips; v) credit bureau among others.

The scoring system can analyse two types of borrowers: one for borrowers linked (existing customers of CaixaBank) to the bank and the other for borrowers that are new to CaixaBank.

The final outcome of the scoring system is approved, denied or denied of high risk. Since CaixaBank has defined more stringent levels for automatic approvals, fewer transactions are being approved through the scoring tool and an increased amount of initially denied loans are being approved through a higher level of authority.

In mid-2006, CaixaBank started to implement the electronic file and during mid-2009 all the loan applications are managed electronically (keeping a physical loan application file at the branch).

### Servicing and Collections

CaixaBank's monitoring system includes both the early arrears detection and the recovery process. The detection of risky situations is monitored on a daily basis. Once a loan has one day in arrears, the loan is managed at the branch level from day 1 to day 55, and it is considered as delinquent. During this time, there are certain automatic letters that are sent to the borrowers. At the same time that the branch is dealing with the unpaid instalment, third party companies - Teleaviso and Telecobro - try to deal with the client.

The following is a summary of the actions taken when servicing an unsecured loans and a RE secured loan.

1. Teleaviso acts for RE secured loans and unsecured loans.
    - Between day 10 and 20 of the missed payment, phone calls are made to the borrower.

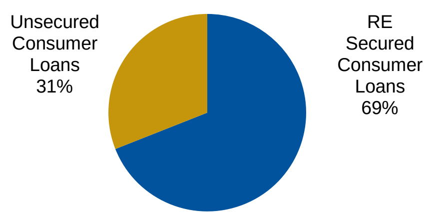
2. Telecobro acts for unsecured consumer loans.
    - Between day 30 and 55 of the missed payment, more intense phone calls are made to the borrower in order to get him/her back to performing.
3. Pre-litigation for unsecured loans.
    - Between day 55 and 110 of the missed payment the loans are sent to external companies for the recovery.
    - Also, if the amount of the unsecured is above 3,000 euros, a judicial procedure will be managed by a specialised entity called CUSA (subsidiary of Caixabank) on day 60 since the missed payment.
4. Judicial Procedures for RE secured loans.
    - If the Loan to Value (LTV) is above 80%, on day 35 of the missed payment, the file is sent to CUSA to start the claim and execute the guarantees to the complete collection of the whole debt.
    - If the LTV is below 80%, on day 60 of the missed payment, the file is sent to CUSA to start the claim and execute the guarantees to the complete collection of the whole debt.

## Portfolio Summary

As of 28 October 2011, the portfolio had an outstanding balance of EUR3,174m, comprising 285,281 loans for consumer purpose. The unsecured consumer loans correspond to EUR973m and comprise 108,337 loans, while the RE secured consumer loans represent EUR2201m and cover 176,944 loans. Close to 80% of the loans were originated between 2006 and 2010 and have an average seasoning of 3 years and a remaining term of 11 years.

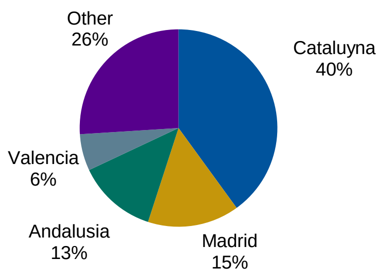
While RE secured loans have a WAL of about six years (expected to fully amortise by 2040), the unsecured portion of the collateral is shorter with a WAL of two years (expected to fully amortise by 2020). The entire RE secured consumer portfolio and 20% of the unsecured portfolio bears a floating rate, while the remaining unsecured portfolio has a fix rate. In accordance to the seller's geographical concentration, 40% of the borrowers are located in Cataluyna, followed by Madrid and Andalusia with 15% and 13% respectively. Almost the entire portfolio pays principal and interest on a monthly-basis and follows a French amortisation profile and close to 21% can request a payment holiday (grace period of principal and interest).

**Type of Consumer Loan**




Source: Documents of the Transaction

**Geographical Concentration**




Source: Documents of the Transaction

## Permitted Variations

The seller, in administering the RE secured and unsecured consumer loans, may not, without the consent of the gestora, voluntarily cancel the assets forming the collateral for reasons other than the full amortisation of the loan.

Additionally, it will not renounce the consumer loans, modify or restructure them, cancel them in whole or in part, or permit an extension, or in general take any action that diminishes the legal effectiveness or the economic value of the consumer loans, except for the modifications listed below.

The contracts allow subrogation of RE secured and unsecure consumer loans only in cases where the characteristics of the new debtor are similar to those of the original debtor and are originated under the same guidelines and upon approval by the gestora.

Changes in RE secured and unsecured consumer loan interest rates and margins will be limited to the WA interest rate and margin of the collateral not falling below three-months Euribor + 50bp, however, when modelling the transaction this does not affect cash flows since there is a swap in place.

The servicer may agree to decrease or increase the remaining life of the mortgage loan in question by changing the amortisation profile. Any extension is limited to the final maturity of the assets. In no case will the extension exceed the final maturity of the last securitised RE secured and unsecured consumer loan. The outstanding amount of the RE secured and unsecured consumer loans on which the extension of maturity could be allowed will not exceed 10% of the initial aggregate pool principal balance transferred to the issuer.

Historically, limited loan modifications or restructurings have been reported for existing RMBS/ABS transactions. However, given the downturn in the housing market and macroeconomic conditions, many lenders have expanded their loan modification and restructuring programmes as part of loss mitigation strategies. Fitch expects that all loan modifications or restructurings will be conducted within the above limits.

## Portfolio Credit Analysis

Fitch's base case default and recovery expectations assume that origination, underwriting and servicing practices and procedures are in line with those of a standard Spanish lender with market expertise. The agency also considers certain elements not factored into the loan-by-loan analysis, either because they are not available or because they are only applicable on an aggregate basis, such as: i) length of the historical performance observation period; ii) performance of previously securitised deals; and (iii) undisclosed information.

Fitch has used a dual-approach in analysing this pool; it has used the most updated *EMEA Consumer ABS Rating Criteria*, dated July 2011 for the unsecured portion of the pool and has used its *EMEA Criteria Addendum – Spain. Mortgage Loss and Cash Flow Assumptions*, dated July 2011. The combined set of base case and stressed assumptions are illustrated in the tables below.

Figure 4

### Base Case Assumptions

| Product | Default base case (%) | Recovery base case (%) | Loss base case (%) | Assumed concentration (%) |
|---|---|---|---|---|
| Re secured consumer loans | 6.0 | 56.9 | 2.6 | 69 |
| Unsecured consumer loans | 5.0 | 20.0 | 4.0 | 31 |

Source: Fitch

Figure 5

### Stressed Assumptions

| | Rating default rate (%) | Rating recovery rate (%) | Rating loss rate (%) |
|---|---|---|---|
| AAA | 22.5 | 27.1 | 16.4 |
| BB+ | 8.7 | 40.7 | 5.1 |

Source: Fitch

## Real Estate Secured Consumer Loan

### *RE Secured Open Credit*

This product effectively operates like a revolving credit facility whereby the borrower makes an initial drawdown and subsequently can ask for further draws. These further draws, however, remain subject to the credit analysis and full underwriting and approval of the seller. In addition, these are subject, among others, to the overall RE Secured Open Credit LTV including all drawdowns remaining at a maximum of 60%, and the borrower not being in arrears in any of the existing drawdowns. The LTV is calculated using the property value obtained as of the date of origination as the property is not re-valued for subsequent drawdowns. The first drawdown tends to be used for the acquisition of a main residence while further drawdowns are generally used for other purposes, including household improvement and consumer-led purposes. In this transaction the first and second drawdowns for consumer purposes are being securitised.

### *Origination Channel − Exposure to Traditional Channels*

According to CaixaBank, all the loans in the portfolio have been originated through its own branch network, indicating a good profile for borrowers using this channel. Consequently, Fitch has not applied any default rate adjustment to the loans because of non-traditional origination channels.

### *Affordability – Weak Due to Lack of Information*

CaixaBank was unable to provide loan-by-loan information on borrowers' net income data, therefore Fitch assumed the maximum Debt-to-Income (DTI) category when analysing the RE secured consumer loan portfolio, ie, DTI Class 5, that suggests a ratio higher than 50%.

### *Grace Period and Payment Holiday*

Some 7.9% of the RE secured consumer loans by volume already benefit from a principal grace period and 30% benefit from a payment holiday for up to 12 months. Taking into consideration the weaker borrower profile that usually demands this type of affordability product, Fitch has applied a 20% incremental FF hit on these borrowers.

### *Borrower Profile*

The seller provided employment data on a loan-by-loan basis for close to 71% of the RE secured consumer loan portfolio. 40.3% of borrowers are employees of a third party; 9.9% are self-employed borrowers and 4.8% are unemployed. For all loans without information (29%), or where the borrower is self-employed, unemployed or reported as others (16%), the base default rate expectation was increased by 25%.

### *Property Type*

The pool comprises 93.4% of first homes and 6.6% of second homes. The default rate expectation was increased, for second homes, by 25%. Fitch calculated the recovery rate by assigning to each property the market value decline (MVD) corresponding to the region where it is located. Within the RE secured consumer loan portfolio, only 6.6% of the properties had values above or below the market average for their respective regions. Fitch applied a "jumbo haircut", in accordance with its criteria.

### *Original Loan to Value (OLTV) – Not Calculated as Standard Methodology*

Considering the revolving nature of the RE Secured Open Credit product, the agency used the highest of the OLTV at closing or the total maximum drawable amount to calculate a loan's OLTV for the purposes of default rate expectation to account for the possibility of borrowers applying for a further draw prior to their default. On the recovery side, upon a borrower's default, recovery proceeds will be split pro rata between the different drawings. Fitch calculates recovery percentages accounting for potential further draws.

### *Second Lien Loans*

Some 18% of the RE secured consumer loans are second lien positions. When calculating the OLTV, the model uses prior lien loan amounts to calculate the OLTV and when calculating the recoveries it first distributes recoveries to the first lien loans and then, if any to the second lien loan.

*Recovery Cap – In Line With Gestora's Management of Repossessed Assets*

Fitch has observed, from information provided by the gestora that the management of repossessed properties has consisted on passing to the issuer the minimum legal amount by which the property has been assigned at action (typically 60% of the initial value). So when calculating recoveries, Fitch has applied a cap on recoveries at 60% of initial valuation.

*Purpose of the Loan – All are Consumer Oriented*

For the RE secured consumer portion of the portfolio, 100% of the loans have a consumer purpose, so for these reason a 25% hit has been applied to the default rate expectation of all loans.

*Nationality – Low Exposure to Non - Spanish Borrowers*

Only 1.65% of the RE secured consumer subset is granted to non - Spanish borrowers. The risk profile of foreigners has been updated in the recent Spanish RMBS criteria addendum. Given the typically weak social links of the immigrant population and their different historical performance, a 100% hit has been applied to the default rate expectation of these loans

*Geographical Concentration – In Accordance to the Exposure of the Seller*

The RE secured consumer portion of the pool shows a geographical concentration in the Cataluyna (42.9%) region. Fitch applied a regional concentration default rate expectation hit of 15% for all loans backed by assets located in this region.

## Unsecured Consumer Loan

The unsecured consumer loans are fixed rate assets with a shorter term than the RE secured consumer loans. They benefit from guarantees others than a real estate which could be a security or a personal guarantee. These loans amortize on a monthly basis following a French amortisation profile.

*Default Risk for Unsecured Consumer Loans*

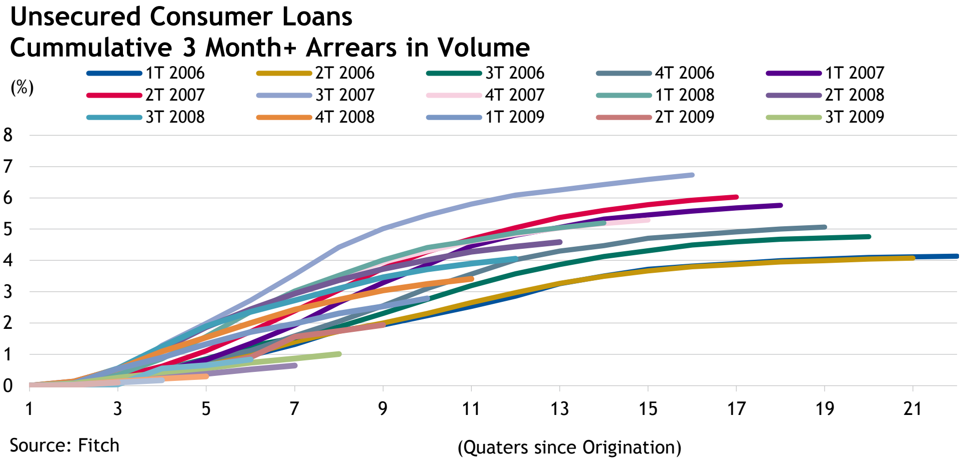
Fitch was provided with 90 days delinquency data in vintage form, covering the period January 2006 to June 2011 and one-year Probability of Default (PD) rates on a loan-by-loan basis; Fitch analysed the vintage data in line with its EMEA consumer ABS rating criteria. The proportion of origination of unsecured consumer loan portfolio has been stable over the recent years, representing about 30% of the consumer book.

The agency used such data to determine the base case default rate for the unsecured consumer loan portion of the pool, given some benefit for the most recent vintages which show a better performance compared to the vintages in years 2007-2008 and acknowledging the internal one-year PD provided by CaixaBank. Fitch considers that the state of the labour market, in particular unemployment, to be one of the main drivers of defaults in consumer ABS transactions.

The 2007 and 2008 vintages exhibit higher cumulative 3 months + arrears in volume terms compared to other vintages. This is mainly explained for the increased in unemployment and difficult economic environment of the Spanish economy. The most recent vintages show better performance due to a tightening in originator's lending criteria.

Fitch has set the cumulative default rate in a base case at 5.0% and reflects the agency's expectation of the future assets performance which incorporates the most recent vintages' performance seen on this product. In line with Fitch's criteria, to account for the impact of economic deterioration on the transaction's cash flows, Fitch applies multiples to the base case for the respective rating scenarios. These stress multiples address the risk that the actual performance may be worse than the base case assumption. Since the base case is close to the historical average, Fitch has applied the average multiples as per its criteria, namely 5x for a 'AAAsf' and 1.7x for a 'BB+sf'.

Figure 3



Source: Fitch

*Recovery Rates for Unsecured Consumer Loans*

In Fitch's experience, recoveries under unsecured financing are usually very low. This has also been confirmed for CaixaBank's unsecured consumer loan book. Based on the data provided, Fitch decided to apply an overall base case recovery rate of 20%.

In the context of adopting a clear distinction between the exposure at default (3 months + in arrear) and the loss, the seller provided Fitch with static recovery data which is consistent with the default information provided. The calculation tracks all recoveries that are collected from debtors after the loan was classified as being defaulted. Both the magnitude as well as the timing of recoveries could be derived from the information presented.

In line with its criteria, Fitch has applied higher-than-average recovery stress haircuts to its recovery rate expectation (60% in 'AAAsf' and 21% in 'BB+sf'). When setting these assumptions, Fitch took into account the following: recoveries are generally driven by the workout process and the macroeconomic environment; the recovery data presented to Fitch covers the period between 2006 and 2011 and recoveries have been relatively stable through the cycle.

## Financial Structure and Cash Flow Modelling

The agency's cash flow model was used to simulate the impact of defaults, recoveries and prepayments on the issuer's income, based on the assets acquired. The cash flow model assumed that default and recovery timings would occur in line with the historical evidence provided by CaixaBank.

The cash flows were tested in relevant rating scenarios to ascertain if they were sufficient to pay interest and principal on the different classes of notes when due. The model therefore took into account the different structural elements of the transaction. The results were used to assess the adequacy of credit enhancement levels for the respective classes of rated notes.

The agency took into account the interest deferral mechanism in place on the class B notes. This trigger is designed to protect the higher rated notes in high stress scenarios.

Fitch performed various sensitivity runs to assess the impact of certain combinations of input factors on the ultimate results, such as different default timings (front and back - loaded) and prepayment stresses (high and low). The agency tested increasing, stable and decreasing interest rates in accordance with its stresses, which are updated on a quarterly basis (see

*Criteria for Interest Rate Stresses in Structured Finance* Transactions, published on 21 March 2011 and available at www.fitchratings.com).

The agency also modelled different levels of prepayments, which can have differing impacts on the transaction; primarily, they lower the absolute amount of excess spread, which is key to the total CE in this structure. However, since the principal repayment is directed to the senior series, those notes benefit from a higher CE as a result of the increase in subordination.

The transaction is hedged against the interest rate exposure that arises from the mismatch between the fixed and variable interest bearing portfolio and floating interest payable under the notes. Nevertheless, the initial CE structure would not only withstand an increasing interest rate environment, but also a decreasing interest rate stress, both going forward from the expected closing date.

The analysis showed that the CE levels provided for each of the tranches would be sufficient to withstand the default hurdles and losses determined by the agency for the individual ratings.

## Asset Outlook

The asset outlook for Spanish consumer loans is currently Stable/Declining. For more information, please see *2012 Outlook: European Structured Finance* outlook report dated 1 December 2011.

## Counterparty Risk

### Origination & Servicing

CaixaBank, as seller, will continue acting as servicer of the collateral. For the protection of investors, if CaixaBank is unable at some future point to continue to service the collateral, the gestora would dismiss the existing servicer and appoint a replacement administrator in accordance with Spanish securitisation law and Fitch's applicable counterparty criteria.

A servicer dismissal will become effective only after a new servicer has assumed all of its rights and obligations.

The transaction documents stipulate that, if the seller becomes insolvent, or if the sociedad gestora considers it appropriate, the seller will be required to notify the obligors and provide them with new payment instructions.

The transaction documents indicate that if CaixaBank is downgraded below 'BBB+'/'F2', the servicer is compromised to formalize a back-up servicer contract. This contract will begin to take effect when the gestora deems it appropriate.

### Account Bank and Paying Agent

A Guaranteed Investment Contract (GIC) account — the treasury account — will be held in the name of the issuer at CaixaBank which also acts a Paying Agent in the transaction. The treasury account will channel all the transaction's cash flows. It will receive the principal and interest collections from the collateral, swap payments, and will also be used to maintain the reserve fund. Amounts standing to the credit of this account will receive a guaranteed interest rate equal to three-month Euribor.

If the Short-Term or Long-Term Rating of CaixaBank, as account bank, is lowered below 'A'/'F1', the sociedad gestora will take one of the following steps within 30 calendar days: (i) obtain from a third-party entity rated at least 'A'/'F1' a first demand guarantee security for the amounts deposited in the GIC account; or (ii) transfer the GIC account to another entity rated at least 'A'/'F1'. If, after such a downgrade scenario, CaixaBank's ratings returned to at least the 'A'/'F1' level, the entity could regain responsibility as the account bank.

The transaction documents indicate that an entity on Rating Watch Negative (RWN) is considered to be rated one notch below its IDR; thus counterparties with a Long‑Term Rating

**Key Parties**

- **Originator, Servicer, Seller, Account Bank, Paying Agent and Swap Provider:** CaixaBank
- **Issuer:** Foncaixa Consumo 1, Fondo de Titulización de Activos
- **Issuer Management Company:** Gesticaixa, S.A., S.G.F.T.

of 'A' and/or a Short‐Term Rating of 'F1' on RWN will not be considered as an eligible counterparty.

### Commingling and Payment Interruption Risk

On a daily basis, the originator will transfer the monies received from the loans to the issuer account held at CaixaBank, which reduces the possible amount of monies to be commingled within a possible insolvency state of the servicer. Additionally, the transaction would benefit from a back-up servicer upon CaixaBank being downgraded below 'BBB+'/'F2'. Fitch believes that this risk is sufficiently addressed to assign the ratings to the notes.

In case the servicer is insolvent, the assets collections and transfer into the issuer's account are likely to be interrupted while alternative arrangements are made. The effect can be a short-term liquidity shock which could lead to an interruption on payments of the notes. To mitigate the payment interruption risk in case CaixaBank is downgraded below A/F1, the seller will create a deposit in the name of the issuer for an amount which will be equal to expenses, net swap payment and interest on Class A notes for the next payment period and it will be deposited in the treasury account of the issuer. This calculation will be done by the gestora. Fitch believes that payment interruption risk is limited.

### Set-Off

The issuer could be affected by the set-off rights of borrowers with deposits in accounts held with CaixaBank. However, this risk is mitigated as the seller commits in the documentation to remedy such circumstance if it arises at any point during the life of the transaction or, if it cannot be remedied, to pay to the issuer the amount set-off plus the accrued interest.

The transaction documents stipulate that, if the seller becomes insolvent, or if the gestora considers it appropriate, the seller will be required to notify the obligors within five days and provide them with new payment instructions.

Fitch derives comfort from Spanish law, where upon the insolvency of the seller (or the borrower), or upon notification to the borrower of the assignment of the receivable, set‐off is not valid. Hence, the only risk remaining is that of set‐off being invoked and claimed prior to insolvency but where the seller became insolvent before compensating the issuer. Note that amounts which can be set off do not relate to the entire consumer loan amount, but to the payments in arrears, liquid and fungible. The risk therefore remains limited and presents a very mild liquidity stress.

### Swap Counterparty

At closing, the issuer entered into a swap agreement with CaixaBank to hedge against the mismatch between the fixed and variable rates received from the consumer loan contracts and the floating rate amounts payable on the notes.

The hedge agreement provided by CaixaBank is an important component of the structure. Therefore, the following trigger protects the structure from a deterioration in the credit quality of the swap counterparty:

If the swap counterparty is downgraded below 'A'/'F1', it will take one of the following steps:

- find an entity rated at least 'A'/'F1' to guarantee its obligations under the swap agreement (within 30 calendar days);
- find a replacement counterparty rated at least 'A'/'F1'(within 30 calendar days); or
- cash- or security-collateralise its obligations in an amount sufficient to satisfy existing Fitch criteria (within 14 calendar days).

The transaction documents indicate that an entity on RWN is considered to be rated one notch below its IDR; thus counterparties with a Long‐Term Rating of 'A' and/or a Short‐Term

Rating of ‘F1’ on RWN will not be considered as an eligible counterparty.

Fitch’s hedge criteria are available in the report *Counterparty Criteria for Structured Finance Transactions,* and *Counterparty Criteria for Structured Finance Transactions: Derivative Addendum*, dated 14 March 2011 both available at www.fitchratings.com.

## Performance Analytics

The ongoing performance analysis of transactions forms an essential part of the Fitch rating process. A dedicated team handles the ongoing monitoring and review of Fitch-rated consumer ABS transactions by assessing whether the transactions are performing as expected.

At the time of assigning the initial rating, Fitch reviewed a sample servicer reports and identified key performance parameters. Such parameters include pool size, delinquency and default rates, as well as principal and interest payments on the notes. In addition to the transaction-specific triggers, Fitch will assign performance-related surveillance triggers.

At each reporting date, Fitch’s performance analytics group reviews the information provided in servicer reports. For publicly-rated ABS transactions, a summary of the reported information is published on Fitch’s subscription web site (www.fitchresearch.com) under the “*Surveillance*” section.

For each transaction, Fitch also monitors counterparty ratings relative to the agency’s counterparty criteria.

Further information on this service is available at www.fitchratings.com.

Please call the Fitch analysts listed on the first page of this report with any queries regarding the initial analysis or the ongoing performance.

## Appendix A: Transaction Overview

Figure 6

Foncaixa Consumo 1, FTA — Country/ABS

### Capital Structure

| Class | Ratings[a] | Size (%) | Size (m) | CE [b](%) | Interest rate | PMT freq. | IPD | Final maturity | ISIN/CUSIP |
|---|---|---|---|---|---|---|---|---|---|
| A | AAAsf | 85 | 2.618 | 20 | 3-months Euribor + 1.50% | Quarterly | March 2012 | March 2053 | ES0337504007 |
| B | BB+sf | 15 | 462 | 5 | 3-months Euribor + 2.50% | Quarterly | March 2012 | March 2053 | ES0337504015 |
| Total | | 100 | 3.080 | | | | | | |

| | | | |
|---|---|---|---|
| **Reserve fund** | **154 m** | **Credit enhancement** | **5%** |
| **Scheduled revolving period** | **0** | **Swaps** | **Fixed-and-variable to floating swap** |

[a] All rated classes have a stable outlook
[b] Credit Enhancement shown includes Reserve Fund

### Key Information

| Details | | Parties | |
|---|---|---|---|
| **Closing date** | 26 November 2011 | **Seller/originator** | CaixaBank |
| **Country of assets and type** | Spain | **Servicer** | CaixaBank |
| **Country of issuer / SPV** | Spain | **Backup servicer** | n.a. |
| **Analyst** | Jose Pablo Zuniga Arias | **Issuer** | Foncaixa Consumo 1, FTA |
| | +34 91 702 46 25 | **Issuer account bank provider** | CaixaBank |
| | | **Guarantor** | n.a. |
| **Performance analyst** | Jose Pablo Zuniga Arias | **Security trustee** | n.a. |
| | +34 91 702 46 25 | **Swap counterparty** | CaixaBank |
| | | **Frequency** | Quarterly |

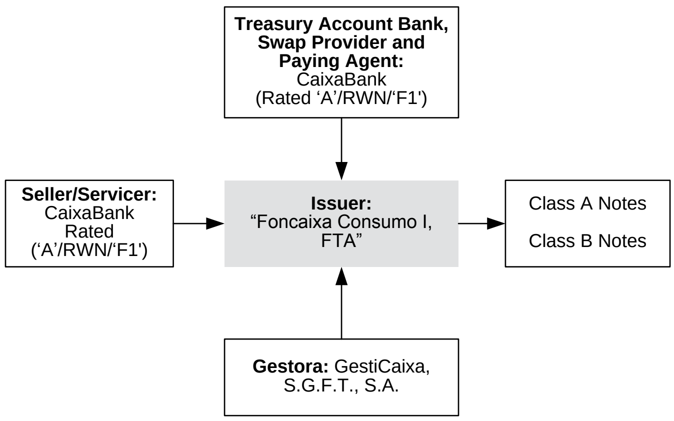
Source: Fitch

### Key Rating Drivers

- **Mixed Risk:** The collateral is comprised of two product types: standard unsecured consumer loans (31%) and real estate (RE) secured consumer loans (69%). While RE secured loans have a weighted average life (WAL) of about six years, the unsecured portion of the collateral is shorter with a WAL of two years.
- **Dual Rating Criteria Approach**: Fitch has used its ABS criteria to analyse unsecured consumer loans granted to individuals and SMEs, and its RMBS criteria to analyse the remaining portfolio.
- **Material Counterparty Dependency:** CaixaBank acts as originator, servicer, swap provider, bank account provider and paying agent. At closing, Fitch acknowledged the credit quality of CaixaBank which made it an eligible counterparty and also the triggers and remedial actions included in the documentation of the transaction, should CaixaBank suffer a rating deterioration.
- **RE Secured Consumer Loans:** Fitch's default base case and recoveries expectations for RE secured loans are 6.0% and 56.6% respectively, derived from its proprietary Spanish RMBS default model (ResiEMEA), which is based on the criteria for analysing securities backed by Spanish residential mortgage loans.
- **Standard Unsecured Consumer Loans:** Fitch has analysed the unsecured portfolio's credit risks and formed a base case default expectation of 5.0% and a recovery rate expectation of 20% for the lifetime of the portfolio. These are based on historical data provided by CaixaBank, dating back to 2006.

Source: Fitch

**Simplified Summary of Transaction**




Source: Transaction documents

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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