MOODY'S
INVESTORS SERVICE

PRE SALE REPORT

Belfius Bank Public Sector Covered Bonds

Covered Bonds / Belgium

Year of Initial Rating Assignment

2014

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Provisional (P) Ratings

Series	Amount	Coupon	Final Maturity	Rating
Series 1	1,000,000,000	fixed	[14 October 2019]	(P)Aaa

The ratings address the expected loss posed to investors. 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

Transaction Summary

We have assigned a provisional (P)Aaa long-term rating to the covered bonds to be issued under the public sector covered bond programme (*Belgian Public Pandbrieven Programme*) of Belfius Bank SA/NV (Belfius Bank, Baa1 negative, D+/ba1, Prime-2).[1]

The covered bonds are full recourse to the issuer, Belfius Bank, and if the issuer becomes insolvent, the claims of the covered bondholders will be secured by a pool of assets (the cover pool). As of 2 September 2014, the assets in Belfius Bank's cover pool amounted to €1.65 billion. All assets in the cover pool are claims against Belgian municipalities or provinces, or entities generally linked to Belgian municipalities.

The reference point for Moody's expected loss (EL) analysis and timely payment indicator (TPI) for this covered bond programme (currently "Probable-High") is the covered bond (CB) anchor[2] of Belfius Bank (see CB anchor paragraph below). The Belgian covered bond law of 3 August 2012 and the associated executing royal decrees and regulations govern covered bonds in Belgium (together, the Belgian CB law). The strengths of the Belgian CB Law include the regulatory requirement for the issuer to maintain 5% over-collateralisation (OC) calculated on the basis of an adjusted value of the cover pool. The issuer must also satisfy a liquidity test and an amortisation test (see the section "Strengths of the Transaction"). In summary, amongst others factors, the rating takes into account:

» the issuer's credit strength.

» the Belgian legal framework.

» the credit quality of the cover pool, reflected in the collateral score of 14.1%.

» the level of OC available to bondholders. The minimum OC level that is consistent with the (P)Aaa rating is 30% on a non-committed basis.

As is the case with other covered bonds, we consider the transaction is linked to the issuer's CB anchor, particularly from a default probability perspective. If the issuer's CB anchor deteriorates - all other variables being equal - we would expect the rating of the covered bonds to come under pressure.

If either the CB anchor or the pool quality deteriorates, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool. Failure to increase the level of OC under these circumstances could lead to negative rating actions.

The principal methodology used in rating the issuer's covered bonds is "Moody's Approach to Rating Covered Bonds", published in March 2014. Other methodologies and factors that may have been considered in the rating process can also be found on www.moodys.com.

Opinion

Strengths of the Transaction

Issuer: The covered bonds are full recourse to the issuer.

The Belgian legal framework: The Belgian CB law contains several strengths including, *inter alia,* the following:

» The National Bank of Belgium regulates and supervises the issuer.

» The cover pool is segregated from the general estate of the issuer, through the constitution of a "special estate".

» The holders of covered bonds benefit from a dual recourse constituted by (1) an exclusive claim on the assets of the special estate (*pari passu* amongst themselves); and (2) an unsecured claim on assets of the general estate (*pari passu* with the issuer's other unsecured and unsubordinated creditors).

» If the issuer becomes insolvent, the special estate would not form part of the general bankruptcy estate.

» Issuer insolvency would not trigger the acceleration of the covered bonds.

» The Belgian CB law sets out strict eligibility criteria for assets in the cover pool.

» The issuer must satisfy a liquidity test by ensuring that the cover pool always includes sufficient liquid assets to meet all unconditional payments on the covered bonds (including principal, interest and other costs) over a six-month period (the liquidity test).

» The issuer must ensure that the cover pool provides sufficient revenues to cover (1) the payment of principal and interest on the covered bonds; and (2) the obligations towards other creditors that are (or can) be identified in the issuance documentation (the amortisation test).

» The issuer must ensure that the value of the cover assets must represent at least 105% of all outstanding covered bonds. This is the legal minimum requirement.

» A cover pool monitor is responsible for verifying that the issuer meets all the requirements of the Belgian CB law.

Credit Quality of the Cover Pool

» The initial cover pool comprises only loans to Belgian public sector entities.

» The cover pool will not contain commercial, residential mortgage loans, commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS) or any asset-backed securities (ABS).

» Each loan has been fully disbursed and no loan included in the cover pool benefits from a netting arrangement.

Refinancing Risk

» The issuer must comply with the liquidity test (see above).

» The covered bonds will be issued as soft bullets with a 12-month maturity extension.

Market Risks

» The issuer indicated its intention to maintain the minimum OC level consistent with the (P)Aaa rating. The OC level is currently 30% on a nominal value basis.

» Currently, there is no currency mismatch between the cover pool assets and the covered bonds outstanding.

» The issuer indicated its intention to use mainly fixed-rate assets in the cover pool and to issue fixed-rate covered bonds.

De-Linkage: Following reorganisation measures, or insolvency proceedings opened against the issuer, the covered bondholders will benefit from a cover pool administrator that acts independently from the issuer's insolvency administrator. Furthermore, if the National Bank of Belgium deems it necessary, the cover pool administrator may be appointed before any issuer default, if the situation of the issuer is such that it may seriously affect the interests of the bondholders.

Claw Back: The claw-back provisions of the Belgian Bankruptcy Act of 8 August 1997 in relation to unenforceability of certain transactions do not apply to the registration (or the removal) of assets in (or from) the cover pool. The registration of assets in the cover register can only be challenged in case of fraud.[3]

Weaknesses and Mitigants

Issuer: As with most covered bonds, until a CB anchor event[4] the issuer can change the nature of the programme. For example, the issuer may add new assets to the cover pool, issue new covered bonds with varying promises and enter into new hedging arrangements. These changes could influence the credit quality of the cover pool as well as the overall refinancing risk and market risks. **Mitigants**: (1) The covered bondholders' direct claim on the issuer; (2) the requirements and controls imposed by the legislation; and (3) the eligibility criteria defined by the Belgian CB law.

Credit Quality of the Cover Pool:

As of 2 September 2014, the cover pool comprises 100% claims against public-sector debtors (Belgian municipalities or provinces, or entities generally linked to Belgian municipalities such as public centers for social welfare (*centres publics d'action sociale)*, public hospitals and so-called police zones (*zones de police)* or intermunicipal entities (*intercommunales)*). Moody's received financial information on municipalities, *intercommunales* and provinces, and used this data to determine the credit quality of the cover pool.

The collateral quality is reflected in its collateral score which is currently 14.1%, in line with the average collateral score for public sector assets rated by Moody's in Europe. Moody's will monitor the credit quality of the underlying debtors on a regular basis and adjust the collateral score of the cover pool accordingly.

Refinancing Risk: Following a CB anchor event, in order to achieve timely principal payment, covered bondholders may need to rely on proceeds being raised through the sale of, or borrowing against, assets in the cover pool. Following a CB anchor event, the market value of these assets may be subject to high volatility. **Mitigants**: (1) The credit strength of the issuer (the stronger the credit of the issuer, the lower the chance of being exposed to this risk); (2) the stressed refinancing margins utilised in our modelling; and (3) the appointment of a cover pool administrator who would be responsible for the enforcement of the cover pool in consultation with the National Bank of Belgium.

Market Risk: As with most European covered bonds, there is potential for exposure to market risks. For example, following a CB anchor event, covered bondholders may be exposed to interest rate risk. In this programme, interest rates applicable to the cover pool are mainly fixed rate with long maturity. However, the covered bonds are expected to be fixed rate with shorter maturity; this potentially creates material exposure to interest rate movements at the time of refinancing. **Mitigants**: (1)The legal requirement that the issuer must ensure that the cover pool will remain sufficiently adequate to repay the covered bonds and related charges in case of material and unexpected movements in the interest rate, including a sudden 2% increase or decrease in interest rates; and (2) the liquidity test.

Liquidity: The legal framework does not provide for an obligation to enter into a liquidity agreement following certain thresholds. **Mitigants**: (1) The strengths of the Belgian CB law, which include (a) alternatives given to the cover pool administrator for raising funds against the cover pool; (b) minimum 5% legal OC requirement; (c) the liquidity test requirements; (d) the issuer's discretion, by law, to subscribe to its own covered bonds for liquidity purposes (including, for transactions with the European Central Bank); (e) the maturity extension of the covered bonds, if the issuer is unable to repay the covered bonds on a maturity date ; and (f) (2) the covenant of the issuer that 105% of the covered bonds will be backed by public sector assets. Public sector assets may be used in transactions with central banks (in the provisional cover pool 76 % of the assets are repo-eligible).

Commingling Risk: If the issuer, becomes insolvent, amounts collected on the cover pool for the special estate may not be identifiable, creating commingling risk. **Mitigants**: (1) By law, all collections on assets constituting the special estate that are collected post-insolvency are automatically excluded from the bankruptcy estate and exclusively allocated to the special estate; and (2) the Belgian CB law sets up a "revindication mechanism". This mechanism allows for the transfer of property rights to other unencumbered assets in the general estate; the latter assets will be selected by taking into account criteria specified in the issuance documentation. The property rights would relate to any amounts that are part of the special estate by operation of law, but that cannot be identified as such in the general estate.

Set-Off Risk: Legal set-off may occur under the Belgian law where two persons hold claims against each other, provided, in general, that their debts exist, are fungible, liquid and due. **Mitigant:** Under the Belgian CB law enacted on 3 August 2012, the underlying debtor may no longer invoke set-off of the debt with any claim that would arise after, or in respect of which the conditions for legal set-off are not met before the earlier of (1) the notification of the registration of the loan to the special estate; or (2) the opening of insolvency proceedings against the issuer.

Time Subordination: After a CB anchor event, later-maturing covered bonds are subject to time subordination. Principal cash collections may be used on a first-come-first-serve basis, paying earlier maturing covered bonds before later maturing covered bonds. This could lead to OC being eroded before any payments are made to later-paying covered bonds.

Structure Summary

Issuer:	Belfius Bank SA/NV (Baa1 negative, D+/ba1, Prime-2) [5]
Covered Bond Type	Public sector Covered Bonds (*Belgian Public Pandbrieven Programme*)
Issued under Covered Bonds Law:	Yes
Applicable Covered Bonds Law:	Law of 3 August 2012 on the legal framework for Belgian covered bonds and its executing Royal Decrees and regulations
Originator:	Belfius Bank SA/NV
Servicer:	Belfius Bank SA/NV
Intra group Swap Provider:	No swap
Monitoring of Cover Pool:	Cover pool monitor (EY Bedrijfsrevisoren CVBA / Reviseurs d'Entreprises SCRL), mandatory by operation of the Law
Trustees:	n/a
Timely Payment Indicator (TPI):	Probable-High
TPI Leeway	0

CB Anchor

Entity used in Moody's expected loss and TPI analysis	Belfius Bank SA/NV
SUR [6]	Baa1 (long term senior unsecured rating)
Adjusted BCA	ba1
Debt Ratio	5-10% (Bail-in-able cushion for covered bond anchor)
CB Anchor	SUR + 1
Senior unsecured claim	Yes

Covered Bonds Summary

Total Covered Bonds Outstanding:	Expected initial issuance €1,000,000,000
Currency of Covered Bonds:	Euro (100%)
Extended Refinance Period:	Yes
Principal Payment Type:	Soft bullet (12 months extension period)
Interest Rate Type:	Fixed rate covered bonds (100%)

Collateral Summary

(see Appendix 1 for further information)

Size of Cover Pool (aggregate loan balance):	€1,650,053,497
Main collateral type in Cover Pool:	Public sector (100%)
Main Asset Location:	Belgium (100%)
Loans Count:	Public sector loans (31,295)
Number of borrowers	956
Concentration of 10 biggest borrowers:	9.7%
Currency:	Euro (100%)
WA Remaining Term:	174 months
Interest Rate Type:	Fixed rate (100%)
Over–Collateralisation necessary to support current rating:	30.0%
"Committed" OC:	5.0%
Current Over-Collateralisation	65.0% (on a nominal value basis)
Collateral Score:	14.1%
Market Risk:	17.7%
Cover Pool Losses:	25.5%
Further details:	See Appendix 1
Pool Cut-off Date:	2 September 2014

Structural and Legal Aspects

Belgian Public Pandbrieven Programme governed by the Belgian CB Law

Belfius Bank's public sector covered bonds (*Belgian Public Pandbrieven Programme*) are governed by the Belgian CB law, i.e., the law of 3 August 2012 on the legal framework for Belgian covered bonds and its executing Royal Decrees and regulations.

Moody's Rating Methodology

The approach used by Moody's for rating covered bond transactions is detailed in our rating methodology.[7] The impact of the credit strength of Belfius Bank, the quality of the collateral and market risks is considered below.

Credit Strength of the Issuer

The covered bondholders have full recourse to Belfius Bank and its credit strength benefits the programme.

For more information on Belfius Bank, see "Related Research".

The Credit Quality of the Cover Pool

As of 2 September 2014, the cover pool comprises 100% public sector debt, i.e., claims against Belgian municipalities or provinces or entities generally related to Belgian municipalities such as public centres for social welfare (*centres publics d'action sociale)*, public hospitals, so-called police zones (*zones de police)* or intermunicipal entities (*intercommunales*). The cover pool assets satisfy the eligibility criteria stated by the Belgian CB law in respect of public sector exposure.

The cover pool assets total €1.65 billion, backing an expected initial issuance of €1 billion covered bonds.

We view the following characteristics of the public sector debt as credit positive:

» The covered bonds are backed by a minimum of 105% of public sector debt (while the Belgian CB law requires a minimum of 85%)

» The credit quality of the underlying debtors - as assessed by Moody's - is comparable to the European average credit quality of public-sector debt.

» The cover pool is granular with limited debtor concentration (the largest exposure to a single debtor (on an aggregated basis, i.e., summing up all exposures to one municipality and to its related entities for instance) does not exceed 1% of the total cover pool).

» 76% of the pool is repo-eligible.

» The issuer is very well experienced in originating loans to public sector entities and has provided Moody's with comprehensive data on the financials of the underlying debtors.

» All loan are fully disbursed and no loan included in the cover pool benefit from a netting arrangement.

We view the following portfolio characteristics of the public sector debt as credit negative:

» None of the obligors included in the cover pool are publicly rated by Moody's. **Mitigant:** Moody's was provided with historical financial data on a representative sample of the debtors population. Moody's relied on this data, benchmark and extrapolation techniques to determine the credit quality of all the underlying debtors in the cover pool.

» All of the obligors are situated in Belgium leading to some geographical concentration. **Mitigant:** Moody's takes into account in its modelling the impact of geographical concentration.

Summary Collateral Analysis: Collateral Score

We have incorporated these factors into our analysis and the result of the cover pool analysis is the collateral score.[8] For this transaction, the collateral score of the current pool is 14.1%, which is in the average of the collateral score assigned to public sector debt in Europe.

We calculate a collateral score based on the credit quality of the cover pool assets, as described above. In addition, the collateral score published in this report reflects all adjustments made; this number therefore includes the cushion built-in to address the factors described above.

Other Credit Considerations

The Belgian CB law mitigates substitution risks

As with most covered bonds in Europe, there are few restrictions or limitations on the future composition of the cover pool. This may have the effect of creating substitution risk. **Mitigants** to substitution risk, which should protect the quality of the cover pool over time, include:

» Requirements of the Belgian CB law with respect to eligible assets.

» The cover pool composition will be monitored.

If the collateral quality deteriorates below a certain threshold, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool to support the current rating. Failure to secure additional OC following a deterioration of the collateral could lead to a negative rating action.

For further information on the credit quality of the cover pool, see Appendix 1.

Refinancing Risk

Following a CB anchor event, when the "natural" amortisation of the cover pool assets alone cannot be relied on to repay principal, we assume that funds must be raised against the cover pool at a discount if covered bondholders are to receive timely principal payment. If the portion of the cover pool that is potentially exposed to refinancing risk is not contractually limited, our expected loss analysis typically assumes that this amount exceeds 50% of the cover pool.

Furthermore, following a failure to pay off any amount of interest or principal on the extended maturity date, all covered bond series can be accelerated if there is consent of holders of more than 25% of the aggregate principal balance of the covered bonds.

After a CB anchor event, the market value of these assets may be subject to certain volatility. Examples of the stressed refinancing margins we use for different types of prime-quality assets are published in our rating methodology (see Related Research: "Moody's Approach to Rating Covered Bonds", published in March 2014).

Aspects of this covered bond programme that are refinancing-positive include:

» *Belgian CB law*: (1) issuer insolvency would not trigger the acceleration of the covered bonds; and (2) the cover pool administrator can sell all or part of the cover pool, with or without all (or parts) of the liabilities attached.

» The liquidity test requires that the cover pool must always include sufficient liquid assets to meet all unconditional payments on the covered bonds (over a six-month period).

» The programme benefits from an automatic maturity extension if the issuer is unable to repay the covered bonds on a given maturity date. We understand that all covered bonds issued under this programme will have a soft-bullet repayment, with a 12-month extension period.

Aspects of this covered bond programme that are refinancing-negative include the following:

» We expect that the cover pool assets will have a substantially higher weighted-average life compared with the outstanding covered bonds.

Market Risk

Following a CB anchor event, covered bondholders may be exposed to interest-rate risk, which could arise from the different payment promises and durations made on the cover pool and the covered bonds.

Aspects specific to this covered bond programme that are market-risk positive include the fact that:

» Currently, there is no currency mismatch between the cover pool assets and the covered bonds.

» All assets in the cover pool pay fixed interest rate and 100% of the bonds to be issued are expected to pay a fixed rate. This creates some level of natural hedging in respect of interest rate risk.

» The mandatory coverage test stipulated by the Belgian CB law reduces the exposure to market risk.

» The Belgian CB law requires the issuer to ensure that the cover pool value will remain adequate to repay the covered bonds and related charges.

Aspects specific to this covered bond programme that are market-risk negative include:

» 100% of the cover pool assets pay fixed-for-life interest, while the covered bonds are expected to have a shorter term. This mismatch introduces significant interest rate risk in case of rising interest rates.

» The weighted-average life of the covered bonds is expected to remain shorter than the weighted-average life of the cover pool assets. A potential sale of fixed-rate assets (to meet due payments on covered bonds following issuer's default) could therefore lead to a crystallisation of mark-to-market losses caused by interest-rate movements.

» No hedging arrangements have been entered into the cover pool, and we do not expect hedging to be included into the cover pool in the near future.

» If the issuer becomes insolvent, we do currently not assume that the special cover pool administrator will always be able to efficiently manage any natural hedge between the cover pool and the covered bonds. Therefore, following a CB anchor event, our covered bond model looks separately at the impact of increasing and decreasing interest rates on the expected loss of the covered bonds, taking the path of interest rates that leads to the worst result. The interest and currency stressed rates used over different time horizons are published in our rating methodology (please see related research: "Moody's Approach to Rating Covered Bonds", published in March 2014).

Linkage

All covered bonds are linked to the issuer of the covered bonds. The covered bonds will therefore come under rating stress if the issuer's credit strength deteriorates. Reasons for this include:

» Refinancing risk: Following a CB anchor event, if principal receipts from collections of the cover pool are not sufficient to meet the principal payment on a covered bond, funds may need to be raised against the cover pool. However, the fact that the issuer has defaulted may negatively affect the ability to raise funds against the cover pool.

» The exposure to decisions made by the issuer in its discretion as manager of the covered bond programme. For example, before an issuer default, the issuer may add new assets to the cover pool, issue further bonds and enter new hedging arrangements. These actions could negatively influence the value of the cover pool.

» More generally, by the incorporation of the strength of the issuer in accordance with our rating methodology.

Because of this linkage, the probability of default of the covered bonds may be higher-than-expected for a senior unsecured debt with the same rating. However, our primary rating target is the expected loss, which also takes severity of loss into account; in this case, it is consistent with the provisional covered bond rating.

Our Timely Payment Indicator (TPI)[9] assesses the likelihood that timely payments will be made to covered bondholders following a CB anchor event. It thus determines the maximum rating a covered bond programme can achieve with its current structure whilst allowing for the addition of a reasonable amount of OC.

Aspects to this covered bond programme that are TPI positive include:

» Segregation of the cover pool is achieved through the constitution of a "special estate" that will not be part of the issuer's general bankruptcy estate.

» Issuer insolvency does not trigger the acceleration of the covered bonds.

» Asset cover tests are designed to ensure that the cover pool has substantial value at the time of the occurrence of a CB anchor event.

» The liquidity test ensures that the cover pool includes sufficient liquid assets to meet all unconditional payments over a six-month horizon.

» The cover pool monitor, as an independent agent, is in charge of verifying on an ongoing basis that the issuer meets all the legal requirements.

» The cover pool administrator, appointed in stressed circumstances, ensures that the issuer complies with its obligations towards the bondholders and other creditors.

» The Belgian CB law limits commingling and set-off risk.

» The covered bonds have a 12-month maturity extension, in case the issuer fails to redeem a series on the scheduled maturity date.

» The liquidity of the public-sector assets should improve the sales value of the cover pool.

» The credit quality of the cover pool assets is captured by the collateral score of 14.1%.

Aspects to this covered bond programme that are TPI-negative include:

» No swaps are in place, which may affect the value of the cover pool if it were sold following a CB anchor event (however, if sufficient OC is in place, it may be considered positive that this transaction would not need to resolve swap terminations).

We have assigned a TPI of "Probable-High" to this transaction. This compares favourably with the "Probable" TPI generally used in the Belgian covered bonds backed by residential mortgage loans (currently rated by Moody's), due to the lower refinancing risk of the public sector assets constituting the cover pool.

Monitoring

The issuer is expected to deliver certain performance data to us on an ongoing basis. If this data is not made available to us, our ability to monitor the ratings may be impaired. This could negatively affect the ratings or, in some cases, our ability to continue to rate the covered bonds.

Appendix 1: Cover Pool Information Public-Sector Debt

The pool data is as of 2 September 2014.

Overview	
Asset type :	Public Sector
Asset balance :	1,650,053,497
WA remaining term (in months/years) :	174/14.5
WAL of cover pool (in years):	8.2
Number of borrowers :	956
Number of loans / bonds :	31,295
Exposure to the 10 largest borrowers :	9.7%
Average exposure to borrowers :	1,725,997

Specific Loan and Borrower characteristics	
Repo eligible loans / bonds :	76.0%
Percentage of fixed rate loans / bonds :	100.0%
Percentage of bullet loans/ bonds :	0.0%
Loans / bonds in non-domestic currency :	0.0%

Performance	
Loans / bonds in arrears (≥ 2months - < 6months) :	0%
Loans / bonds in arrears (≥ 6months - < 12months) :	0%
Loans / bonds in arrears (≥ 12months) :	0%
Loans / bonds in a foreclosure procedure :	0%

n/d : information not disclosed by Issuer

n/a : information not applicable

EXHIBIT A

Borrower type

	Belgium
Direct claim against supranational	0.0%
Direct claim against sovereign	0.0%
Loan with guarantee of sovereign	0.0%
Direct claim against region/federal state	0.0%
Loan with guarantee of region/federal state	0.0%
Direct claim against municipality (*)	58.7%
Loan with guarantee of municipality (**)	21.5%
Others (***)	19.8%
	100.0%

(*) including 57.1% municipalities, 1.2% municipal entities (*régies ordinaires*) and 0.4% mono-municipal police zones.

(**) including 18.6% public centres for social welfare (*centres publics d'action sociale*)and 2.9% multi-municipal police zones.

(***) including 9.5% public hospitals, 6.2% intermunicipal entities and 4.2% provinces.

EXHIBIT B

Percentage of public sector assets

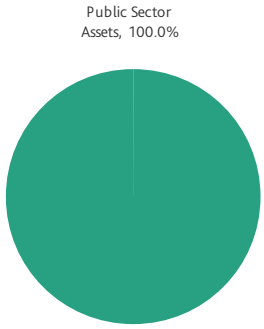


EXHIBIT C

Borrower Concentration

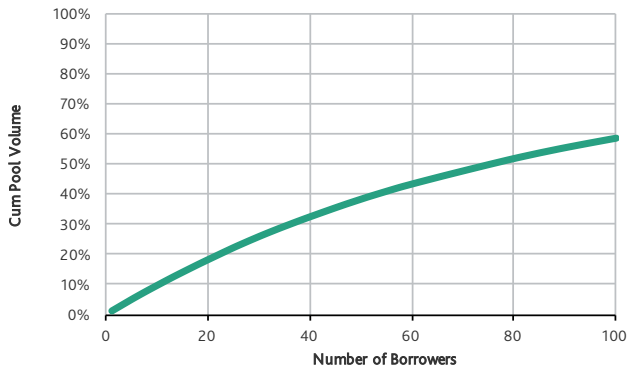


EXHIBIT D

Pool distribution by country exposure rating

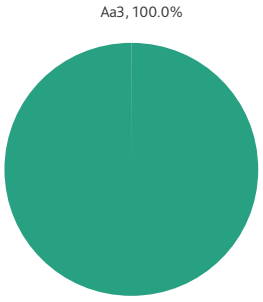
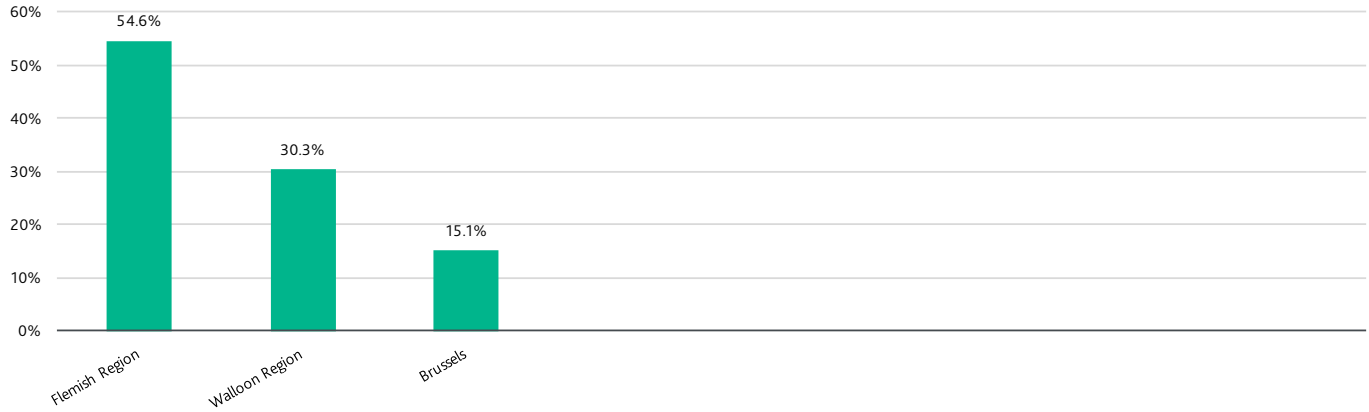


EXHIBIT E

Main Country Regional Distribution (*)



(*) For guaranteed claims, based on the guarantor's location.

Moody's 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 and our dedicated covered bonds webpage www.moodys.com/coveredbonds.

Rating Methodologies:

» Moody's Approach to Rating Covered Bonds, March 2014 (SF345822)

Special Reports:

» 2014 Outlook - Global Covered Bonds, December 2013 (SF347563)

» Moody's Global Covered Bonds Monitoring Overview: Q1 2014, January 2014 (SF354852)

» European Covered Bond Legal Frameworks: Moody's Legal Checklist, December 2005 (SF66418)

Credit Opinion:

» Belfius Bank SA/NV

To access any of these reports, click on the entry above. Bond 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.

[1] The ratings shown are the bank's deposit and senior unsecured rating and outlook, standalone bank financial strength, rating/baseline credit assessment and short term rating.

[2] The CB anchor is the higher of the adjusted baseline credit assessment (BCA) plus up to two notches ("adjusted BCA+[0-2]") and the senior unsecured rating plus up to one notch ("SUR+[0-1]"). For more details see Related Research: "Moody's Approach to Rating Covered Bonds", published in March 2014.

[3] Under article 1167 of the Civil Code or article 20 of the Bankruptcy Act of 8 August 1997.

[4] A CB anchor event occurs when the issuer ceases making payment under the covered bonds. For more details on the CB anchor event, see Related Research: "Moody's Approach to Rating Covered Bonds", published in March 2014.

[5] The ratings shown are the bank's senior unsecured rating and outlook, standalone bank financial strength, rating/BCA and short term rating.

[6] We could use a senior unsecured rating or a deposit rating, depending on a case-by-case analysis of the most appropriate reference rating for the CB anchor.

[7] "Moody's Approach to Rating Covered Bonds".

[8] The collateral score can be seen as the amount of risk free enhancement required to protect a Aaa rating from otherwise unsupported assets – therefore, the stronger the credit quality of the collateral, the lower the collateral score. This only considers the credit deterioration of the assets and ignores any risk from refinancing and market risk (see Related Research: "Moody's Approach to Rating Covered Bonds", published in March 2014).

[9] See Related Research: Moody's Approach to Rating Covered Bonds", published in March 2014.

» contacts continued from page 1

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