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June 25, 2010

Presale:

Penates Funding N.V./S.A., Compartment Penates-3

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Related Criteria and Research

Presale:

Penates Funding N.V./S.A., Compartment Penates-3

€6 Billion Mortgage-Backed Floating-Rate And €60 Million Subordinated Notes

This presale report is based on information as of June 25, 2010. 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.

Class	Prelim. rating*	Prelim. amount (mil. €)	Available credit support (%)¶	Interest	Legal final maturity
A1	AAA	2,250	63.50	Three-month EURIBOR plus a margin	July 2044
A2	AAA	3,195	10.25	Three-month EURIBOR plus a margin	July 2044
B	NR	555	1.00	Three-month EURIBOR plus a margin	July 2044
C§	NR	60	N/A	Three-month EURIBOR plus a margin	July 2044

*The rating on each class of securities is preliminary as of June 25, 2010, and subject to change at any time. Initial credit ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and audit and legal opinions. Standard & Poor's ratings address payment of timely interest and ultimate principal. ¶Available credit support will include a cash reserve of 1% of the initial note balance. §The class C notes will be issued to fund the cash reserve. NR—Not rated. EURIBOR—European interbank offered rate.

Transaction Participants	
Originator and seller	Dexia Bank Belgium N.V./S.A. (also known as Dexia Bank S.A.)
Arranger	Dexia Bank Belgium N.V./S.A.
Servicer	Dexia Bank Belgium N.V./S.A.
Security agent	Stichting Security Agent Penates
Swap counterparty	Dexia Bank S.A.
Bank account provider	Dexia Bank S.A.

Supporting Ratings

Institution/role	Ratings
Dexia Bank S.A. as bank account provider and swap counterparty	A/Negative/A-1

Transaction Key Features*	
Closing date	June 28, 2010
Collateral	Loans secured on first- and sequentially lower-ranking mortgages (and mandates to create lower-ranking mortgages) on properties in the Kingdom of Belgium
Principal outstanding (preliminary) (€)	6,448,170,700
Country of origination	Belgium
Concentration	Flanders (54.9%), Wallonia (33.5%), and Brussels (11.3%)
Property occupancy	Owner-occupied (98.1%) and buy-to-let (1.9%)
Weighted-average LTV ratio	66.6% (based on mortgage inscription and mandate)

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Transaction Key Features* (cont.)	
Average loan size balance per borrower (€)	98.928
Loan size range (€)	27 to 990,000
Weighted-average seasoning (months)	41.7
Weighted-average remaining loan life (years)	16.8
Weighted-average loan interest rate (%)	4.23
Weighted-average debt-to-income ratio (%)	47.1
Percentage of jumbo loans (>€200,000)	8.5% of the final pool
Excess spread (%)	0.40
Cash reserve at closing (mil. €)	60
Redemption profile	Sequential
Liquidity facility size (%)	None

*Mortgage loan pool statistics are as of April 30, 2010.

Transaction Summary

Standard & Poor's Ratings Services has assigned preliminary credit ratings to the mortgage-backed floating-rate notes that Penates Funding N.V./S.A., Compartment Penates-3 will issue.

The collateral comprises loans secured on first- and sequentially lower-ranking mortgages (and mandates to create lower-ranking mortgages) over residential property in Belgium.

The preliminary ratings reflect what we consider to be the sound payment structure and cash flow mechanics of the transaction, and our cash flow analysis to verify that the notes would be repaid under stress test scenarios.

Another key consideration in the rating analysis is the strong protection for noteholders that is provided by a combination of subordination, a reserve fund, and excess spread to cover credit losses and income shortfalls.

Notable Features

This transaction will be the third transaction issued by Penates Funding N.V./S.A., after Compartment Penates-1 and Compartment Penates-2 (not rated by Standard & Poor's). Penates Funding N.V./S.A., Compartment Penates-3 is a repeat transaction and the structure remains largely unchanged from previous Penates Funding transactions.

Strengths, Concerns, And Mitigating Factors

Strengths

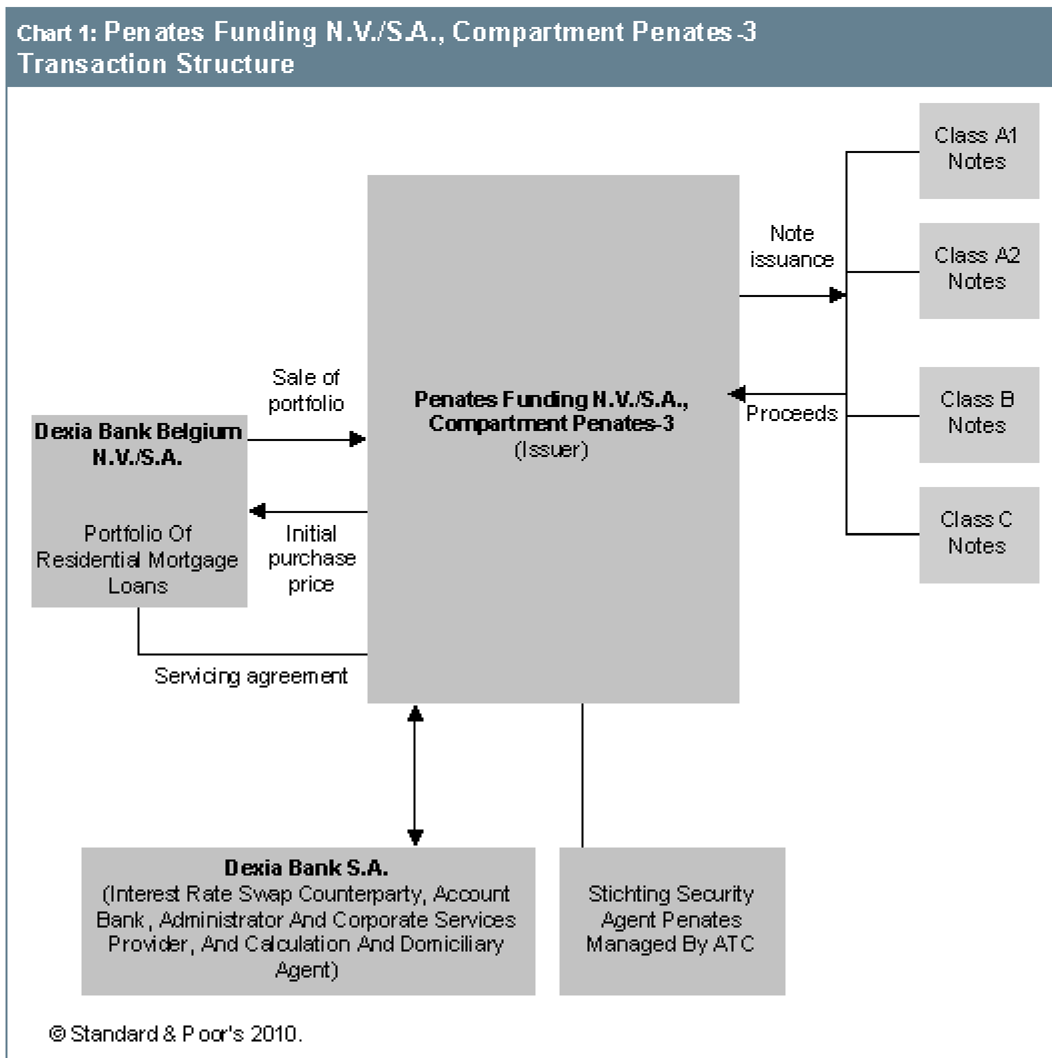
- The issuer will use the issuance proceeds from the class C notes to fully fund the cash reserve at closing.
- The portfolio is not revolving, so a shift in pool quality due to substitution cannot occur.
- The amortization of the notes is sequential at all times.

Concerns and mitigating factors

- Each loan in the provisional pool is secured on a mortgage, or a combination of a mortgage and an unsecured mortgage mandate. A mortgage mandate operates as an irrevocable power of attorney, enabling the beneficiary of the mortgage mandate to create a mortgage at a later date. These mortgage mandates must be converted into secured mortgages before they can be enforced upon in foreclosure. Mortgage mandates may exhibit a greater loss severity than fully secured mortgages because the borrower may grant a fully secured mortgage to another lender that may rank in priority to the mortgage mandate before its conversion (in case of fraud). Additionally, some of the mortgage mandates in the provisional pool may not be convertible into mortgages in the name of the issuer. We have factored into our credit analysis the greater loss severity associated with mortgage mandates, by giving no credit to the value of mortgage mandates in the pool.
- The reserve fund will amortize once 50% of the principal of the class A notes has been repaid. As a mitigating factor, conditions for amortization of the reserve fund include that no amount has been recorded on the principal deficiency ledger (PDL) on that date and that the reserve is at its reserve fund required amount. Moreover, the reserve fund cannot amortize below €15 million.
- There is no liquidity facility. Principal receipts can be used to pay interest on the class A notes and are repaid later from excess spread.
- If Dexia Bank Belgium becomes insolvent, collection amounts received that have not been swept may get caught up in its bankruptcy estate. This risk will be mitigated by a daily sweep of all collections and notification of all the borrowers upon a downgrade of Dexia Bank Belgium below 'A-2'.
- Dexia Bank Belgium is a deposit-taking entity. Belgian law is uncertain as to whether a borrower may rely on the defence of non-performance to suspend payment of amounts outstanding under a loan up to the amount of deposits which the lender fails to repay when due to the same borrower. To cover this potential risk, which we view as equivalent to set-off, a reserve will be constituted if Standard & Poor's rating on Dexia Bank Belgium is lowered below 'A-1'.

Transaction Structure

At closing, the issuer will buy and accept the assignment of all rights of the seller against certain borrowers in connection with the mortgage loan pool. At that time, the issuer will issue various classes of notes and use the proceeds (excluding the class C notes) to buy these rights (see chart 1).



At closing, the issuer will use the class C note issuance proceeds to fund the cash reserve initially at €60 million, i.e., 1% of the initial note balance.

The issuer has been established as an institutional VBS/SIC ("vennootschap voor Belegging in Schuldvorderingen"/"Société d'Investissement en Créances") under the Belgian Securitisation Act. The issuer conforms to our special-purpose entity (SPE) criteria.

Main Transaction Parties

Dexia Bank Belgium N.V./S.A. (originator, seller, and loan servicer)

Dexia Bank Belgium N.V./S.A. (Dexia Bank) is part of the Dexia group, along with Dexia Crédit Local and Dexia Banque Internationale à Luxembourg. Dexia Bank ranks among the largest retail banks in Belgium. Dexia Bank is a credit institution engaged, among other things, in the provision of mortgage loans secured on residential properties and consumer loans in Belgium.

Dexia Bank Belgium N.V./S.A., as loan servicer to the transaction, will agree to provide administration and management services to the issuer on a day-to-day basis in relation to the loans, including the collection of payments of principal, interest, and other amounts in respect of the loans and the transfer of such amounts on a daily basis to the account of the issuer. The servicer will administer the loans at the same level of skill, care, and diligence as mortgage loans in its own portfolio.

We have reviewed the origination, underwriting, valuation processes, collection, and default management procedures that Dexia Bank uses. This review is an integral part of the corporate overview we carry out during the rating process of any transaction.

Collateral Description

The collateral pool comprises loans secured on first-ranking (or first- and sequentially lower-ranking) mortgages over residential properties in Belgium, and mandates to create mortgages.

The preliminary €6.4 billion pool comprises 108,029 loans. The loans in the pool were originated after Jan. 1, 1995. The maximum original maturity of the loans cannot exceed 30 years. There are 1.9% of buy-to-let loans in the pool.

Charts 2 and 3 show the seasoning and loan size distributions.

Chart 2

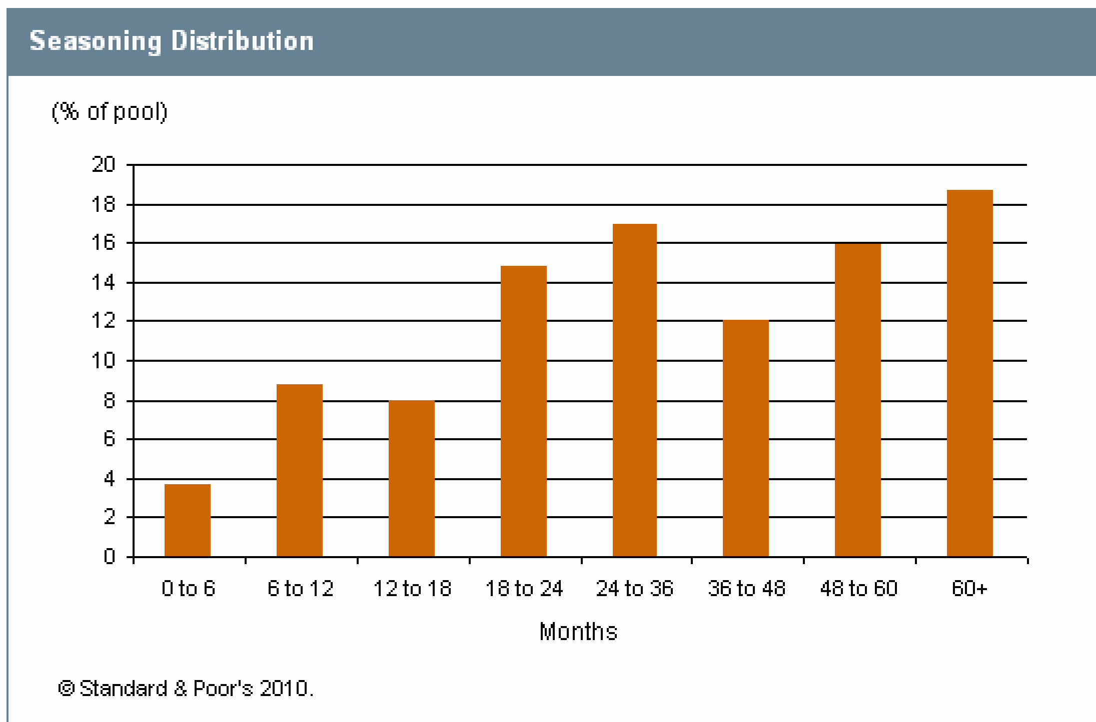
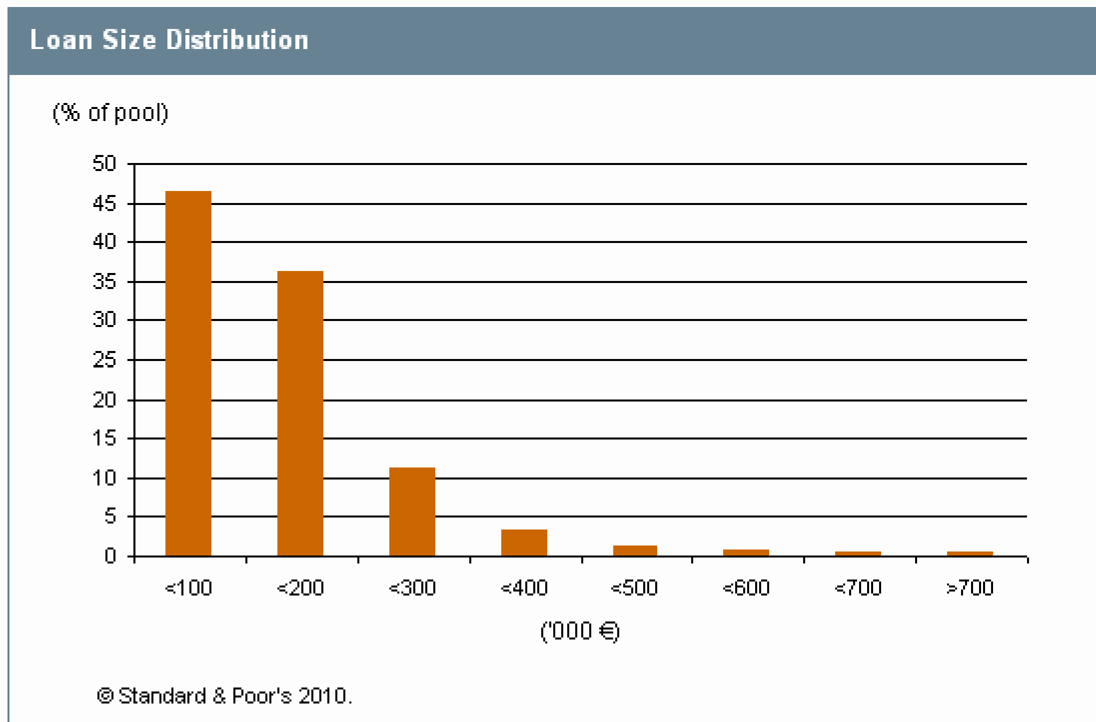


Chart 3



Mortgage mandates

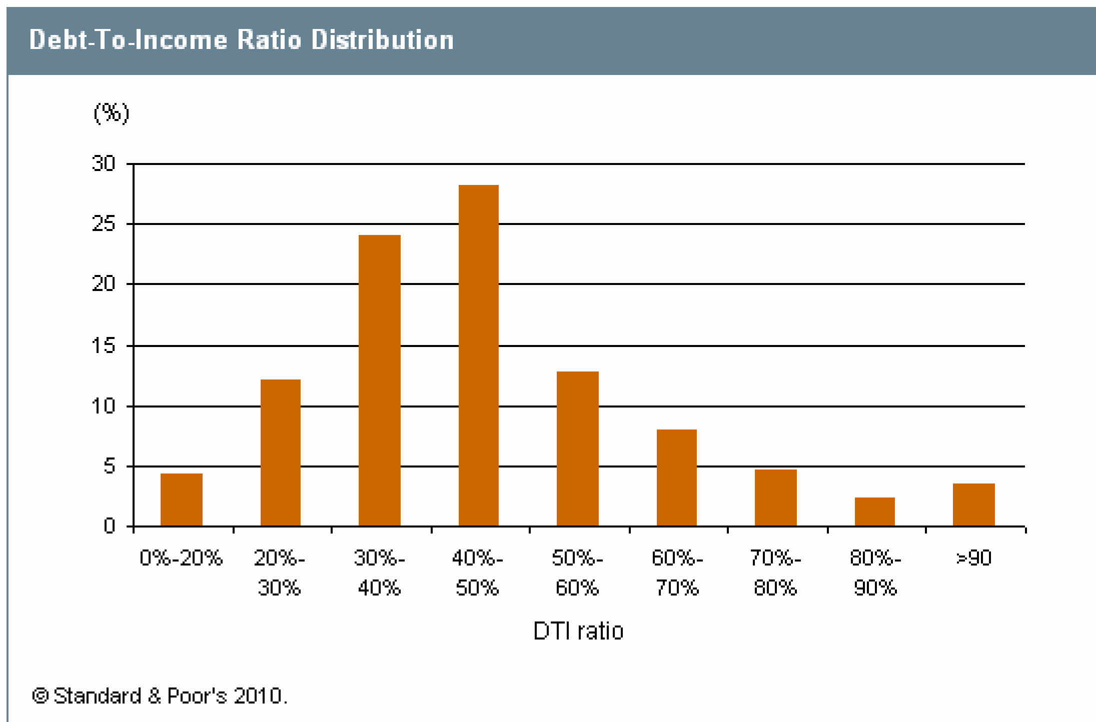
In Belgium, if a borrower takes out a mortgage, he must pay a registration fee based on a percentage of the mortgage loan. To reduce this fee, it is market practice for a lender to grant a mortgage loan partly secured by a mortgage inscription on the property and by a mortgage mandate. The registration fee is only payable on the mortgage inscription. A mandate is not a security for the loan. A mortgage mandate is solely the irrevocable option of the lender (or a third-party assignee) to unilaterally create a mortgage. Only when the mortgage mandate has been converted into a mortgage is the portion of the original loan represented by the mortgage mandate supported by a security interest on the relevant property.

Dexia Bank's existing mortgage mandate documentation does not allow a mandate to be converted into a mortgage in the issuer's name. Consequently, we have factored into our credit analysis the greater loss severity associated with mortgage mandates, by giving no credit to the value of mortgage mandates in the pool.

Affordability measures

The level of indebtedness of the borrowers measured through the debt-to-income ratio generally varies between 25% and 45%. However, in the preliminary pool, we observed relatively high debt-to-income (DTI) ratios (as shown in chart 4), with a weighted-average DTI ratio observed equal to 47.1%. Although we understand that the debt-to-income provided to us does not include certain revenues which tend to increase the actual level of debt-to-income used in the underwriting process, we have factored into our credit analysis the greater foreclosure frequency associated with the level of debt-to-income provided to us.

Chart 4



Credit Structure

Flow of funds

Borrowers' payments of interest and scheduled principal (other than for interest-only loans) under the mortgage receivables are due monthly, with the interest payable in arrears. Until the assignment of the mortgage receivables has been notified to the borrowers, all payments they make will be paid into the seller collection accounts.

If Dexia Bank Belgium becomes insolvent, collection amounts received that have not been swept may get caught up in its bankruptcy estate. This risk will be mitigated by a daily sweep of all principal payments, interest payments, prepayment penalties, and interest penalties received by the seller to the issuer transaction account. Additionally, if there is a notification event, the borrowers will be notified of the assignment of the mortgage receivables to the issuer and will have to make all payments directly to the issuer transaction account. One notification event would be the downgrade of Dexia Bank Belgium to below 'A-2'.

If the short-term rating on the bank account provider is lowered below 'A-1', the relevant bank accounts will move to a suitably rated entity.

Set-off risk

Dexia Bank Belgium is a deposit-taking entity.

Under Belgian law a party to a contract may in certain circumstances invoke the defence of non-performance to suspend performance of its obligations if the other party defaults under its own obligations under the same contract or a different but closely connected contract. If the default is not cured, the non-defaulting party's obligations may

ultimately be released.

We understand that, based on views expressed in Belgian legal doctrine, it has been argued that this defence might be used by a borrower to suspend payments due under a loan if the lender is in default on the repayment of deposits made by the same borrower, provided that the two obligations are considered sufficiently connected. We also understand that, in the absence of relevant case-law, the scope of the "close connection" concept for the purpose of the defence of non-performance under Belgian law is uncertain.

We understand that notice to the borrower that the loan has been assigned to the issuer would not in itself prevent the use of the defence of non-performance if all the required conditions are satisfied, including the "close connection" test.

This uncertainty could create a potential risk that payments of amounts outstanding under a loan may be suspended indefinitely up to the amount of deposits which the lender fails to repay when due to the same borrower.

To cover this potential risk, which we view as equivalent to set-off, a reserve will be constituted if Standard & Poor's rating on Dexia Bank Belgium is lowered below 'A-1'. The reserve will cover the minimum of outstanding deposits and outstanding loans of all clients who also have an outstanding loan in the transaction pool. The reserve will be at least equal to €1 billion.

Mortgage loan interest rates

Each of the mortgage loans has either a floating or fixed rate of interest. The weighted-average interest rate on the provisional pool is 4.23%. Interest rates vary between individual mortgage loans.

Interest rate swap agreement

On the closing date, the issuer will enter into a swap with Dexia Bank to hedge the basis risk between the rate of interest the issuer receives on the mortgage loans and the rate of interest the issuer pays on the notes.

Under the swap, the issuer will pay to the swap counterparty the interest received on the mortgage loans, minus senior fees and expenses payable by the issuer, minus 40 basis points (bps) on the principal amount of the performing mortgage loans outstanding.

In turn, the swap counterparty will pay to the issuer three-month EURIBOR plus the margin on the balance of the outstanding notes (excluding the class C notes), minus the balance on any respective PDL. Consequently, the swap will provide excess spread of 40 bps for the life of the transaction, which will be available to cover credit losses.

Reserve fund

The initial reserve will be fully funded to €60 million (1.0% of the initial note balance) at closing, using the proceeds from issuing the class C notes.

The reserve fund will not start amortizing until 50% of the class A notes have been repaid. It will only amortize if there are no balances on any PDL and if the reserve is at its reserve fund required amount.

Terms And Conditions Of The Notes

Payments of interest will be made quarterly in arrears on the payment dates falling in January, April, July, and October of each year, with the first payment date in October 2010. The notes will pay interest at three-month

EURIBOR plus a class-specific margin and will have a final maturity date of July 2044.

The issuer will use principal to redeem the notes sequentially with no pro rata redemption feature.

Each class of notes will rank pari passu and pro rata without preference or priority among themselves. Payments of principal on the class A2 notes will be subordinated to principal payments made on any outstanding class A1 notes, while payments of interest on classes A1 and A2 will be pari passu among themselves. Upon enforcement, the class A1 and A2 notes will rank pari passu and pro rata for principal payments. Payments of principal and interest on the class B notes will be subordinated to principal and interest payments made on any other outstanding class of notes ranking higher than the respective class of notes, in reverse order of seniority.

Optional redemption

The notes may be subject to optional redemption if a tax event, a change in law, or a regulatory call affects the notes or the mortgage loans cash flows, or when the principal outstanding of the notes has fallen below 10% of the initial note balance. Moreover, the issuer will have a right to call the notes on every quarterly note-payment date starting in July 2014 (assuming the issuer has sufficient funds).

Security for the notes

The assets pledged under the pledge agreement will serve as security for payments to the noteholders and will also provide security for other amounts payable by the issuer. Under the pledge agreement, the issuer will grant a pledge in favor of the security agent on behalf of the noteholders and the other secured parties over:

- The mortgage receivables and their related security;
- The issuer's rights under the transaction documents;
- All rights, title, interest, etc. of the issuer for the issuer accounts and any amounts in these accounts; and
- Any other assets of the issuer.

Parallel debt agreement

Under Belgian law, security cannot be granted in favor of the security agent because it is not a creditor for the pledged assets. To circumvent this restriction, the issuer and the security agent will enter into a parallel debt agreement under which the issuer will undertake to pay to the security agent the amounts due by it to the secured parties.

Credit Analysis

We have stressed the transaction cash flows to test the credit and liquidity support provided by the assets, subordinated tranches, cash reserve, and any external sources (such as a liquidity facility). We have implemented these stresses to the cash flows at all relevant rating levels.

For example, we subject a transaction that incorporates 'AAA', 'A', and 'BBB' rated tranches of notes to three separate sets of cash flow stresses. In the 'AAA' stresses, all 'AAA' rated notes must pay full and timely principal and interest, but this is not necessarily the case for the 'A' or 'BBB' rated tranches, as they are subordinated in the priority of payments. In the 'A' case, all 'AAA' and 'A' rated notes must receive full and timely principal and interest, but this is not necessarily so for the 'BBB' rated tranche, as it is subordinated to both 'AAA' and 'A'.

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Amount of defaults and recoveries

For each loan in the pool, we estimate the likelihood that the borrower will default on its mortgage loan payments (the foreclosure frequency), and the amount of loss on the subsequent sale of the property (the loss severity, expressed as a percentage of the outstanding loan). We assume the total mortgage loan balance to default. We determine the total amount of this defaulted balance that is not recovered for the entire pool by calculating the weighted-average foreclosure frequency (WAFF) and the weighted-average foreclosure frequency (WALS).

The WAFF and WALS estimates increase as the required rating level increases, because the higher the rating required on the notes, the higher the level of mortgage loan default and loss severity they should be able to withstand. This credit analysis is based on the characteristics of the loans and the associated borrowers. We have applied market-specific criteria in our assessment of the WAFF and the WALS for this portfolio, which are shown in table 1.

Table 1

Portfolio WAFF And WALS

Rating level	WAFF (%)	WALS (%)
AAA	26.6	27.9

Timing of defaults

The WAFF at each rating level specifies the total balance of the mortgage loans we assume to default over the life of the transaction. We assume that these defaults occur over a three-year recession. Further, we assess the effect of the timing of this recession on the ability to repay the liabilities, and we choose the recession start period based on this assessment.

The 'AAA' recession is delayed by 12 months and so starts in month 13. We apply the WAFF to the principal balance outstanding at the start of the recession (e.g., in a 'AAA' scenario, at the beginning of month 13). We assume defaults to occur periodically in amounts calculated as a percentage of the WAFF. The timing of defaults generally follows two paths, referred to here as "fast" and "slow" defaults. These timings are shown in table 2.

Table 2

Default Timings For Fast And Slow Default Curves

Recession month	Fast default (percentage of WAFF)	Slow default (percentage of WAFF)
1	30	0
6	30	5
12	20	5
18	10	10
24	5	20
30	5	30
36	0	30

Timing of recoveries

We assumed that the issuer would regain any recoveries 36 months after a payment default, based on historical data received from the originator. The value of recoveries at the 'AAA' rating level is 100% minus the WALS given above.

The WALS we use in a cash flow model is always based on principal loss, including costs. We assumed no recovery of any interest accrued on the mortgage loans during the foreclosure period. After the WAFF is applied to the

balance of the mortgage loans, the asset balance is likely to be lower than that on the liabilities (a notable exception is when a transaction relies on overcollateralization). The interest reduction created by the defaulted mortgage loans during the foreclosure period must be covered by other structural mechanisms in the transaction (e.g., the reserve fund and the excess spread).

Delinquencies

We model the liquidity stress that results from short-term delinquencies, i.e., those mortgage loans that cease to pay for a period of time but then recover and become current for both interest and principal. To simulate the effect of delinquencies, we assume a proportion of interest receipts equal to one-third of the WAFF to be delayed. We apply this in each month of the recession and assume that full recovery of delinquent interest occurs 18 months after it is removed from the transaction. Thus, if in month five of the recession the total collateral interest expected to be received is €1 million and the WAFF is 30%, €100,000 of interest (one-third of the WAFF) will be delayed until month 23.

Interest and prepayment rates

We modeled three different interest rate scenarios—rising, falling, and stable—using both high and low prepayment assumptions. We modeled interest rates to rise or fall by 2% a month to a high of 12% or a low of 2%. For stable interest rates, the interest rate was held at the current rate throughout the life of the transaction. In the 'AAA' scenario, we modeled the interest rate not to change until month 13. Also, we revise interest rate scenarios if there is sufficient evidence to warrant it.

We stress transactions according to two prepayment assumptions, high (24.0%) and low (0.5%). In a 'AAA' scenario, we model a prepayment rate of 12% before the recession for the first year of the transaction for both the high and low prepayment scenarios to ensure that the WAFF is applied to a consistent asset balance in month 13, when we assume the recession to start in the 'AAA' scenario.

We assume prepayment rates to be static throughout the life of the transaction and apply them monthly to the decreasing mortgage loans balance. We reserve the right to increase the high prepayment assumption if historical prepayment rates are at high levels, or the transaction is particularly sensitive to high prepayments.

In combination, the default timings, interest rates, and prepayment rates described above give rise to 12 different scenarios. The ratings we have assigned mean that the notes have all paid timely interest and ultimate principal under each of the 12 scenarios at the proposed rating level.

Scenario Analysis

As part of a broad series of measures that we announced in 2008 to enhance our analytics and dissemination of information, we have committed to provide a "what-if" scenario analysis in rating reports to explain key rating assumptions and the potential effect of positive or negative events on the ratings (see "A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process," published on Feb. 7, 2008).

This scenario analysis incorporates two aspects:

- A house price decline analysis; and
- A sensitivity analysis.

House Price Decline Analysis

Various factors could cause downgrades on rated residential mortgage-backed securities (RMBS) notes, such as increasing foreclosure rates in the securitized pools, house price declines, and changes in the pool composition. We have chosen to analyze the effect of house price declines by testing the sensitivity of the transaction to two different levels of movements.

Declining house prices generally lead to increasing loan-to-value (LTV) ratios and more borrowers entering negative equity. This may increase the default probability of a securitized pool and its associated loss severity. Consequently, depending on its effect, declining house prices could be a contributing factor in the downgrade of rated notes.

In our analysis, assumptions for house price declines will affect the calculation of both the WAFF and WALS. We perform our analysis on a loan-by-loan basis. Hence, the effect of applying different levels of house price declines differs between transactions, given the different concentrations in LTV ratio bands. Note that even in these house price decline scenarios, structural features in securitizations might mitigate these declines.

Further house price declines of 5% and 10%

At closing, we calculated the 'AAA' WAFF for the Penates 3 pool to be 26.6% and the WALS at the 'AAA' level to be 27.9%. Note that we have already based these calculations on a market value decline assumption of 45%.

In the first scenario, in addition to the 'AAA' stress assumption, we apply a further 5% decrease in house prices. All else being equal, this would cause the WALS to increase to 29.5% (up 10.9%). In this scenario, the 'AAA' rating on the class A1 and class A2 notes in the transaction would withstand the effect of the further 5% house price decline with no adverse rating effect.

In the second scenario, we apply a further 10% decrease in house prices. All else being equal, this would cause the WALS to increase to 31.2% (up 17.3%). In this scenario, the 'AAA' rating on the class A1 and class A2 notes in the transaction would withstand the effect of the further 5% house price decline with no adverse rating effect.

It should be noted that we based the analysis above on a simplified assumption, i.e., that the 5% or 10% house price decline materializes immediately on the day after closing. In reality, house price declines materialize over a period of time. Therefore, other factors, such as seasoning or scheduled repayments under the loans, could mitigate the effect of the house price decline.

Table 3 summarizes the results of the house price decline analysis.

Table 3

Results Of The House Price Decline Analysis

House price environment	WAFF (%)	WALS (%)	Rating on class A1 and A2 notes
'AAA' market value decline of 45%	26.6	27.9	AAA
Additional 10% house price decline	26.6	29.5	AAA
Additional 15% house price decline	26.6	31.2	AAA

Sensitivity Analysis

As house price movements are only one factor that may affect a transaction's foreclosure rate and loss severity, in this section we assess whether the rated notes would continue to pay interest on a timely basis and repay principal in full by the legal final maturity of the rated bonds, under different combinations of WAFF and WALS, prepayment rates, and interest rates. We have constructed the various sensitivities in such a way as to test the transaction's sensitivity to different combinations that may be more or less severe than the 'AAA' stress assumptions. As a number of reasons may lead to an increase in WAFF or WALS, we attempt to show the sensitivity of the 'AAA' rating to movements in these factors.

If the notes fail any of these scenarios, we examine the level of interest and principal shortfalls and calculate the present value of these shortfalls using the cost of the rated notes as the discount factor and a combination of other different discount factors. We further provide the expected weighted-average life for each note in these scenarios. Note that in this part of the analysis, the stresses we apply are hypothetical and may differ from future default rates, loss probabilities, or prepayment rates in the pool.

The four scenarios in our sensitivity analysis

Different combinations of WAFF and WALS are the first parameter in our sensitivity analysis. We then test these combinations under two constant prepayment rate levels: 10% and 20%. Lastly, these tests assume a forward interest rate curve.

The three parameters result in four different scenarios. In all these scenarios, the analysis would imply that the class A1 and class A2 notes would be able to pay interest in a timely manner and repay principal in full on or before the notes' legal final maturity date.

Table 4

Sensitivity Analysis: Four Scenarios—Class A1

Parameter 1: WAFF/WALS (%)	Parameter 2: Prepayment levels (%)	Parameter 3: Interest rate levels	Loss (mil. €)	Present value of losses (mil. €)	Weighted-average life (years)	Present value of cash-flows (%) discounted with the cost of the notes	Present value of cash-flows (%) discounted with the cost of the notes plus 100 bps	Present value of cash-flows (%) discounted with the cost of the notes plus 200 bps	Present value of cash-flows (%) discounted with the cost of the notes plus 300 bps
WAFF/WALS combination 1									
30/35	10	Forward interest rate	0	0	1.34	100.00	98.69	97.41	96.16
30/35	20	Forward interest rate	0	0	0.83	100.00	99.17	98.36	97.56
WAFF/WALS combination 2 – current calculated WAFF/WALS at 'AAA' level									
26.6/27.9	10	Forward interest rate	0	0	1.32	100.00	98.71	97.45	96.22
26.6/27.9	20	Forward interest rate	0	0	0.83	100.00	99.18	98.37	97.57

Table 5

Sensitivity Analysis: Four Scenarios—Class A2

Parameter 1: WAFF/WALS (%)	Parameter 2: Prepayment levels (%)	Parameter 3: Interest rate levels	Loss (mil. €)	Present value of losses (mil. €)	Weighted-average life (years)	Present value of cash-flows (%) discounted with the cost of the notes	Present value of cash-flows (%) discounted with the cost of the notes plus 100 bps	Present value of cash-flows (%) discounted with the cost of the notes plus 200 bps	Present value of cash-flows (%) discounted with the cost of the notes plus 300 bps
WAFF/WALS combination 1									
30/35	10	Forward interest rate	242.9	137.0	6.3	98.13	92.73	87.71	83.05
30/35	20	Forward interest rate	214.8	202.8	4.5	97.60	93.55	89.73	86.11
WAFF/WALS combination 2 – current calculated WAFF/WALS at 'AAA' level									
26.6/27.9	10	Forward interest rate	0	0	6.6	100.00	93.21	81.40	71.55
26.6/27.9	20	Forward interest rate	0	0	4.6	100.00	94.50	84.69	76.23

Where interest or principal shortfalls occur under the most senior notes, the holders of these notes and/or the trustee can call an event of default. This could lead to multiple events such as the swap terminating (with the issuer needing to make termination payments), and the post-enforcement priority of payments being applied. All of these events will have an effect on the transaction cash flows.

For the purposes of the analysis above, we make a simplified assumption that the trustee will not call an event of default and that the swap will not terminate.

As we continue to refine our scenario analysis, we will provide further analysis to assess the sensitivity of other risk factors that may affect our ratings on RMBS transactions.

Surveillance

We will maintain ongoing surveillance on the transaction until the notes mature or are otherwise retired. To do this, we will analyze regular reports provided by the sellers detailing the performance of the underlying collateral. We will closely monitor the supporting ratings to the transaction and make regular contact with the sellers to ensure that the bank's minimum standards are being maintained, and that any material changes in the sellers' operations are assessed.

The key performance indicators in the surveillance of this transaction are:

- Total and 90-day delinquencies;
- Cumulative realized losses;
- LTV ratios;
- Constant prepayment rates; and
- Increases in credit enhancement for the notes.

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Related Criteria and Research

- Revised Framework For Applying Counterparty And Supporting Party Criteria, May 8, 2007
- Update And Clarification To Counterparty Criteria For Interest Rate Swap Counterparties In 'AAA' Rated Transactions, April 1, 2009
- Cash Flow Criteria for European RMBS Transactions, Nov. 20, 2003
- Update to The Cash-Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- European Legal Criteria for Structured Finance Transactions, Aug. 28, 2008
- Principles-Based Rating Methodology For Global Structured Finance Securities, May 29, 2007
- A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process, Feb. 7, 2008
- Ratings Roundup: Widespread Collateral Deterioration Fuels European Structured Finance Downgrades In Q4 2009, Feb. 22, 2010
- European Structured Finance Outlook 2010: Conditions Improving For Primary Issuance, But New Equilibrium Still Some Way Off, Feb. 1, 2010
- Transition Study: Isolated Collateral Deterioration Leads To Varying 2009 Rating Behavior In European Structured Finance, Feb. 1, 2010
- General Criteria: Standard & Poor's To Explicitly Recognize Credit Stability As An Important Rating Factor, Oct. 15, 2008

Related articles are available on RatingsDirect. Criteria, presales, servicer evaluations, and ratings information can also be found on Standard & Poor's Web site at www.standardandpoors.com. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4011.

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