RatingsDirect®

Presale:

Belfius Bank Public Pandbrieven Program

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Table Of Contents

Table Of Contents (cont.)

Presale:

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*(**Editor's Note:** This presale report, which was originally published on Sept. 12, 2014, is being updated to reflect changes to our preliminary ratings on Belfius Bank's public-sector covered bond program and inaugural issuance following a criteria update. On Sept. 19, 2014, we published "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance". We have applied these criteria in our analysis and have changed our preliminary ratings accordingly. An updated version follows.)*

Up To €1.0 Billion Issuance Of Belgian Public Pandbrieven (€10 Billion Program)

This presale report is based on information as of Sept. 24, 2014. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

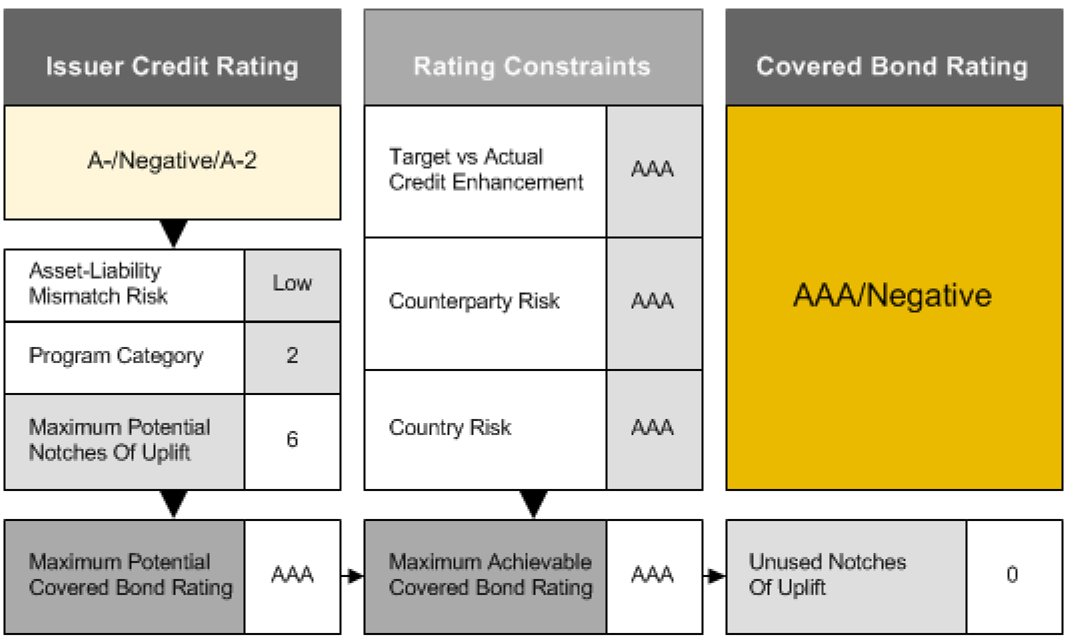


Table 1

Belfius Bank Public Pandbrieven Program*	
Jurisdiction	Belgium
Type of covered assets	Legislation-enabled
Underlying assets	Public sector loans
Outstanding covered assets (bil. €)	1.65
Extendible maturities	Yes
Target credit enhancement (%)	38.8

Table 1

Belfius Bank Public Pandbrieven Program* (cont.)	
Available credit enhancement (%)	65.0

*Based on data as of Sept. 2, 2014.

Table 2

Belfius Bank Public Pandbrieven Program Participants

Role	Name	Rating	Rating dependency
Issuer	Belfius Bank	A-/Negative/A-2	Yes
Account provider	Belfius Bank	A-/Negative/A-2	No
Servicer	Belfius Bank	A-/Negative/A-2	No
Interest rate swap provider and covered bond swap provider for various series	None	N/A	N/A
Cover pool monitor	Ernst & Young	N.R.	No
Bank account provider	Belfius Bank	A-/Negative/A-2	No

*We apply the potential notches of uplift to the long-term rating on Belfius Bank to derive the covered bond rating. N.R.--Not rated. N/A--Not applicable.

Major Rating Factors

- Standard & Poor's Ratings Services has assigned its preliminary 'AAA' credit ratings to the public-sector covered bond program and inaugural issuance of "Belgische pandbrieven/lettres de gage belges" ["public pandbrieven"]) to be issued by Belgium-based Belfius Bank SA/NV (A-/Negative/A-2). The public pandbrieven issuance will be the first under Belfius Bank's €10 billion program. The outlook is negative.
- The initial cover pool comprises public-sector loans granted to Belgian local authorities eligible under Belgian covered bond law. These include municipalities, provinces, public centers for social welfare, municipal and intermunicipal entities, police "zones" ("zone de police/politiezone"), and public hospitals).
- Available credit enhancement exceeds the target credit enhancement at the current rating level.
- The sovereign rating on Belgium does not constitute a cap to the ratings on the Belfius pandbrieven.

Outlook

Based on our "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance" criteria published on Sept. 19, 2014, we can rate the covered bond program two notches above our sovereign rating on Belgium. Therefore, our rating on the sovereign does not cap our ratings on the Belfius public pandbrieven program and issuance of public pandbrieven.

The negative outlook on our ratings on the program reflects the negative outlook on the issuer. The ratings on the covered bonds incorporate all six notches of uplift under our asset-liability mismatch (ALMM) criteria (see "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published Dec. 16, 2009). As a result, any change to our rating or outlook on Belfius Bank would automatically affect our ratings on Belfius' public pandbrieven, all else being equal.

Rationale

The covered bond rating process employed primarily follows the methodology and assumptions outlined in "Covered Bond Ratings Framework: Methodology And Assumptions," published June 26, 2012, on RatingsDirect. We assess legal risks using our criteria "Europe Asset Isolation And Special-Purpose Entity Criteria," published Sept. 13, 2013. As part of our analysis, we conducted a review of Belfius Bank's public-sector operations. The review encompassed loan origination, underwriting policies and procedures, and servicing practices. We believe satisfactory procedures are in place to support the preliminary ratings on the covered bonds. Specifically, we believe the bank applies sufficiently prudent underwriting practices, and that procedures are in place to effectively service the portfolio. We also considered the risk of replacement of the servicer through our credit analysis and stressed servicing fees. The cover pool consists of loans to public-sector entities in Belgium. The assets are originated by Belfius Bank. We have conducted a loan-by-loan analysis to assess the credit quality of the cover pool of public-sector collateral, based on our criteria "Surviving Stress Scenarios: Assessing Asset Quality of Public Sector Covered Bond Collateral," published Sept. 30, 2003. Based on our ALMM criteria, we apply the 'AAA' credit stress at all covered bond rating levels. As a result of these factors, the gross scenario default rate that we consider to be commensurate with a 'AAA' credit stress is equal to 36.00% as of Sept. 2, 2014.

We have reviewed the asset information provided as of Sept. 2, 2014, and have performed a cash flow analysis based on the preliminary liability profile of the covered bond program as of the same date. We have applied our five-step approach for rating covered bonds outlined in our ALMM criteria. According to these criteria, the covered bond program category of '2' and asset liability mismatch of "low" result in a maximum ratings uplift of six notches from the long-term issuer credit rating (ICR) on Belfius Bank. Based on our analysis of asset and liability cash flow information, we have also determined that the target credit enhancement commensurate with a 'AAA' rating is 38.8%. Available credit enhancement as of Sept. 2, 2014, was 65.00%. As available credit enhancement exceeds the target credit enhancement, we consider that the covered bonds could achieve an uplift of up to six notches above the ICR on Belfius Bank. However, the ratings are constrained by the sovereign rating on Belgium.

We consider country risk as set out in our criteria article "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published Sept. 19, 2014. The cover pool consists of loans to public-sector entities in Belgium. As a result of this high sensitivity to Belgian sovereign risk under our criteria, we can rate Belfius Bank's public-sector covered bond program two notches above our sovereign rating on Belgium (AA/Stable/A-1+). Consequently, our rating on the sovereign does not cap our rating on the Belfius public pandbrieven program and issuance of public pandbrieven, which we can rate 'AAA'.

We continue to believe that the Belgian covered bond legal framework supports the segregation of collateral assets in favor of covered bondholders, and supports an uplift of our ratings on the covered bonds above the ICR on Belfius Bank.

Finally, we have performed scenario and sensitivity analyses and have confirmed that the rating on the covered bonds would not be affected by a potential change in ALMM classification.

Final ratings will depend upon receipt and satisfactory review of all final transaction documentation, including legal opinions. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. If Standard & Poor's does not receive final documentation within a reasonable time frame, or if final documentation departs from materials reviewed, Standard & Poor's reserves the right to withdraw or revise its ratings.

Program Description

The public pandbrieven issuance will be the first under Belfius Bank's €10 billion program.

The issuer, Belfius Bank, is a retail bank fully focused on the Belgian market with more than four million customers. The Belgian government is the bank's sole shareholder, which has a stable and relevant Belgian retail market position, with a 15% share. Although focused domestically, in our view, Belfius Bank has good business diversification between banking and insurance services, and retail and local authority clients.

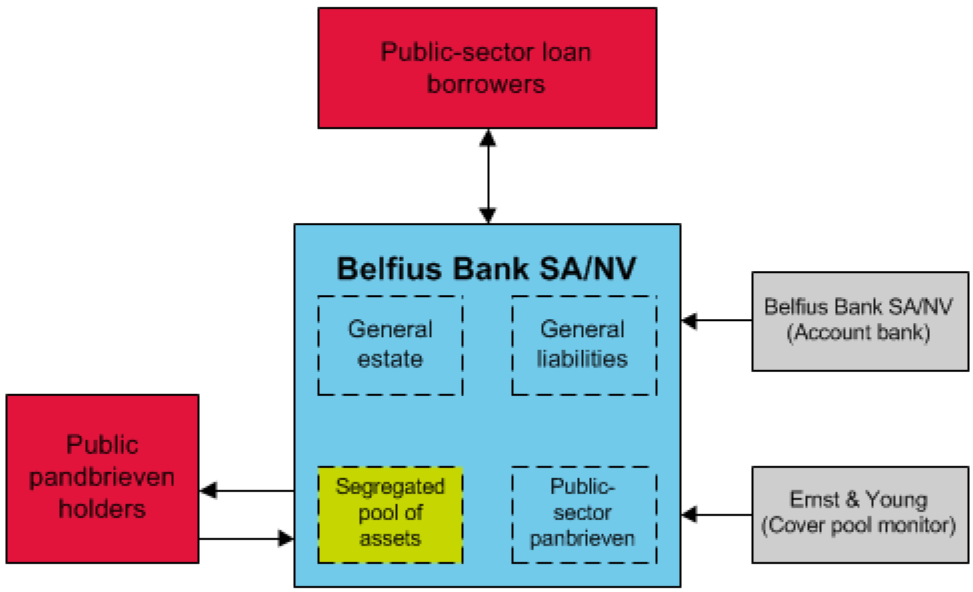
The Belgian pandbrieven constitute unsubordinated senior unsecured obligations and will rank pari passu among themselves. This covered bond program is a funding tool for Belfius Bank's assets, liabilities, and liquidity management complementing the more traditional, existing unsecured note issuance and securitization transactions.

The inaugural issuance will be backed by a portfolio of public-sector loans granted to Belgian local authorities eligible under Belgian covered bond law. These include municipalities, provinces, public centers for social welfare, municipal and intermunicipal entities, police zones, and public hospitals).

Under this law, the pandbrieven holders will benefit from a ringfenced estate called the segregated special estate. The cover assets constituting the segregated estate are available to meet the obligations under the covered bonds, and are excluded from the issuer's bankrupt estate. If the issuer becomes insolvent, pandbrieven holders will have dual recourse to cover assets constituting the segregated estate, and to the issuer's general estate (in respect of which they will be treated as the issuer's unsecured creditors).

The ratings assigned to this issuance reflect our level of confidence in the Belgian legal framework for the issuance of covered bonds and the credit quality of the underlying assets and their cash flows.

Chart 1
Belfius Bank Public Pandbrieven Program Structure



Potential Effects Of Proposed Criteria Changes

Our ratings are based on our applicable criteria, including those set out in the criteria articles "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published Dec. 16, 2009). However, please note that these criteria are under review (see "Request for Comment: Covered Bonds Criteria," published Sept. 4, 2014).

As a result of this review, our future criteria applicable to rating covered bonds may differ from our current criteria. These criteria changes may affect the ratings on the covered bonds issued by Belfius Bank. Until such time that we adopt new criteria, we will rate these covered bonds using our existing criteria (see the list of related criteria and research below).

Legal Framework

Belgian covered bond law provides the legal framework for the issuance of covered bonds in Belgium. On the basis of our review of the legal framework and opinions provided by legal experts, we consider that the legislation provides an appropriate framework. As a result, we believe that insolvency of the issuer would not lead to cash flow interruption for investors.

Our rating approach for covered bonds links our ratings on the covered bonds to the ICR if we see mismatches between the assets and liabilities' cash flows. Once the issuer has become insolvent, the covered bond holders have to rely on the cover pool's cash flows to receive timely payment of interest and ultimate payment on the maturity date as per the final terms and conditions of the covered bonds. To assess whether the legal framework supports this, we considered the following features:

- The isolation of, and priority to, the assets in the cover pool if the issuer becomes insolvent;
- A lack of acceleration or forced debt restructuring if the issuer becomes insolvent;
- The manager's ability to generate liquidity to mitigate any maturity mismatch risk between the assets and the liabilities; and
- The issuer's ability to provide and maintain overcollateralization over and above the regulatory minimum requirements if the issuer becomes insolvent.

Belgian covered bonds are issued by credit institutions on their balance sheet and do not entail a transfer of credit claims to a special purpose vehicle.

Under Belgian covered bond law, the pandbrieven holders will benefit from a ringfenced estate, the segregated estate. The segregated estate consists of a pool of cover assets (registered in the cover assets register) and all security interests attached. If the issuer becomes insolvent, the insolvency proceedings will be limited to the credit institution's general estate and the segregated estates will not form part of the bankrupt estate.

Belgian covered bonds do not automatically accelerate if the issuer becomes insolvent.

It is also important to note that the Royal Decree provides a general limitation on the aggregate level of covered assets. The value of the cover assets may not exceed 8% of the issuing credit institution's aggregate assets.

Covered Bond Program Structure

Belfius Bank established a new covered bond program using the Belgian covered bond legislation.

According to Belgian covered bond law, the type of assets that qualify to be part of the cover assets are:

- Mortgage loans;
- Public sector exposure (or senior securitization positions thereof);
- Credit institutions exposure; and
- Hedging instruments.

Belfius Bank's initial cover pool comprises exclusively public-sector loans granted to Belgian local authorities, regions, and communities eligible under Belgian covered bond law for a preliminary amount of €1.65 billion, which will be segregated in the special estate.

Belfius Bank's public pandbrieven program aims to issue soft bullet covered bonds allowing the final maturity date of the relevant series to be extended. This means that if the issuer fails to pay the final redemption amount on the final maturity date, then payment of the unpaid amount will be automatically deferred for a maximum duration of 12 months.

Given that all loans that form part of the initial cover pool will pay a fixed rate interest rate and the series of covered bonds will also pay a fixed interest rate coupon, there will be no hedging mechanism implemented at closing. Furthermore, the cover assets and the covered bonds are denominated in euros. Therefore, there is no currency risk at closing.

Belfius Bank must appoint a cover pool monitor approved by the National Bank of Belgium (NBB). The cover pool monitor will issue periodic reports to the NBB on the issuing credit institution's compliance with the legal and regulatory framework applicable to Belgian pandbrieven (see "Maintenance Of The Portfolio"). At closing, the cover pool monitor will be Ernst & Young.

The credit issuing institution must hold a register of cover assets. From the moment that the assets are included in the segregated estate's cover assets, they are registered. The cover assets forming the segregated estate are exclusively allocated to satisfy the issuer's obligations and liabilities toward the covered bond holders.

Insolvency of Belfius Bank

Any insolvency proceedings (or whenever the NBB deems it is necessary in the interest of the noteholders) brought against Belfius Bank will be limited to the bank's general estate. As a consequence, the segregated estate will not be part of Belfius Bank's bankrupt estate. This also implies that the insolvency or the liquidation of Belfius Bank would not trigger an automatic acceleration of the covered bonds.

Once potential insolvency procedures commence, the NBB will appoint a cover pool administrator who will take over the cover pool's management. Under certain circumstances, it may sell or liquidate the segregated estates and accelerate the covered bonds, on approval from the NBB and consultation by the noteholders' representative. We have assumed that liquidation (and acceleration of the covered bonds) will not take place unless the noteholders and the NBB give their consent.

Liquidity risk

For as long as any covered bond remains outstanding, the cover assets must generate sufficient liquidity or include sufficiently liquid assets to enable the issuing credit institution to make all unconditional payments on the covered bonds due in the six months. These include principal, interest, and other costs relating to the special estate's management and administration.

Moreover, Belfius Bank will add a bond to the special estate that will serve as liquidity for all interest payments due on the covered bonds for six months (with the principal payments being covered through the one-year maturity extension of the soft-bullet covered bonds).

The bond will be eligible to the European Central Bank (ECB) and be rated at least 'AA-' (standard ECB market value haircuts will apply to calculate the bond's value)

Commingling risk

In the program documentation, there is no bank account downgrade language relating to where the assets forming part of the segregated estate are deposited. However, the covered bond legislation contains provisions that limit commingling risk between the issuer's two separate estates.

If the bank becomes insolvent, collections received from the cover assets and not reinvested in new loans could be commingled with the funds of the general insolvency estate, although these amounts are excluded by law from the insolvent general estate. As a consequence, based on monthly reporting, we have assumed one month of risk where cash could be accumulated and one month of notification period after insolvency.

These collections are, however, part of the segregated estate and legally protected through the revindication mechanism.

The revindication mechanism ensures that if any amount of cash that is part of the segregated estate cannot be identified in the general estate then it will have access to unencumbered assets in the general estate. Belfius Bank has defined these assets in the covered bond program documentation. As these assets are not strictly equivalent to cash in the sense that they bear a market value risk, Belfius Bank has defined market value haircuts to apply to the value of these assets so that the segregated estate receives an equivalent amount of cash.

Any potential delay in accessing these assets is covered through the bond added by Belfius Bank to the segregated estate (see "Liquidity risk" above). However, the market value haircuts defined in the documentation are lower than haircuts in our market value criteria. Therefore, we have stressed the difference in haircuts by assuming a commingling loss in our cash flow analysis.

We will continue to monitor the level of unencumbered assets through the revindication right, and if this appears insufficient, we would model commingling risk in our cash flows.

Set-off risk

The Mobilisation Act limits the possibility for netting transferred receivables. According to the Law on Mobilisation we understand that both legal and contractual set-off risk between the credit institution and the receivables debtor will no longer be permitted. Moreover, although the law does not explicitly exclude judicial set-off, we have received sufficient legal comfort to mitigate this risk. We have therefore assumed no set-off risk in the program structure.

Maintenance of the portfolio

The specific controller will test four different aspects of the cover pool on a monthly basis.

Cover assets valuation methodology (asset type testing). The cover pool must be composed by one of the three following categories: residential mortgage loans, commercial mortgage loans, or public sector debt. The value of one such category must at least be equal to 85% of the outstanding covered bonds.

Overcollateralization test. The value of the assets must be equal to or higher than 105% of the outstanding amount of covered bonds.

Amortization test. The total revenue stream derived from the cover assets has to exceed the sum of the principal, interest, and costs related to the covered bonds.

Liquidity test. The cover pool has to contain sufficient liquid assets or generate sufficient liquidity over a six-month period to enable the issuing credit institution to carry out the payments under the covered bonds and charges related to the program. If necessary, the issuing credit institution may enter into a liquidity line with an independent credit institution, the proceeds of which form part of the segregated estate.

Cover-Pool Specific Factors

Asset credit quality

We have based our credit analysis on cover pool information as of Sept. 2, 2014.

Table 3

Overview Of The Initial Cover Pool

	Sept. 2, 2014
Total volume of assets (mil. €)	1,650
Number of loans	31295
Number of borrowers	956
Largest single borrower exposure (%)	1.00
Average loan balance	52725
Largest loan balance	14920795.78
WA seasonning (years)	4.94
WA interest rate (%)	3.68
Concentration in top 10 obligors (%)	10

The initial pool consists entirely of exposures to public-sector entities located in Belgium. The assets are originated by Belfius Bank. We expect the cover pool to contain only exposures to Belgium public-sector entities in the future.

The initial cover pool is very granular with no concentration above 1% of the total asset balance. The concentration in the top 10 borrowers represents 9.7% of the total asset balance. We expect the level of concentration to remain stable over time.

Belgium has three Regions (the Flemish Region, the Brussels capital region, and the Walloon Region). Regions are among others responsible for transportation, infrastructures, employment and housing. Belgium also designates the three communities by the inhabitants' culture and language.

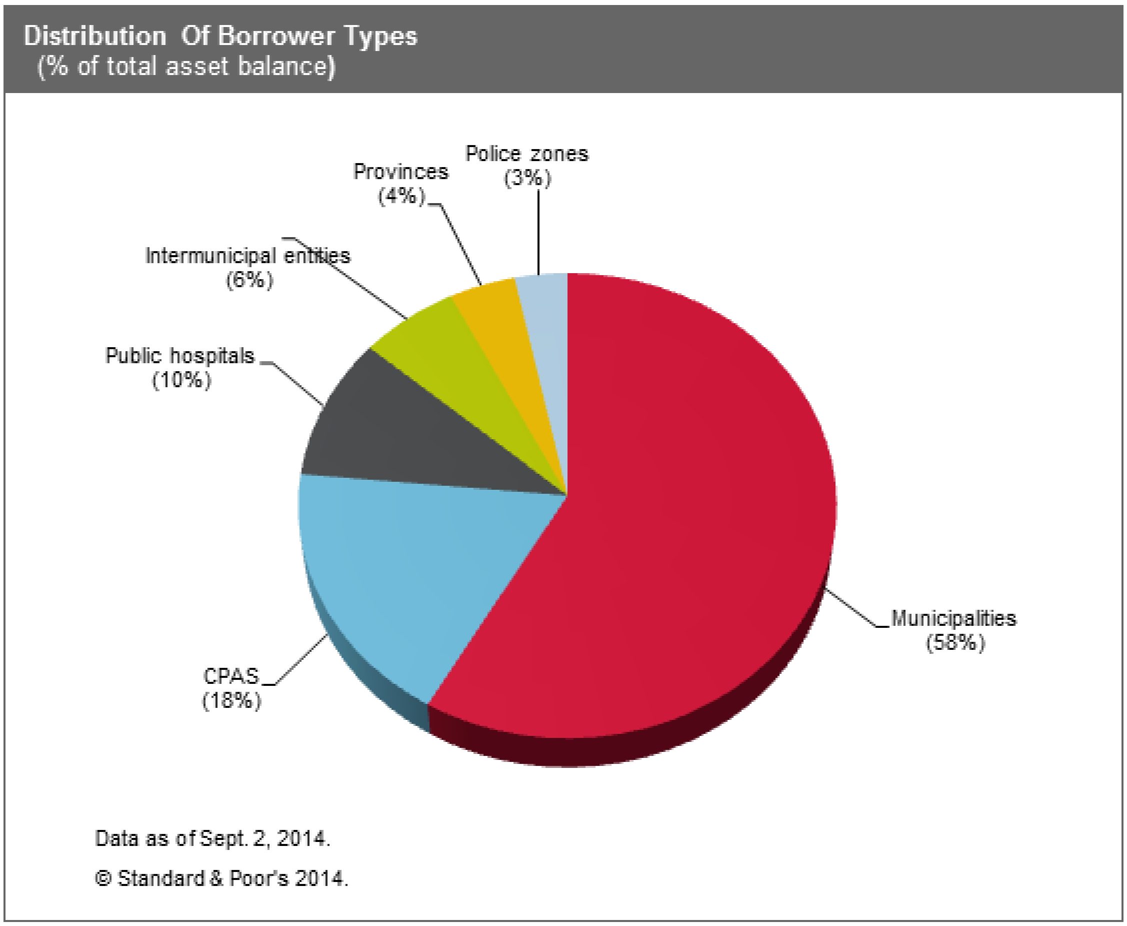
The country is further divided into 10 provinces and 589 municipalities supervised by regions:

- Provinces either belong to Walloon or Flanders, as the city of Brussels has no province. Provinces have extensive competencies: They act autonomously based on the principle of provincial interest.
- Municipalities' responsibilities are also large as they can act in any field based on the principle of municipal interest. Regions also transfer a certain number of responsibilities to municipalities (maintaining public order, taking care of the register of births, deaths, and marriages). Besides, municipalities are generally in charge of municipal roads, primary education, and social welfare.

Each municipality has its own social welfare entity ("CPAS"; Public Centre for Social Welfare) that is mainly in charge of social allowances. Like CPAS, police zones fall under the responsibility of municipalities. Municipalities are responsible for covering any potential deficit of these entities.

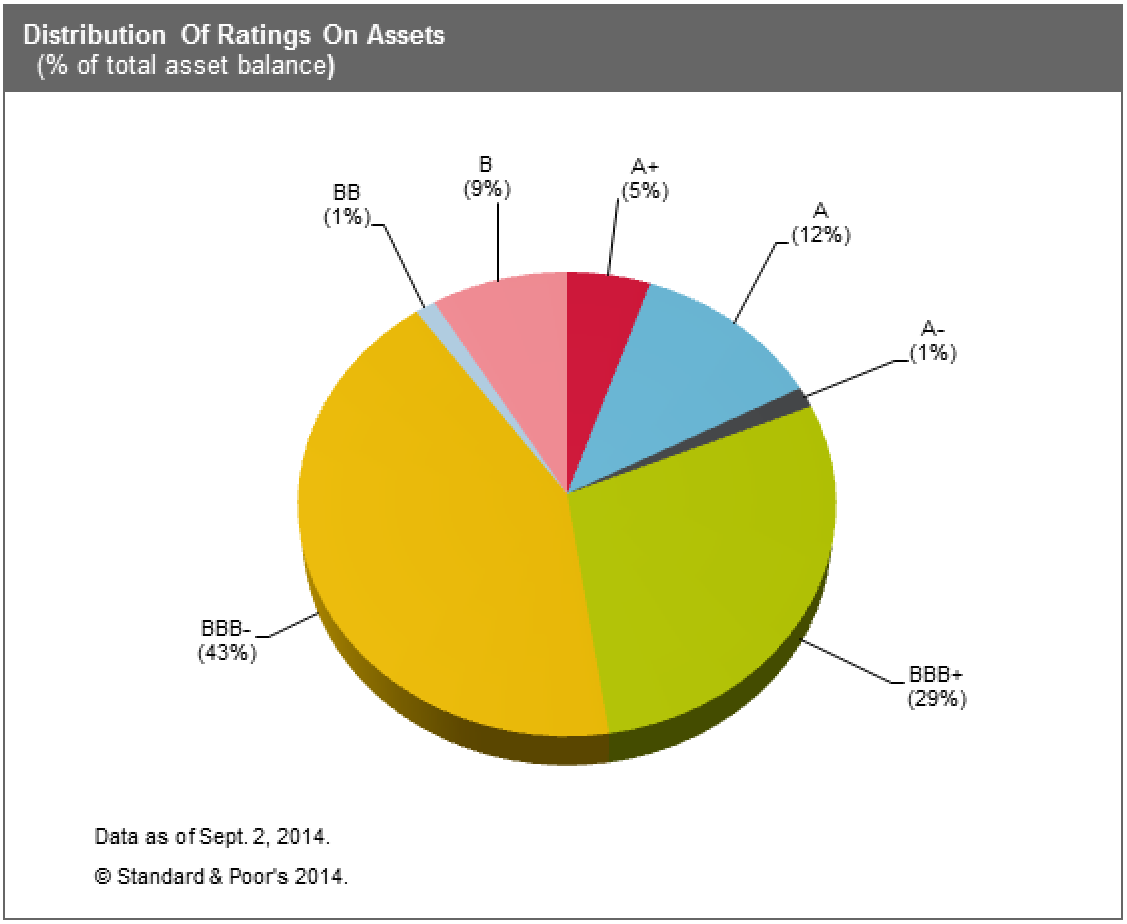
Obligor types included in the initial cover pool as of Sept. 2, 2014, are mainly provinces, municipalities, intermunicipal entities, public centers for social welfare , police zones, and hospitals (see chart 3). As social welfare entities and police zones are closely linked to the municipalities from an institutional, political, and budgetary point of view, we have consolidated these exposures whenever possible. After the consolidation, the portfolio remains very granular with only few exposures above 1% but below 2%.

Chart 3



Although the vast majority of obligors are not rated by Standard & Poor's, we use rating assumptions in our analysis of the assets, based on our view of each obligor type and on financial information provided for the larger exposures (see chart 4).

Chart 4



Payment structure and cash flow mechanics

We evaluate a pool of covered assets on a cash flow basis to determine whether, under conditions of severe economic stress, the cash flow generated by the assets would be sufficient to meet the debt service payments due on the liabilities in a timely manner. The aim of the cash flow analysis is to assess the cover pools for:

- Credit risk as described above;
- Market risk in the form of interest rate and currency risk;
- ALMM as a result of cash flow mismatches between assets and liabilities in terms of maturity (ALMM), and market value risk in case the program has to liquidate assets;
- Prepayment risks and servicing costs; and
- An appropriate stress-testing of these risks using the Covered Bond Monitor (CBM).

Our cash flow analysis is based on the assumption of a static pool; that is, no active pool management or new issues other than servicing the liabilities as they come due. This assumption stems in turn, from our central rating assumption, where the issuer is insolvent and the pool is managed until it has fully amortized.

The cover pool does not include registered derivatives; it relies instead on natural hedges. The cash flow analysis determines, among other things, the target credit enhancement level commensurate with the program's maximum potential rating in a five-step process.

Table 4

Belfius Bank Public Pandbrieven Program ALMM Metrics	
	As of Sept. 2, 2014
Asset WAM (years)	8.2
Liability WAM (years)*	6
Maturity gap (years)	2.8
ALMM (%)	10
ALMM classification	Low
Maximum uplift above issuer rating under ALMM criteria (notches)	6
Target credit enhancement for maximum uplift (%)	38.8
Target credit enhancement for first notch of uplift (%)	2.5
Available credit enhancement (%)	65

ALMM--Asset-liability maturity mismatch. WAM--Weighted average maturity. *Including maturity extension of 1 year.

Standard & Poor's Five-Step Covered Bond Rating Process

Step 1: Calculation and classification of the asset-liability mismatch

To determine the maximum potential rating uplift for a covered bond program above the issuing bank's ICR, we first need to calculate the ALMM.

Here, we consider mismatches in the timing of the asset and liability cash flows, where mismatches that occur far in the future are multiplied by a scaling factor that decreases over time. In our opinion, programs that are exposed to large funding needs within the next 12 months are typically riskier than those with mismatches throughout the tenor of the covered bonds. We apply our standard interest rate and default stresses and we assume a constant prepayment rate of 0% on the public-sector assets when calculating the ALMM.

Following this calculation, we categorize ALMM risk according to table 5.

Table 5

ALMM Classifications And Maximum Potential Uplift Ranges

ALMM risk	ALMM percentage (%)	Maximum potential number of notches uplift
Zero	N/A	Unrestricted
Low	0–15	5–7
Moderate	15–30	4–6
High	>30	3–5

N/A--Not applicable.

Belfius Bank's public pandbrieven currently have an ALMM percentage of 10%, which translates into a "low" ALMM classification. Based on the current cover pool and liability profile, we expect the ALMM to remain in the "low" classification over the next 12 months.

Step 2: Program categorization

In this step, we categorize programs based on their ability to obtain third-party liquidity or to sell assets to fund any mismatch if the issuing bank fails.

We categorize Belfius Bank's public pandbrieven program in category '2'. The categorization follows a review of the Belgian covered bond legislation and the Royal Decree implementing the legal framework for Belgian covered bonds. It follows as well, a review of the range of funding options and strength of funding sources in Belgium. We believe that the legislation, which provided legal certainty to Belgian covered bond programs, coupled with our view of the appraised systemic importance of covered bonds in Belgium, and the availability and strength of the refinance funding sources is commensurate with a category 2 program categorization.

Step 3: The maximum potential covered bond rating

We assess the maximum potential covered bond rating by combining the ALMM risk classification and the program categorization (see table 6).

Table 6

Maximum Potential Ratings Uplift From ICR On Issuer

By number of notches

ALMM risk	--Category--		
	1	2	3
Zero	Unrestricted	Unrestricted	Unrestricted
Low	7	6	5
Moderate	6	5	4
High	5	4	3

The ratings on Belfius Bank's public pandbrieven are elevated from the ICR on Belfius Bank. Combining the ALMM classification of "low" and the program category of '2', the maximum uplift that we can assign to the bank covered bonds is six notches above the ICR based on our ALMM criteria. The maximum achievable rating is dependent on the program having sufficient collateral to address all risks, including our assessment of the market value risk (see step 4).

Step 4: Cash flow and market value analysis

In step 4, we calculate the target credit enhancement by analyzing the cash flows, taking into account credit risks, ALMM risk, and structural risks specific to the program (see "Covered Bond Program Structure").

We apply these stresses to Belfius Bank's public pandbrieven using Standard & Poor's CBM. We model the market value risk in terms of a "spread shock." We calculate the net present value of the projected cash flows of the assets needing to be monetized using a discount rate, which we base on the pool-specific asset spreads over the relevant funding rates. In our analysis, the spread shock we used when discounting Belfius Bank's cover pool was 400 basis points (bps), and reflects our view of the market value risk on exposures to Belgium public-sector loans in the cover pool.

Based on these assumptions, we are of the opinion that the target credit enhancement level sufficient to achieve the highest potential uplift is 38.8%.

Step 5: The covered bond program rating

By applying these stresses to Belfius Bank's public pandbrieven through our cash flow analysis, we believe that a target credit enhancement of 38.8% is sufficient to achieve the highest potential uplift above the ICR. The available credit enhancement of 65% exceeds the target credit enhancement. We have therefore assigned our maximum rating of 'AAA' to the program and issuance of public pandbrieven.

Scenario And Sensitivity Analysis

Various factors could trigger downgrades of covered bond transactions, such as movement in ALMM classification, as well as downgrades of the ICR.

As part of our sensitivity analysis, we have projected the ALMM for the next six to 12 months considering the current asset and liability profile of the covered bonds. The ALMM is expected to remain "low" for the next six to 12 months.

Additionally, we have conducted our cash flow analysis projecting the cash flows six months forward. All else being equal, based on the current asset and liability profile of this program, we expect the target credit enhancement commensurate with the current ratings on the covered bonds to remain stable. Material changes in the asset or liability profile of the program may affect the target credit enhancement that we view to be commensurate with the current ratings on the covered bonds.

Ongoing Surveillance

We will maintain regular surveillance on Belfius Bank's public pandbrieven program until the bonds mature or are otherwise retired. Within our surveillance analysis, we assess the following:

- The cover pool's composition, which may change as a result of asset substitutions;
- Overcollateralization levels;
- Supporting ratings on the transaction parties; and
- Compliance with the amortization test while the covered bonds remain outstanding.

Issuer reports include the following:

- Loan-by-loan cover pool data, which include details such as loan amounts, maturities and other relevant data;
- Stratified data from the issuer summarizing loan-level information; and
- Liability information through investor reports and issuance documentation.

Appendix

Asset-liability mismatch (ALMM)

The ALMM, as described in paragraphs 23–32 of "Revised Methodology and Assumptions for Assessing Asset-Liability Mismatch Risk In Covered Bonds," published Dec. 16, 2009.

Standard & Poor's Covered Bond Monitor (CBM)

CBM is a Monte Carlo model, which simulates approximately 100,000 different economic scenarios, or more if required, to establish an accurate default distribution. Each scenario produces a different path for interest rates and exchange rates for each currency included in the issuer's cover pool. Using these input parameters, we compute a corresponding set of cash flows to determine whether, under these stressed assumptions, the pool exhibits sufficient strength to pass the target rating eligibility test. The average maturity of outstanding covered bonds defines the target rating default probability against which the cash flows are benchmarked. If the respective cover pool cash flows exhibit fewer defaults than accepted under the threshold, the cover pool passes the rating eligibility test from a quantitative point of view.

Target asset spread

The methodologies and assumptions we use to calculate the target asset spread is described in "Assessing Asset-Liability Mismatch Risk In Covered Bonds: Revised Methodology And Assumptions For Target Asset Spreads," published April 24, 2012.

Target credit enhancement and actual credit enhancement

The methodologies and assumptions we use to calculate the target credit enhancement and actual credit enhancement are described in paragraphs 69–72 of our "Revised Methodology And Assumptions for Assessing Asset-Liability Mismatch Risk In Covered Bonds," published Dec. 16, 2009.

Weighted-average maturity (WAM)

The weighted-average maturity (WAM) of the assets/liabilities takes into account the weighted-average of final maturities.

Related Criteria And Research

Related criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, Sept. 19, 2014
- Update To Global Methodologies And Assumptions For Corporate Cash Flow And Synthetic CDOs, Aug. 1, 2014
- Europe Asset Isolation And Special-Purpose Entity Criteria, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
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- Covered Bonds Counterparty And Supporting Obligations Methodology And Assumptions, May 31, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Assessing Asset-Liability Mismatch Risk In Covered Bonds: Revised Methodology And Assumptions For Target Asset Spread, April 24, 2012
- Methodology: Credit Stability Criteria, May 3, 2010
- Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds, Dec. 16, 2009
- Rating Sovereign-Guaranteed Debt, April 6, 2009

Related research

- Request for Comment: Request for Comment: Covered Bonds Criteria, Sept. 4, 2014
- Request for Comment: Request for Comment: Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities, Sept. 4, 2014
- Request for Comment: Request for Comment: Updated Cash Flow Assumptions For Modeling Certain Covered Bonds, Sept. 4, 2014
- Covered Bond Monitor: Technical Note, Feb. 14, 2006
- Surviving Stress Scenarios: Assessing Asset Quality of Public Sector Covered Bond Collateral, Sept. 20, 2003

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