

ATRIUM-2

Belgium

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TRANSACTION IN BRIEF

Rating: **Aa2**
Total Nominal Amount: 5,215,000,000 Belgian Francs
Issuer: ATRIUM-2 SIC a "Société publique d'Investissement en Créances" (ATRIUM-2)
Seller/Servicer/Custodian: Bacob Bank c.v. (Bacob)(**A2*/P-1***)
Management Company: Titrisation Belge-Belgische Effectiserig (TBE.)
Supervision Company: Bankers Trustee Company Limited
Joint Managers: Bacob Bank C.V. and Bacob Bank Luxembourg S.A.

The Loans

Originator: Bacob
Type: Guaranteed loans to Domus Flandria, a limited company responsible for the financing of the social housing program of the Flemish Region
Number: 59
Total Principal Balance: BEF4,459,452,507
Net Annual Rates: Between 7.901% and 9.1267%
Wtd. Average: 8.4353%
Remaining Term to Maturity: Between 19 years and 20 years
Last Maturity: 01/06/2017

The Notes

	<u>Class A-1</u>	<u>Class A-2</u>
Rating:	Aa2	Aa2
Type of units:	Senior	Senior
Placement:	Public	Public
Number of Units:	200	835
Denomination:	5,000,000 BEF	5,000,000 BEF
Total Nominal Value:	1,000,000,000 BEF	4,215,000,000 BEF
Payments:	Quarterly	Quarterly
Nominal Interest Rates:	4.29%	6.37%
Issue Price:	100%	100%
Maturity :	09/2003	06/2017
Listing:	Brussels Stock Exchange	
Credit Support:	Guarantee of the Flemish Region (Aa2) on the loans	
Liquidity Mechanism:	Standby Facility on the loans from Bacob One month liquidity facility to the issuer from Bacob	

* Bacob Bank long and short term unsecured debt ratings are under review for possible downgrade since May 27th, 1997



RATING OPINION

Moody's has assigned a **Aa2** rating to the Class A-1 and a **Aa2** rating to the Class A-2 Fixed Rate Notes issued by ATRIUM-2.

The **Aa2** rating on the Notes is based on (1) the Guarantee of the Flemish Region (**Aa2**) on all payments due by Domus Flandria on loans drawn under the Long Term Facility granted by Bacob; (2) the Standby Facility granted by Bacob (**A2*/P-1***) to provide Domus Flandria with liquidity in the repayment of the loans; (3) the one month liquidity line provided by Bacob to the issuer; (4) the strength of the cash-flow structure; (5) the support that Bear Stearns Global Securitization Ltd, supported by Bear Stearns & Co, Inc (**A2**) provides to the management company; and (6) the soundness of the legal structure.

Moody's ratings on the two classes of Notes are closely linked to the **Aa2** rating of the Flemish Region. Should the latter be modified, the ratings on the Notes would be modified.

Structure

The issuer is a "Société publique d'Investissement en Créances" (S.I.C.) incorporated under Belgian Law. ATRIUM-2 is minimally capitalised and was created in order to fund the purchase of the remaining portfolio of loans originated by Bacob to Domus Flandria in accordance with the provisions of the Belgian Securitisation Decree. The first portion of the portfolio was securitized through the Atrium-1 transaction in 1996. Atrium-2 provides for the new possibility offered by the Law to create a separate compartment upon the acquisition of an additional portfolio. The issuer's capital is held by VHM N.V. (41% of the voting rights), a limited liability company in charge of the implementation and execution of the social housing policy in Flanders, GIMV N.V. (40% of the voting rights) another limited liability company mainly owned by the Flemish Region, and 19% Lessius N.V.

The issuer has funded the purchase price of the loans by issuing the Class A-1 and the Class A-2 Notes. On the closing date, the issuer will create a pledge of its assets, including, among others, the loans purchased and the related benefit of the Guarantee (see Liquidity and Credit Support), in favour of the Noteholders. The pledged assets will be held by the supervision company for the benefit of the Noteholders.

Since the securitised assets are not prepayable and pay a fixed interest rate, it has been possible to structure the transaction as a bond value transaction: the two classes of Notes will have a predetermined principal and interest schedule set at the closing date. Moody's has analysed the collateral cash-flows and the way they have been structured, taking into consideration all payments owed by the S.I.C., including fees due to the different participants of the transaction. On each quarterly payment date, Noteholders will receive interest payments at a nominal annual rate of 4.29% for Class A-1 Notes and 6.37% for Class A-2 Notes and pre-determined principal payments. The two tranches are sequential: Class A-2 Notes will begin to amortise only after Class A-1 Notes have been repaid in full.

Moody's rating of the Class A-1 and Class A-2 Notes addresses full and timely payment of interest and principal due according to the predetermined schedule.

Collateral

The securitised pool is composed of 59 loans originated by Bacob in an amount of approximately BEF 4.5 billion. They are non prepayable fixed rate annual level pay loans with a 20 years maximum maturity. The loans pay an annual instalment on a given month which is different depending on each loan.

These loans result from drawings under a Credit Facility amounting to BEF11.655 billion granted by Bacob to Domus Flandria and represent the remaining part of the portfolio after the Atrium-1 transaction. Domus Flandria is a limited purpose company set up on the instructions of the Flemish Region and is in charge of the implementation of the Flemish Region's Social Housing Emergency Program. The Credit Facility consists of two separate facilities: i) a Long Term Facility out of which have been selected the securitised loans and ii) a Standby Facility designed to provide liquidity to Domus Flandria in the repayment of the loans. The Standby Facility has not been securitised. Nevertheless, this liquidity mechanism will still benefit the securitised loans.

In its analysis of the collateral, Moody's has favourably considered the following factors:

- The Credit Facility Agreement provides that Domus Flandria, when unable to repay any scheduled instalment under the loans, will make a drawing under the Standby Facility. The Standby Facility has been sized to cover any four sequential monthly instalments due under the Long Term Facility.
- All the securitised loans benefit from a Guarantee from the Flemish Region which consists in any payment of principal and interest due by Domus Flandria under those loans. The loans meet the conditions necessary for benefiting from the Guarantee. In particular, i) each of the loans finances a specific social housing project which has been approved by the Flemish Housing Minister; ii) the Guarantee has been released separately for each loan through an approval of the Flemish Finance Minister; iii) the terms and conditions of the Long Term Facility, including the type of the loans and their interest rates have been approved by the Flemish Region; iv) the Guarantee becomes effective for each loan as from the day of the first draw down, and for each of the loans, the amount of the first draw down was credited to the bank account of Domus Flandria with Bacob; v) the Standby Facility has been approved by the Flemish Region. In addition, the Guarantee fee has been paid to the Flemish Region for each of the securitised loans.

Liquidity and Credit Support

Moody's rating is essentially based on the efficiency of the mechanics of the Guarantee.

Events under which the Flemish Region Guarantee would be called are listed in the Long Term Facility which has been approved by the Finance Minister of the Flemish Region. There are several events that would trigger a call of the Guarantee, in particular any failure by Domus Flandria to pay instalments when due.

In that case, Domus Flandria would first make up to four monthly drawings on the Standby Facility. Bacob as provider of the Standby Facility would concurrently notify the Guarantor of each drawing within two days of this drawing. This allows for an early notice of the Guarantor that its Guarantee would eventually be called after the fourth drawing under the Standby Facility, should Domus Flandria be still in default.

At the fifth consecutive missed payment of Domus Flandria, the Guarantor has been notified that Bacob as servicer would call it. The Flemish Region would take over the existing liabilities of Domus Flandria under the securitised loans.

An additional one month liquidity line covering the biggest instalment of the securitised loans (BEF 100 million) is also provided by Bacob to the issuer. Moody's has considered favourably the existence of this additional one month liquidity which protects the Noteholders against a delay in the payment to be made by the Guarantor.

The structure provides for a rating trigger mechanism on Bacob's rating. Should Bacob's ratings fall below **A2** or **P-1**, the Standby Facility and the liquidity line would be provided by another entity with an adequate credit quality or Bacob's full commitment under these facilities would be collateralized. These mechanisms reduce the risk that a downgrade of Bacob's ratings would trigger a downgrade of the ratings on the Notes.

Since out of the BEF 11.1 billion Long Term Facility already BEF 6.5 billion of loans have been securitised in the Atrium-1 transaction, covenants between i) Atrium-1 and Atrium-2 as owners of the first and second part of the Bacob portfolio securitized in 1996 and 1997, ii) T.B.E as management company in Atrium-1 and Atrium-2, iii) Bacob Bank as the originator, custodian and servicer in the two transactions and iv) Banker's Trustee Company limited as the supervision company of both Atrium-1 and Atrium-2, have been put in place in order to prevent any conflict of interest between both Atrium-1 and Atrium-2 in case the Guarantee would need to be called. Bacob Standby Facility will serve as undivided support for all loans in Atrium-1 and Atrium-2, and any drawing under the Standby Facility will be applied *pari passu* and *pro rata* to Atrium-1 and Atrium-2. In case of any event triggering a claim under the Guarantee, Atrium-1 (respectively Atrium-2) will immediately notify Atrium-2 (respectively Atrium-1), and the servicer or the supervision company will claim under the Guarantee. All amounts recovered by the supervision company following an enforcement of the pledged

assets will be paid to the transaction to which the pledged assets are related, except for the amounts recovered under the Guarantee, which will be applied pro rata and pari passu between Atrium-1 and Atrium-2. Whenever the supervision company would be of the opinion that an action to be taken in relation to the securitized loans would give rise to a conflict of interest between Atrium-1 and Atrium-2, the action will only be taken if approved by a separate Extraordinary Resolution of Noteholders of Atrium-1 and Atrium-2, both deciding by majority in each meeting.

Servicing/Custodian

The seller, Bacob, has undertaken to service the loans in the same manner as if it were dealing with its own loans. Moody's is aware of its collection procedures and believes that its management and systems capabilities enable it to comply with its responsibilities in this transaction.

Principal and interest collected (including any drawing on the Standby Facility by Domus Flandria) will be transferred to the issuer's account on the day of their receipt. The issuer's accounts are opened with Bacob. Should the ratings of Bacob Bank fall below **A2** or **Prime-1**, the Issuer's accounts will be transferred to an entity of adequate credit quality. This mechanism reduces the link existing between the ratings of Bacob and the rating on the Notes.

Management company The management company has been appointed by the issuer to manage the business and administer the assets of ATRIUM-2 in the manner set out in the Securitisation Decree. The Management Company has share capital of BEF 15 million. In assessing the ability of the management company to fulfil its obligations, Moody's has taken into account the support which Bear Stearns Global Securitization Ltd, supported by Bear Stearns & Co., Inc. (**A2**) has agreed to provide to it. ©

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