

Fitch Ratings

Fitch Affirms Esmee Master Issuer NV/SA Series 0-2009-I Class A notes

Fitch Ratings-Paris/London-25 January 2016: Fitch Ratings has affirmed Esmee Master Issuer NV/SA Series 0-2009-I class A notes following the amendment of the structure that includes an extension by 30 months of the revolving period and an additional issuance of EUR2,070m of notes.

EUR7,550m Class A notes: 'AAAsf': Outlook Stable

Esmee Master Issuer NV/SA closed in December 2009. It is a revolving transaction of loans granted by BNP Paribas Fortis (A+/Stable/F1) to Belgian small and medium-sized enterprises (SMEs) and self-employed individuals.

KEY RATING DRIVERS

Stable Performance to Date

As of the October 2015 investor report, current defaults in the portfolio were at EUR54.9m and accounted for 0.7% of outstanding balance compared with 0.75% in October 2014. Over the same period, loans that are more than 90 days in arrears have decreased to 0.2% from 0.31% of the portfolio's outstanding balance. The percentage of obligors classified in the originator's lowest internal rating buckets (with an internal probability of default of 100%) is currently 2.09% of the outstanding portfolio balance (2.65% in October 2014).

Amendments to Transaction Documentation

The transaction structure was modified on 25 January 2016. The changes include the following:

- Issue of EUR2,070m Series 0-2009-I notes of which EUR1,510m class A notes are for the purchase EUR2,000m additional SME receivables
- The extension of the transaction's revolving period by an additional 30 months (until October 2018);
- Addition of a trigger event: if the amount of cash held in the issuer account is higher than 10% of class A to D notes for more than six months, the transaction will enter into amortisation;
- The revision of the commingling risk arrangements;
- The revision of the class A interest rate margin over Euribor to 0.28%.

Extension of the Revolving Period

From January 2013, the transaction will be revolving until October 2018 (since the extension of the revolving period in October 2013, the revolving period was expected to end in April 2016), after which the portfolio will become static and amortise. The early amortisation triggers, along with eligibility criteria and available credit enhancement, adequately mitigate the risk introduced by the extended revolving period. Fitch has analysed potential pool mix shifts during this period and modelled a stressed-case portfolio.

Commingling Risk Amended Arrangements

In addition to the initial arrangements, in case the collection account bank's Issuer Default Ratings (IDRs) are downgraded below 'A' and 'F1', BNP Paribas Fortis will either transfer to an escrow account - opened with a counterparty whose IDRs are at least 'A' and 'F1' - an amount equivalent to the next instalment to be received from the SME receivables, or it will notify the borrowers of the assignment of their receivables to the issuer and request them to pay directly to the issuer account.

Swap

Under the swap agreement, the issuer retains - over the interest received from the portfolio - an excess margin of 75 bps in addition to the senior costs on its payment to the swap counterparty, and

receives interest to be paid on the notes based on the outstanding amount of notes net of deficiency ledgers. In its analysis Fitch tested the dependency of the transaction on this hedging agreement.

Recovery Rates

The originator benefits from securities such as mortgages, "mandates" (i.e. an agreement between the borrower and a third party, in which the borrower gives the proxy the right to unilaterally create a mortgage for the benefit of the lender over a certain property), cash pledges and other type of securities over a certain number of loans in the portfolio.

Apart from mortgages Fitch treated all other collateral types as unsecured. To give limited credit to these securities, Fitch applied a 2x multiplier to unsecured recoveries. We note that by operation of the Mortgage Act, the SME receivables and the advances made under credit facilities which are secured by respectively all sum mortgages and mortgages, are supposed to be paid in priority to any claim or advance granted after the purchase by the issuer unless otherwise specified in the transaction documentation. The transaction documents foresee that the loans and advances granted after the purchase by the issuer will be paid *pari passu* and *pro-rata*.

Portfolio Composition

The underlying portfolio remains highly granular and as of end-September 2015 contained 125,390 loans from 62,013 obligors spread across 11 provinces in Belgium. The largest obligor represents 0.3% of the portfolio while the top 20 represent 2.85%. The most concentrated province is Antwerpen, at 17.5% of the portfolio. The top three industries represent 44.5% of the portfolio. The largest is wholesale and retail trade, accounting for 20.4% of the outstanding portfolio balance.

RATING SENSITIVITIES

Rating sensitivity to default rate assumptions

Current rating: 'AAAsf'

Default multiplier of 1.25x: 'AA+sf'

Default multiplier of 1.5x: 'AA+sf'

Rating sensitivity to recovery rate assumptions

Current rating: 'AAAsf'

Recovery rate multiplier of 0.75x: 'AAAsf'

Recovery rate multiplier of 0.5x: 'AA+sf'

Rating sensitivity to correlation

Current rating: 'AAAsf'

2x base correlation for Belgium: 'AA+sf'

Rating sensitivity to shifts in multiple factors

Current rating: 'AAAsf'

Default rate multiplier of 1.25x and recovery rate multiplier of 0.75x and 2x base correlation for Belgium: 'AA+sf'

DUE DILIGENCE USAGE

No third party due diligence was provided or reviewed in relation to this rating action.

DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pool and the transaction. There were no findings that were material to this analysis. Fitch has not reviewed the results of any third party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Fitch did not undertake a review of the information provided about the underlying asset pool ahead of the transaction's initial closing. The subsequent performance of the transaction over the years is consistent with the agency's expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately

reliable.

Overall, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

SOURCES OF INFORMATION

The information below was used in the analysis.

- Loan-by-loan data provided by BNP Paribas Fortis as at 31 August 2015
- Observed default rate on the bank's book data provided by BNP Paribas Fortis as at 31 December 2014
- Transaction performance reporting provided by Intertrust B.V as at 31 October 2015
- Pool characteristics report provided by Intertrust B.V as at 30 September 2015

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Applicable Criteria

- Counterparty Criteria for Structured Finance and Covered Bonds (pub. 14 May 2014) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158)
- Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum (pub. 14 May 2014) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744175)
- Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds (pub. 19 Dec 2014) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=838868)
- Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs) (pub. 06 Mar 2015) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=863220)
- Criteria for Servicing Continuity Risk in Structured Finance (pub. 17 Dec 2015) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=875586)
- Global Structured Finance Rating Criteria (pub. 06 Jul 2015) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=867952)

Additional Disclosures

- Dodd-Frank Rating Information Disclosure Form (https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=998336)
- Solicitation Status (https://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=998336)
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